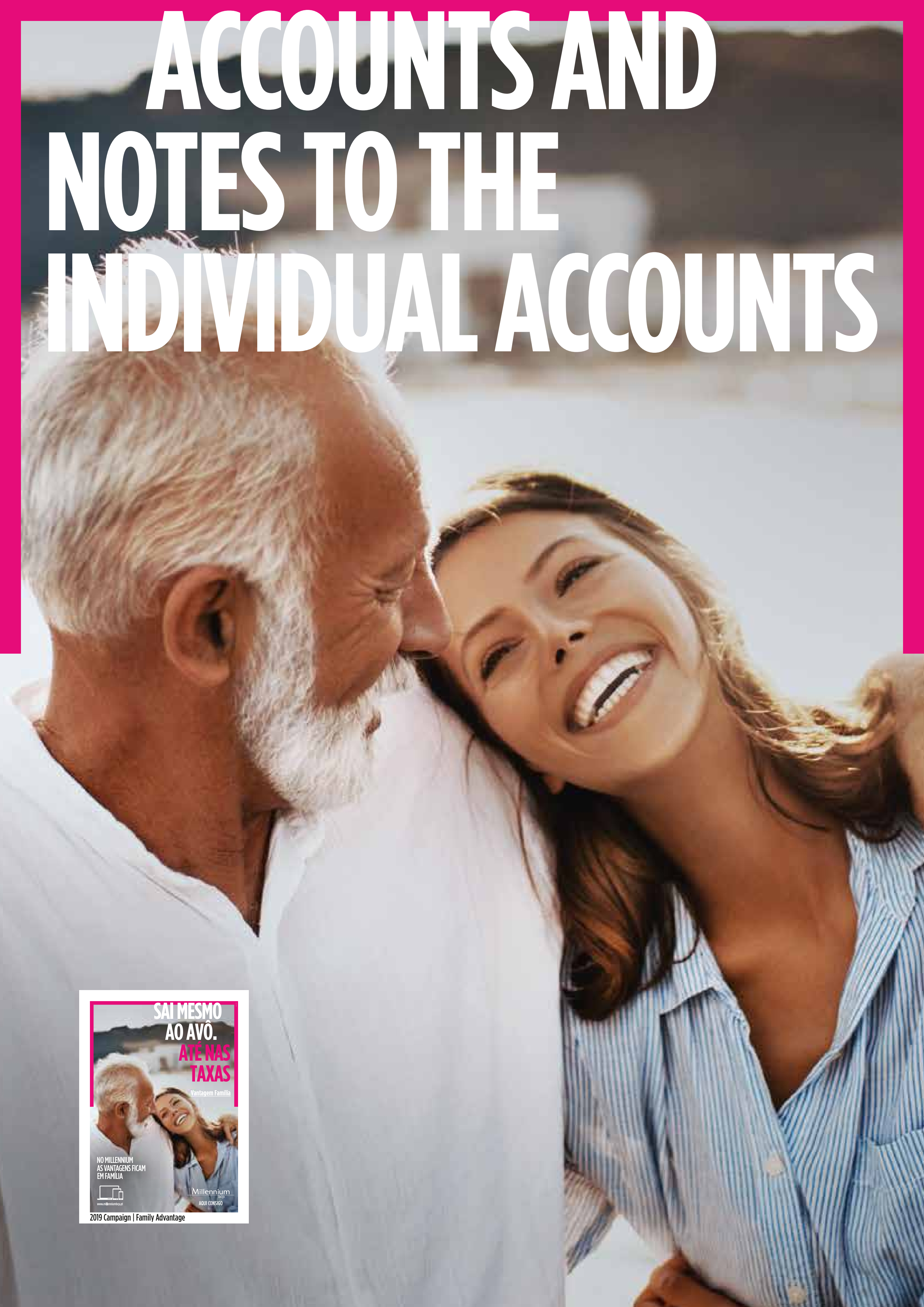
ACCOUNTS AND NOTES TO THE INDIVIDUAL ACCOUNTS



2019 Campaign | Family Advantage

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

(Thousands of euros)

	Notes	2019	2018 (*)
Interest and similar income	2	944,520	950,530
Interest expense and similar charges	2	(152,522)	(171,625)
NET INTEREST INCOME		791,998	778,905
Dividends from equity instruments	3	19,677	223,351
Net fees and commissions income	4	467,552	448,473
Net gains / (losses) from foreign exchange	5	13,626	24,512
Net gains / (losses) from hedge accounting operations	5	(968)	1,364
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(9,447)	(48,921)
Net gains / (losses) from financial operations at fair value through profit or loss	5	(42,540)	(38,750)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	94,578	12,895
Other operating income / (losses)	6	(42,255)	(36,673)
TOTAL OPERATING INCOME		1,292,221	1,365,156
Staff costs	7	401,052	376,879
Other administrative costs	8	196,526	229,887
Amortisations and depreciations	9	70,528	32,441
TOTAL OPERATING EXPENSES		668,106	639,207
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		624,115	725,949
Impairment for financial assets at amortised cost	10	(277,097)	(387,155)
Impairment for financial assets at fair value through other comprehensive income	11	2,180	788
Impairment for other assets	12	(90,383)	(214,591)
Other provisions	13	994	(60,544)
NET OPERATING INCOME		259,809	64,447
Gains / (losses) arising from sales of subsidiaries and other assets	14	27,201	30,929
NET INCOME BEFORE INCOME TAXES		287,010	95,376
Income taxes			
Current	27	11,393	(3,199)
Deferred	27	(159,107)	(32,910)
NET INCOME FOR THE YEAR		139,296	59,267
Earnings per share (in Euros)			
Basic	15	0.007	0.004
Diluted	15	0.007	0.004

(*) The balances for the year ended 31 December 2018 are presented for comparative purposes only, and the respective restatement has not been carried out following the merger by incorporation of Banco de Investimento Imobiliário S.A. into Banco Comercial Português, S.A., with reference to 1 January 2019, as note 53.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

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

(Thousands of euros)

	Notes	2019	2018 (*)
NET INCOME FOR THE YEAR		139,296	59,267
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT	39		
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the year		188,298	2,514
Reclassification of (gains) / losses to profit or loss		(94,578)	(12,895)
Cash flows hedging			
Gains / (losses) for the year		42,929	87,464
Fiscal impact		(44,959)	(24,127)
		91,690	52,956
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the ye	39	(19,387)	(959)
Changes in credit risk of financial liabilities at fair value through profit or loss	39	(4,019)	2,193
Actuarial gains / (losses) for the year (note 45)	45	(281,760)	(97,406)
Fiscal impact		(43,781)	(8,286)
		(348,947)	(104,458)
Other comprehensive income / (loss) for the year		(257,257)	(51,502)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(117,961)	7,765

(*) The balances for the year ended 31 December 2018 are presented for comparative purposes only, and the respective restatement has not been carried out following the merger by incorporation of Banco de Investimento Imobiliário S.A. into Banco Comercial Português, S.A., with reference to 1 January 2019, as note 53.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Notes	2019	2018 (*)
ASSETS			
Cash and deposits at Central Banks	16	4,049,676	1,682,922
Loans and advances to credit institutions repayable on demand	17	126,050	186,477
Financial assets at amortised cost			
Loans and advances to credit institutions	18	514,309	2,044,730
Loans and advances to customers	19	32,386,351	30,988,338
Debt securities	20	2,448,401	2,641,291
Financial assets at fair value through profit or loss			
Financial assets held for trading	21	642,358	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	21	1,444,772	1,589,899
Financial assets designated at fair value through profit or loss	21	31,496	33,034
Financial assets at fair value through other comprehensive income	21	8,078,870	6,996,892
Hedging derivatives	22	34,990	92,891
Investments in subsidiaries and associated companies	23	3,135,649	3,147,973
Non-current assets held for sale	24	929,066	1,252,654
Other tangible assets	25	395,770	220,171
Intangible assets	26	40,822	29,683
Current tax assets		8,984	18,375
Deferred tax assets	27	2,584,903	2,782,536
Other assets	28	1,094,337	946,549
TOTAL ASSETS		57,946,804	55,350,167
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	29	8,181,865	8,372,537
Resources from customers	30	36,492,065	34,217,917
Non subordinated debt securities issued	31	1,496,508	1,198,767
Subordinated debt	32	1,125,053	825,624
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	33	269,166	295,695
Financial liabilities at fair value through profit or loss	34	3,201,310	3,603,647
Hedging derivatives	22	121,474	68,486
Provisions	35	260,446	313,868
Current tax liabilities		1,480	1,620
Other liabilities	36	904,997	860,843
TOTAL LIABILITIES		52,054,364	49,759,004
EQUITY			
Share capital	37	4,725,000	4,725,000
Share premium	37	16,471	16,471
Other equity instruments	37	400,000	2,922
Legal and statutory reserves	38	240,535	264,608
Reserves and retained earnings	39	371,138	522,895
Net income for the year		139,296	59,267
TOTAL EQUITY		5,892,440	5,591,163
TOTAL LIABILITIES AND EQUITY		57,946,804	55,350,167

(*) The balances for the year ended 31 December 2018 are presented for comparative purposes only, and the respective restatement has not been carried out following the merger by incorporation of Banco de Investimento Imobiliário S.A. into Banco Comercial Português, S.A., with reference to 1 January 2019, as note 53.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE 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	862,967	879,972
Commissions received	619,570	601,125
Fees received from services rendered	66,109	57,851
Interests paid	(140,801)	(183,261)
Commissions paid	(103,311)	(102,213)
Recoveries on loans previously written off	8,691	9,371
Payments (cash) to suppliers and employees (**)	(693,597)	(699,393)
Income taxes (paid) / received	20,980	(1,014)
	640,608	562,438
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(9,637)	(792,579)
Loans and advances to customers receivable / (granted)	(394,595)	(433,205)
Short term trading account securities	140,370	25,050
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(171,359)	58,957
Deposits from credit institutions with agreed maturity date	(1,237,613)	511,420
Loans and advances to customers repayable on demand	2,986,683	2,637,611
Deposits from customers with agreed maturity date	(1,591,066)	(848,892)
	363,391	1,720,800
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies	13	99,000
Acquisition of shares in subsidiaries and associated companies	(1,017)	(47,000)
Dividends received	16,670	223,351
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	69,634	63,314
Sale of financial assets at fair value through other comprehensive income and at amortised cost	17,420,488	5,043,584
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(17,438,490)	(8,744,413)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	1,115,291	1,609,212
Acquisition of tangible and intangible assets	(51,137)	(46,750)
Sale of tangible and intangible assets	1,293	97
Decrease / (increase) in other sundry assets	(320,702)	520,059
	812,043	(1,279,546)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	450,000	-
Reimbursement of subordinated debt	(129,086)	(91,460)
Issuance of debt securities	833,225	379,962
Reimbursement of debt securities	(151,878)	(437,711)
Issuance of commercial paper and other securities	238,839	23,204
Reimbursement of commercial paper and other securities	(171,641)	(108,930)
Issuance of perpetual subordinated bonds (Additional Tier 1) (note 43)	396,325	-
Reimbursed of perpetual subordinated debt securities	(2,922)	-
Dividends paid to shareholders of the Bank (note 43)	(30,228)	-
Dividends paid of perpetual subordinated debt securities	(148)	(149)
Dividends paid of perpetual subordinated bonds (Additional Tier 1)	(27,750)	-
Increase / (decrease) in other sundry liabilities (***)	(273,843)	215,106
	1,130,893	(19,978)
Net changes in cash and equivalents	2,306,327	421,276
Cash (note 16)	355,745	337,534
Deposits at Central Banks (note 16)	1,327,177	954,129
Loans and advances to credit institutions repayable on demand (note 17)	186,477	156,460
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,869,399	1,448,123
Cash (note 16)	381,202	355,745
Deposits at Central Banks (note 16)	3,668,474	1,327,177
Loans and advances to credit institutions repayable on demand (note 17)	126,050	186,477
CASH AND EQUIVALENTS AT THE END OF THE YEAR	4,175,726	1,869,399

(*) The balances for the year ended 31 December 2018 are presented for comparative purposes only, and the respective restatement has not been carried out following the merger by incorporation of Banco de Investimento Imobiliário S.A. into Banco Comercial Português, S.A., with reference to 1 January 2019, as note 53.
(**) In 2019, this balance includes the amount of Euros 541,000 related to short-term lease contracts and the amount of Euros 1,540,000 related to lease contracts of low value assets.
(***) In 2019, this balance includes the amount of Euros 18,853,000 corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Reserves and retained earnings	Net income for the year	Total equity
BALANCE AS AT 31 DECEMBER 2017	5,600,738	16,471	2,922	252,806	(61,691)	118,021	5,929,267
Transition adjustments IFRS 9							
Gross value	-	-	-	-	(174,559)	-	(174,559)
Taxes	-	-	-	-	(170,648)	-	(170,648)
	-	-	-	-	(345,207)	-	(345,207)
BALANCE AS AT 1 JANUARY 2018	5,600,738	16,471	2,922	252,806	(406,898)	118,021	5,584,060
Net income for the year	-	-	-	-	-	59,267	59,267
Other comprehensive income	-	-	-	-	(51,502)	-	(51,502)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	(51,502)	59,267	7,765
Results aplications:							
Legal reserve (note 38)	-	-	-	11,802	-	(11,802)	-
Transfers for Reserves and retained earnings	-	-	-	-	106,219	(106,219)	-
Share capital reduction (note 37)	(875,738)	-	-	-	875,738	-	-
Costs related to the share capital decrease	-	-	-	-	(41)	-	(41)
Dividends from other equity instruments	-	-	-	-	(149)	-	(149)
Merger reserve (Enerparcela and Sadamora)	-	-	-	-	(472)	-	(472)
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	2,922	264,608	522,895	59,267	5,591,163
Fair value reserves	-	-	-	-	23,839	-	23,839
Merger reserve of Banco de Investimento Imobiliário, S.A. (BII) on Banco Comercial Português, S.A. (BCP)	-	-	-	-	63,901	-	63,901
BALANCE AS AT 1 JANUARY 2019	4,725,000	16,471	2,922	264,608	610,635	59,267	5,678,903
Net income for the year	-	-	-	-	-	139,296	139,296
Other comprehensive income	-	-	-	-	(257,257)	-	(257,257)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	(257,257)	139,296	(117,961)
Results aplications (note 43):							
Legal reserve (note 38)	-	-	-	5,927	(5,927)	-	-
Statutory reserve (note 38)	-	-	-	(30,000)	30,000	-	-
Transfers for Reserves and retained earnings	-	-	-	-	59,267	(59,267)	-
Dividends (note 43)	-	-	-	-	(30,228)	-	(30,228)
Issue of perpetual subordinated bonds (Additional Tier 1) (note 37)	-	-	400,000	-	-	-	400,000
Interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	(27,750)	-	(27,750)
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	(3,675)	-	(3,675)
Taxes on interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	19	-	19
Reimbursed of perpetual subordinated debt securities (note 37)	-	-	(2,922)	-	-	-	(2,922)
Reversal of deferred tax assets related with expenses with the capital increase	-	-	-	-	(3,652)	-	(3,652)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	2	-	2
Costs with merger reserve	-	-	-	-	(148)	-	(148)
Dividends from other equity instruments	-	-	-	-	(148)	-	(148)
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	400,000	240,535	371,138	139,296	5,892,440

(*) 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 51).

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these separate financial statements reflect the results of the operations of the Bank for the years ended 31 December 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 Bank's separate financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), since 2016. IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The separate 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 separate 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 separate financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

A1. Comparative information

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2019. The accounting policies are consistent with those used in the preparation of the financial statements of the previous period, except for the changes resulting from the adoption of the following 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 Bank carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Bank 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 Bank 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 52. Application of IFRS 16 – Leases. The balances included in the financial statements as at 31 December 2018 are presented for comparative purposes only.

During the month of September 2019, the Board of Directors of Banco Comercial Português, S.A. and Banco de Investimento Imobiliário, S.A. (BII) approved the merger project of BII, a subsidiary 100% owned by Banco Comercial Português, S.A., by incorporation in the latter. The merger process for incorporating BII into BCP was concluded on 30 December 2019, after the signing of the merger deed, with effect from 1 January 2019. The detail of this operation is presented in note 53. Merger of Banco de Investimento Imobiliário S.A. with Banco Comercial Português, S.A.

The Bank'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.Y.

B. Financial instruments (IFRS 9)

B1. Financial assets

B1.1. Classification, initial recognition and subsequent measurement

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

i) “Financial assets at 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 Bank's business model for the management of the financial asset; and,
- the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Bank carried out an evaluation of the business model in which the financial 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 Bank'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 Bank establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value 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 Bank considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Bank considered:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Bank to claim cash flows in relation to specific assets (e.g., contracts with terms 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.

B1.1.1. 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 Bank 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 B1.5), 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 B3.

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

B1.1.2. Financial assets at fair value through other comprehensive income

Classification

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

- the financial asset is held within a business model whose objective is 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 Bank may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided 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 B1.5). Impairment losses are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against "Other comprehensive income", and do not reduce the carrying amount of the financial asset in the balance sheet.

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

Equity instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. The changes in the fair value of these financial assets are 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.

B1.1.3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Bank for its management or the characteristics of its contractual cash flows 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 Bank may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces 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 Bank 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 Bank has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

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

B1.2. 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.

B1.3. Modification and derecognition of financial assets

General principles

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

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

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

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

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

- the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
- if the Bank 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 Bank 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 Bank 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 Bank's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Bank 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 Bank 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 Bank 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 Bank prove to be fruitless. Loans written-off are recognised in off-balance sheet accounts.

B1.4. 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 B1.3) 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).

B1.5. Impairment losses

B1.5.1. Financial instruments subject to impairment losses recognition

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

B1.5.1.1. Financial assets at amortised cost

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

B1.5.1.2. Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in 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).

B1.5.1.3. Credit commitments, documentary credits and financial guarantees

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

B1.5.2. 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 Bank determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified into one of the following three stages:

- Stage 1: 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 B1.5.3) but are not impaired (note B1.5.4) 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.

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

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on the risk grades of customers, 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.

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

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

a) Customers that are in default or with a limit exceeded for more than 90 days above the materiality applicable;
b) Customers subjected to individual analysis of impairment, for which the amount of impairment represents more than 20% of total exposure;
c) Customers submitted to the individual analysis of impairment and for which impairment value exceeds Euros 5 million;
d) Clients declared insolvent;
e) Customers that are subject to judicial recovery, excluding guarantors;
f) Customers with 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.

B1.5.5. 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 grade 15
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 grade14
	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 Bank 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 Bank 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.

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

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

a) Segments with a reduced history of defaults, designated 'low default': Large corporate exposures, Project finance, Institutions (banks/financial institutions) and Sovereigns;
b) Segments not 'low default': - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail ('SME Retail'); and Others - Corporate: Small and medium enterprises - Corporate ('Large SME'); and Real Estate.

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

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

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

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

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

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

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

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

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

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

The EAD represents the expected exposure if the exposure and/or customer defaults. The Bank obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including 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 Bank will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Bank has the right to require payment or end the commitment or guarantee.

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

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

The PD point-in-time (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.

B2. Financial liabilities

B2.1. Classification, initial recognition and subsequent measurement

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

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

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

Classification

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

a) "Financial liabilities held for trading"

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

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

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

- the financial liability is managed, evaluated and reported internally at its fair value; 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 Bank in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are 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.

B2.1.2. Financial guarantees

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

- the provision for losses determined according to the criteria described in note B1.5;
- the amount initially recognised deducted, 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".

B2.1.3. Financial liabilities at amortised cost

Classification

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

The category "Financial assets at amortised cost" includes resources from credit institutions 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.

B2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

B2.3. Derecognition of financial liabilities

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

B3. 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 Bank 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.

B4. Hedge accounting

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

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

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

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

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

B4.1. Fair value hedge

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

B4.2. Cash flow hedge

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

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

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

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

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

B4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness must be demonstrated. As such, the Bank performs prospective tests at the beginning date of the initial hedge, if applicable, and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

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

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

B5. Embedded Derivatives

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

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

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

C. Securitization operations

C1. Traditional securitizations

As at 31 December 2019, the Bank 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.

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 Bank 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.

C2. Synthetic securitizations

Currently, the Bank 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 Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

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

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

E. Securities borrowing and repurchase agreement transactions

E1. 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).

E2. Repurchase agreements

The Bank performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised 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.

F. Investments in subsidiaries and associates

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

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

Investments in associates

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

The existence of significant influence by the Bank is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Bank and the investee;
- interchange of the management team; or
- provision of essential technical information.

Impairment

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

Merger of companies

The process of merging companies by incorporation corresponds to the incorporation of the assets and liabilities of a company (merged) into another company (acquirer). In the event that the Bank is the acquirer company and the merged company is controlled by the Bank, the merger is classified as a transaction between companies under common control, and the Bank uses the denominated 'predecessor approach' as a criterion for recording in its individual accounts, which consists of recording the assets and liabilities of the merged company at their book value as presented in the Bank's consolidated accounts. This criterion provides for intra-group balances and historical transactions between the two companies to be eliminated and the amounts regarding assets and liabilities to be adjusted accordingly. The net difference between the amount recorded by the Bank and the amounts of the assets and liabilities incorporated is recorded as a "Merger reserve".

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 Bank must be committed to a plan to sell the asset (or disposal group) and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5, and that the Bank remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

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

G1. Non-operating real estate (INAE)

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

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

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 Bank's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

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

H. Lease transactions (IFRS 16)

As described in note 1.A, the Bank adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. The Bank 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 Bank chose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard 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 Bank recognises 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 Bank'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 it is assessed the date in which the contract is enforceable. 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 Bank 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 Bank 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 Bank 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 Bank's financial statements, as referred in note 52, namely:

- in the 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 balance sheet:
  (i) recording in "Other tangible assets" the recognition of right-to-use assets; and,
  (ii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the 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 separate 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.

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 Bank 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 Bank's financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

M. Other tangible assets

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

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

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

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

N. Investment property

Real estate properties owned by the Bank are recognised as 'Investment properties', considering that the main objective of these buildings is 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 Bank does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

O2. Software

The Bank 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 Bank 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 Bank has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Bank intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Bank, 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 Bank has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the two collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group.

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

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the banks remain liable for 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 Bank as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs".

In 2017, after the authorization of the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF - 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 Bank’s net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last 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 Bank’s net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Bank’s obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

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

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

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

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

The contributions to the funds are made annually by each company of the Bank, 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 Bank's employees are recognised as expenses when incurred.

As at 31 December 2019, the Bank has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Bank's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Bank and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion.

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

Since the separate financial statements are presented with the Group's report, in accordance with paragraph 4 of IFRS 8, the Bank is exempt of presenting information on an individual basis regarding segmental reporting.

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); (ii) it is probable that a payment will be required to settle; 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 Bank 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 Bank; 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 Bank by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

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

X. Insurance or reinsurance intermediation services

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".

Y. 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 Bank's reported results and related disclosure.

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

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

Y1. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes. 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 Bank 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.

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 Bank 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 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.

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

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

Y3. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and 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 Bank 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.

Y4. Financial instruments – IFRS 9

Y4.1. Classification and measurement

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

The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, 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 Bank 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 Bank of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and, consequently, a prospective classification change of these financial assets.

Y4.2. 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 Bank considers qualitative and quantitative information, reasonable and sustainable.

Definition of groups of assets with common credit risk characteristics:

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

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

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

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses. The probability of default corresponds to an 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.

Y4.3. Fair value of derivative financial instruments

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

Y5. Impairment for investments in subsidiary and associated companies

The Bank assesses annually the recoverable amount of investments in subsidiary and associated companies, regardless of the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiary and associated companies and their book value. Impairment losses identified are recognised against profit and loss, being subsequently reversed by profit and loss if there is a reduction in the estimated impairment loss in a subsequent period.

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

The use of alternative methodologies and different assumptions and estimates could result in a different level of impairment losses recognized, with the consequent impact on the Bank’s consolidated income statement.

Z. Subsequent events

The Bank 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 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	(2,864)	(1,213)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	25,583	18,568
Loans and advances to customers	768,404	772,993
Debt instruments	42,492	46,593
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,524	1,611
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	5,000	5,900
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	55,575	47,540
Interest on hedging derivatives	34,827	34,532
Interest on other assets	5,542	7,666
	944,520	950,530
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(24,192)	(18,713)
Resources from customers	(48,518)	(58,908)
Non subordinated debt securities issued	(19,427)	(19,163)
Subordinated debt	(30,015)	(39,775)
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	(14,410)	(11,017)
Interest on leasing	(3,556)	-
Interest on other liabilities	(1,481)	(1,669)
	(152,522)	(171,625)
	791,998	778,905

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 34,387,000 (2018: Euros 36,122,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 3,195,000 and Euros 7,921,000 respectively (2018: Euros 10,722,000 and Euros 7,919,000 respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 55,582,000 (31 December 2018: Euros 75,635,000) 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 29,308,000 (31 December 2018: Euros 31,026,000), as referred in note 19 and Euros 120,000 (31 December 2018: Euros 211,000), as referred in note 20, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

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 52.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Dividends from financial assets through other comprehensive income	130	86
Dividends from subsidiaries and associated companies	19,547	223,265
	19,677	223,351

The balances Dividends from financial assets through other comprehensive income in 2019 and 2018 include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2019, the amounts of Euros 7,610,000, and Euros 4,976,000 related to the distribution of dividends from company Banque Privée BCP (Suisse) S.A. and the company Millennium bcp Participações, S.G.P.S, Sociedade Unipessoal, Lda., respectively. The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2018, the amounts of Euros 133,300,000, Euros 45,080,000, and Euros 22,945,000 related to the distribution of dividends from company BCP Investment B.V., the Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group) and the company Banco de Investimento Imobiliário, S.A., respectively.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Fees and commissions received		
From guarantees	43,961	47,263
From commitments	4,334	4,352
From banking services	258,900	244,301
From bancassurance	86,173	80,793
From securities operations	51,236	62,486
From management and maintenance of accounts	105,221	94,830
From other commissions	27,244	27,936
	577,069	561,961
Fees and commissions paid		
From guarantees received provided by third parties	(6,132)	(8,006)
From banking services	(84,568)	(77,615)
From securities operations	(6,585)	(6,117)
From other commissions	(12,232)	(21,750)
	(109,517)	(113,488)
	467,552	448,473

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	158,518	(117,889)
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(33,610)	(29,532)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	(167,448)	108,671
	(42,540)	(38,750)
Net gains / (losses) from foreign exchange	13,626	24,512
Net gains / (losses) from hedge accounting	(968)	1,364
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(9,447)	(48,921)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	94,578	12,895
	55,249	(48,900)

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	1,591	10,141
Equity instruments	170	947
Derivative financial instruments	389,530	231,942
Other operations	1,016	1,313
	392,307	244,343
Losses		
Debt securities portfolio	(1,219)	(6,408)
Equity instruments	(135)	(1,436)
Derivative financial instruments	(232,136)	(353,593)
Other operations	(299)	(795)
	(233,789)	(362,232)
	158,518	(117,889)
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Debt securities portfolio	38,572	45,799
Losses		
Debt securities portfolio	(72,182)	(75,331)
	(33,610)	(29,532)

(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
	(42,540)	(38,750)

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

(Thousands of euros)

	2019	2018
Net gains / (losses) from foreign exchange		
Gains	43,204	77,453
Losses	(29,578)	(52,941)
	13,626	24,512
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	26,985	66,430
Hedged items	116,950	21,338
	143,935	87,768
Losses		
Hedging derivatives	(135,503)	(81,917)
Hedged items	(9,400)	(4,487)
	(144,903)	(86,404)
	(968)	1,364
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	7,499	5,289
Debt securities portfolio	996	-
Debt securities issued	33	25
Others	19,303	23
	27,831	5,337
Losses		
Credit sales	(36,424)	(53,696)
Debt securities issued	(405)	-
Others	(449)	(562)
	(37,278)	(54,258)
	(9,447)	(48,921)

(continues)

(continuation)

(Thousands of euros)

	2019	2018
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	95,647	23,250
Losses		
Debt securities portfolio	(1,069)	(10,355)
	94,578	12,895
	97,789	(10,150)

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 70,169,000 (31 December 2018: Euros 11,670,000) related to gains resulting from the sale of Portuguese Treasury bonds.

In 2019, the balance Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost – Gains – Others includes the amount of Euros 15,118,000 related to the sale of a series of credits to the Planfipsa Group, as referred in note 28.

In 2019, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 89,174,000 (31 December 2018: net gain of Euros 3,255,000) as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income.

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Operating income		
Income from services	25,967	25,506
Cheques and others	8,708	9,021
Gains on leasing operations	3,949	3,406
Rents	1,697	1,702
Other operating income	15,097	13,559
	55,418	53,194
Operating costs		
Taxes	(14,248)	(11,905)
Donations and contributions	(3,616)	(2,971)
Contribution over the banking sector	(31,675)	(30,422)
Resolution Funds Contribution	(15,893)	(11,151)
Contribution for the Single Resolution Fund	(18,697)	(19,926)
Contributions to Deposit Guarantee Fund	(94)	(95)
Losses on financial leasing operations	(80)	-
Other operating costs	(13,370)	(13,397)
	(97,673)	(89,867)
	(42,255)	(36,673)

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

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

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

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

During 2019, the Bank delivered the amount of Euros 18,697,000 (2018: Euros 19,926,000) to the Single Resolution Fund. The total value of the contribution attributable to the Bank amounted to Euros 21,868,000 (2018: Euros 23,442,000) and the Bank opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,731,000 (2018: Euros 3,516,000), 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. In 2019 the total amount of irrevocable commitments constituted was Euros 13,860,000 (2018: Euros 10,129,000), are recorded in the balance Other assets - Deposit account applications (note 28).

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Remunerations	297,636	276,395
Mandatory social security charges		
Post-employment benefits (note 45)		
Service cost	(15,068)	(15,472)
Cost / (income) in the liability coverage balance	4,515	3,046
Cost with early retirement programs	18,537	19,302
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(684)	(380)
	7,300	6,496
Other mandatory social security charges	75,979	75,510
	83,279	82,006
Voluntary social security charges	10,283	9,046
Other staff costs	9,854	9,432
	401,052	376,879

The balance Remuneration includes the amount of Eurso 12,587,000 related to the distribution of profits to Bank's employees, as described in note 43.

As described in the policy accounting 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 3,910,000 (of which Euros 1,619,000 refer to retroactive payments of 2018) in Personnel costs.

In 2019, the balance Other staff costs includes severance payments in the amount of Euros 9,650,000 (2018: Euros 9,001,000), 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 Bank, is analysed as follows by category:

	2019	2018
Top Management	970	968
Intermediary Management	1,609	1,620
Specific/Technical functions	2,918	2,859
Other functions	1,552	1,525
	7,049	6,972

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Outsourcing and independent labour	75,318	91,186
Rents and leases	6,134	27,717
Other specialised services	19,290	20,397
Communications	10,202	11,307
Information technology services	15,776	14,650
Maintenance and related services	8,225	7,528
Water, electricity and fuel	8,799	9,178
Advertising	7,887	9,487
Advisory services	15,170	6,775
Transportation	6,863	7,175
Legal expenses	4,215	5,326
Travel, hotel and representation costs	4,972	4,977
Insurance	2,518	2,685
Consumables	1,905	2,076
Credit cards and mortgage	1,160	1,247
Training costs	2,099	1,915
Other supplies and services	5,993	6,261
	196,526	229,887

The balance Rents and leases includes, in 2019, the amount of Euros 541.000 related to short-term lease contracts and the amount of Euros 1.540.000 related to lease contracts of low value assets, as described in the accounting policy 1 H and note 52. In 2018, the balance Rents and lease included the amount of Euros 25,741,000 related to rents paid regarding buildings used by the Bank as lessee, as described in accounting policy 1I.

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

(Thousands of euros)

	2018		
	Properties	Vehicles	Total
Until 1 year	16,484	95	16,579
1 to 5 years	11,102	76	11,178
Over 5 years	6,129	-	6,129
	33,715	171	33,886

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

(Thousands of euros)

	2019	2018
Auditing services		
Legal certification	2,363	1,920
Other assurance services	1,034	1,254
Other services	122	416
	3,519	3,590

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Intangible assets amortisations (note 26):		
Software	13,565	9,274
Other tangible assets depreciations (note 25):		
Properties	9,012	9,689
Equipment		
Computers	8,966	6,960
Security equipment	872	1,106
Installations	1,525	1,353
Machinery	339	293
Furniture	1,585	1,407
Motor vehicles	2,240	2,354
Other equipment	7	5
Right-of-use		
Real estate	32,380	-
Vehicles and equipment	37	-
	56,963	23,167
	70,528	32,441

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 18):		
Charge for the year	55	1,383
Reversals for the year	(863)	(128)
	(808)	1,255
Loans and advances to customers (note 19):		
Charge for the year	454,520	460,589
Reversals for the year	(169,181)	(57,643)
Recoveries of loans and interest charged-off	(8,691)	(9,371)
	276,648	393,575
Debt securities (note 20)		
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	447	-
Reversals for the year	-	(1,554)
	447	(1,554)
	1,257	(7,675)
	277,097	387,155

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 21)		
Charge for the year	538	2,991
Reversals for the year	(2,718)	(3,779)
	(2,180)	(788)

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Impairment for investments in associated companies (nota 23)		
Charge for the year	11,944	177,104
Reversals for the year	(4,540)	-
	7,404	177,104
Impairment for non-current assets held for sale (note 24)		
Charge for the year	75,510	32,375
	75,510	32,375
Impairment for other assets (note 28)		
Charge for the year	7,469	6,544
Reversals for the year	-	(1,432)
	7,469	5,112
	90,383	214,591

13. Other provisions

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Provision for guarantees and other commitments (note 35)		
Charge for the year	5	41,462
Write-back for the year	(4,382)	(36)
	(4,377)	41,426
Other provisions for liabilities and charges (note 35)		
Charge for the year	3,395	19,142
Write-back for the year	(12)	(24)
	3,383	19,118
	(994)	60,544

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

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Sale of subsidiaries	(165)	1,733
Sale of other assets	27,366	29,196
	27,201	30,929

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

15. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2019	2018
Net income / (loss) for the year	139,296	59,267
Dividends from other equity instruments	(148)	(149)
Interests of the perpetual subordinated bonds (Additional Tier 1)	(27,750)	-
Adjusted net income / (loss)	111,398	59,118
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros)	0.007	0.004
Diluted earnings per share (Euros)	0.007	0.004

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 2018 e 2019.

16. Cash and deposits at Central banks

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Cash	381,202	355,745
Central Banks	3,668,474	1,327,177
	4,049,676	1,682,922

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

17. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Credit institutions in Portugal	1,401	273
Credit institutions abroad	34,543	100,536
Amounts due for collection	90,106	85,668
	126,050	186,477

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

18. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Loans and advances to credit institutions in Portugal		
Loans	36,655	47,911
Term applications to collateralise CIRS and IRS operations (*)	-	430
Purchase transactions with resale agreement	-	1,506,092
Subordinated applications	-	35,010
Other	6,028	1,229
	42,683	1,590,672
Loans and advances to credit institutions abroad		
Very short-term deposits	283,322	-
Short-term deposits	2,999	242,109
Term deposits to collateralise CIRS and IRS operations (*)	171,428	194,100
Other	14,245	19,030
	471,994	455,239
	514,677	2,045,911
Overdue loans - over 90 days	-	669
	514,677	2,046,580
Impairment for loans and advances to credit institutions	(368)	(1,850)
	514,309	2,044,730

(*) 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 Bank.

As at 31 December 2018, the caption Other loans and advances to credit institutions - Purchase transactions with resale agreement refers in its entirety to operations with Banco de Investimento Imobiliário, S.A.

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

(Thousands of euros)

	2019	2018
Up to 3 months	504,117	499,597
3 to 6 months	-	13,000
6 to 12 months	560	26,587
1 to 5 years	10,000	1,506,727
Undetermined	-	669
	514,677	2,046,580

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

(Thousands of euros)

	2019	2018
Balance on 1 January	1,850	-
Adjustments due to the implementation of IFRS 9 (note 51)	-	703
Impairment charge for the year (note 10)	55	1,383
Reversals for the year (note 10)	(863)	(128)
Loans charged-off	(674)	(108)
Balance at the end of the year	368	1,850

19. Loans and advances to customers

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

(Thousands of euros)

	2019	2018
Discounted bills	259,281	249,139
Current account credits	1,343,276	1,366,648
Overdrafts	319,750	388,603
Loans	9,614,819	9,729,298
Mortgage loans	17,320,899	15,833,481
Factoring operations	1,945,732	1,863,179
Finance leases	2,336,499	2,271,961
	33,140,256	31,702,309
Overdue loans - less than 90 days	28,305	48,665
Overdue loans - Over 90 days	1,079,684	1,530,850
	34,248,245	33,281,824
Impairment for credit risk	(1,861,894)	(2,293,486)
	32,386,351	30,988,338

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	554,047	2	554,049	(1,137)	552,912
Asset-backed loans	20,037,965	692,956	20,730,921	(1,233,215)	19,497,706
Other guaranteed loans	3,286,023	108,088	3,394,111	(189,536)	3,204,575
Unsecured loans	3,288,027	142,659	3,430,686	(148,735)	3,281,951
Foreign loans	1,691,963	125,073	1,817,036	(188,380)	1,628,656
Factoring operations	1,945,732	14,806	1,960,538	(30,303)	1,930,235
Finance leases	2,336,499	24,405	2,360,904	(70,588)	2,290,316
	33,140,256	1,107,989	34,248,245	(1,861,894)	32,386,351

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

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 11,415,253,000) regarding credits related to mortgage loans issued by the Bank.

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

As referred in note 46, the Bank 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 37.

As at 31 December 2019, the Bank 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 46 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.

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

(Thousands of euros)

	2019	2018
Amount of future minimum payments	2,738,951	2,637,129
Interest not yet due	(402,452)	(365,168)
Present value	2,336,499	2,271,961

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

(Thousands of euros)

	2019	2018
Up to 1 year	469,949	363,406
1 to 5 years	995,541	1,010,400
Over 5 years	1,273,461	1,263,323
	2,738,951	2,637,129

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

(Thousands of euros)

	2019	2018
Individuals		
Home	56,084	49,774
Consumer	30,585	30,937
Others	92,309	105,922
	178,978	186,633
Companies		
Equipment	438,944	420,825
Real estate	1,718,577	1,664,503
	2,157,521	2,085,328
	2,336,499	2,271,961

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

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	299,991	4,545	304,536	(3,992)	300,544	0.89%
Fisheries	24,938	29	24,967	(576)	24,391	0.07%
Mining	27,612	1,110	28,722	(4,228)	24,494	0.08%
Food, beverage and tobacco	482,581	5,478	488,059	(9,927)	478,132	1.43%
Textiles	350,066	8,028	358,094	(17,695)	340,399	1.05%
Wood and cork	118,609	2,637	121,246	(1,801)	119,445	0.35%
Paper, printing and publishing	135,206	1,085	136,291	(14,079)	122,212	0.40%
Chemicals	448,963	14,928	463,891	(17,104)	446,787	1.35%
Machinery, equipment and basic metallurgical	651,436	15,117	666,553	(18,268)	648,285	1.95%
Electricity and gas	213,989	122	214,111	(1,015)	213,096	0.63%
Water	155,240	332	155,572	(8,952)	146,620	0.45%
Construction	1,254,853	142,644	1,397,497	(230,698)	1,166,799	4.08%
Retail business	921,187	30,030	951,217	(41,708)	909,509	2.78%
Wholesale business	1,095,396	31,119	1,126,515	(71,203)	1,055,312	3.29%
Restaurants and hotels	1,093,086	36,372	1,129,458	(79,359)	1,050,099	3.30%
Transports	643,697	18,483	662,180	(27,563)	634,617	1.93%
Post offices	3,489	118	3,607	(72)	3,535	0.01%
Telecommunications	159,079	3,749	162,828	(4,786)	158,042	0.48%
Services						
Financial intermediation	1,561,425	133,458	1,694,883	(492,447)	1,202,436	4.95%
Real estate activities	1,365,548	92,603	1,458,151	(107,166)	1,350,985	4.26%
Consulting, scientific and technical activities	935,741	17,416	953,157	(167,445)	785,712	2.78%
Administrative and support services activities	376,218	12,369	388,587	(67,776)	320,811	1.13%
Public sector	776,378	2	776,380	(1,136)	775,244	2.27%
Education	107,859	933	108,792	(5,899)	102,893	0.32%
Health and collective service activities	253,152	923	254,075	(3,240)	250,835	0.74%
Artistic, sports and recreational activities	263,806	989	264,795	(66,438)	198,357	0.77%
Other services	101,069	242,548	343,617	(186,390)	157,227	1.00%
Consumer loans	1,904,231	105,028	2,009,259	(78,700)	1,930,559	5.87%
Mortgage credit	16,943,057	68,287	17,011,344	(48,736)	16,962,608	49.67%
Other domestic activities	989	272	1,261	(82)	1,179	0.00%
Other international activities	471,365	117,235	588,600	(83,413)	505,187	1.72%
	33,140,256	1,107,989	34,248,245	(1,861,894)	32,386,351	100.00%

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

(Thousands of euros)

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

The analysis of loans and advances to customers, 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	105,011	69,353	125,627	299,991	4,545	304,536	0.89%
Fisheries	4,935	5,263	14,740	24,938	29	24,967	0.07%
Mining	13,104	10,813	3,695	27,612	1,110	28,722	0.08%
Food, beverage and tobacco	300,692	115,593	66,296	482,581	5,478	488,059	1.43%
Textiles	176,953	91,456	81,657	350,066	8,028	358,094	1.05%
Wood and cork	53,231	36,518	28,860	118,609	2,637	121,246	0.35%
Paper, printing and publishing	59,407	33,168	42,631	135,206	1,085	136,291	0.40%
Chemicals	161,411	175,657	111,895	448,963	14,928	463,891	1.35%
Machinery, equipment and basic metallurgical	280,952	214,439	156,045	651,436	15,117	666,553	1.95%
Electricity and gas	30,720	40,043	143,226	213,989	122	214,111	0.63%
Water	18,481	15,646	121,113	155,240	332	155,572	0.45%
Construction	361,937	336,747	556,169	1,254,853	142,644	1,397,497	4.08%
Retail business	456,021	231,571	233,595	921,187	30,030	951,217	2.78%
Wholesale business	589,889	275,308	230,199	1,095,396	31,119	1,126,515	3.29%
Restaurants and hotels	136,849	197,960	758,277	1,093,086	36,372	1,129,458	3.30%
Transports	167,924	151,468	324,305	643,697	18,483	662,180	1.93%
Post offices	1,930	1,121	438	3,489	118	3,607	0.01%
Telecommunications	86,615	45,452	27,012	159,079	3,749	162,828	0.48%
Services							
Financial intermediation intermediation	190,274	450,293	920,858	1,561,425	133,458	1,694,883	4.95%
Real estate activities	266,381	349,018	750,149	1,365,548	92,603	1,458,151	4.26%
Consulting, scientific and technical activities	301,178	155,619	478,944	935,741	17,416	953,157	2.78%
Administrative and support services activities	144,295	121,828	110,095	376,218	12,369	388,587	1.13%
Public sector	160,688	366,611	249,079	776,378	2	776,380	2.27%
Education	33,542	15,587	58,730	107,859	933	108,792	0.32%
Health and collective service activities	92,056	66,828	94,268	253,152	923	254,075	0.74%
Artistic, sports and recreational activities	30,931	28,137	204,738	263,806	989	264,795	0.77%
Other services	31,613	30,577	38,879	101,069	242,548	343,617	1.00%
Consumer credit	529,509	594,544	780,178	1,904,231	105,028	2,009,259	5.87%
Mortgage credit	7,890	247,882	16,687,285	16,943,057	68,287	17,011,344	49.67%
Other domestic activities	154	282	553	989	272	1,261	0.00%
Other international activities	159,919	110,405	201,041	471,365	117,235	588,600	1.72%
	4,954,492	4,585,187	23,600,577	33,140,256	1,107,989	34,248,245	100.00%

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

(Thousands of euros)

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

The analysis of loans and advances to customers, by 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	74,517	47,688	431,842	554,047	2	554,049
Asset-backed loans	746,596	1,301,489	17,989,880	20,037,965	692,956	20,730,921
Other guaranteed loans	1,174,234	1,268,319	843,470	3,286,023	108,088	3,394,111
Unsecured loans	1,091,972	756,879	1,439,176	3,288,027	142,659	3,430,686
Foreign loans	126,868	338,567	1,226,528	1,691,963	125,073	1,817,036
Factoring operations	1,614,674	331,058	-	1,945,732	14,806	1,960,538
Finance leases	125,631	541,187	1,669,681	2,336,499	24,405	2,360,904
	4,954,492	4,585,187	23,600,577	33,140,256	1,107,989	34,248,245

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

(Thousands of euros)

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

The balance Total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, is analysed as follows:

(Thousands of euros)

	2019	2018
Total credit	38,252,575	37,103,767
Stage 1		
Gross amount	27,748,411	24,822,341
Impairment	(24,036)	(25,649)
	27,724,375	24,796,692
Stage 2		
Gross amount	6,869,096	7,106,433
Impairment	(139,432)	(126,007)
	6,729,664	6,980,426
Stage 3		
Gross amount	3,635,068	5,174,993
Impairment	(1,792,847)	(2,297,325)
	1,842,221	2,877,668
	36,296,260	34,654,786

The total credit portfolio includes, as at 31 December 2019, loans and advances to customers in the amount of Euros 34,248,245,000 (31 December 2018: Euros: 33,281,824,000) and guarantees granted and commitments to third parties balance (note 40), in the amount of Euros 4,004,330,000 (31 December 2018: Euros 3,821,943,000).

The balances of Impairment were determined in accordance with the accounting policy described in note 1 B1.5, including the provision for guarantees and other commitments to third parties (note 35), in the amount of Euros 102,068,000 (31 December 2018: Euros 155,495,000).

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

(Thousands of euros)

	2019	2018
Stage 1		
Securities and other financial assets	1,448,903	1,457,913
Residential real estate	14,164,780	12,534,313
Other real estate	2,357,206	1,943,930
Other guarantees	4,496,322	3,458,849
	22,467,211	19,395,005
Stage 2		
Securities and other financial assets	289,904	286,281
Residential real estate	2,582,831	2,485,674
Other real estate	1,195,427	1,080,481
Other guarantees	864,638	657,722
	4,932,800	4,510,158
Stage 3		
Securities and other financial assets	301,578	377,235
Residential real estate	634,662	962,400
Other real estate	607,618	985,848
Other guarantees	578,057	458,333
	2,121,915	2,783,816
	29,521,926	26,688,979

The balance Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Bank (note 48), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

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

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may 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	10,706	(548)	10,158	23,168	(1,604)	21,564
Fisheries	6,134	(454)	5,680	6,141	(543)	5,598
Mining	5,485	(3,275)	2,210	9,337	(5,751)	3,586
Food, beverage and tobacco	13,361	(3,706)	9,655	14,616	(4,402)	10,214
Textiles	13,898	(4,225)	9,673	15,512	(6,008)	9,504
Wood and cork	5,207	(324)	4,883	9,470	(1,676)	7,794
Paper, printing and publishing	16,218	(12,185)	4,033	19,010	(12,552)	6,458
Chemicals	19,007	(4,577)	14,430	25,624	(11,907)	13,717
Machinery, equipment and basic metallurgical	26,109	(8,325)	17,784	39,206	(10,660)	28,546
Electricity and gas	379	(5)	374	389	(8)	381
Water	51,469	(7,046)	44,423	16,654	(2,510)	14,144
Construction	224,953	(134,169)	90,784	390,721	(209,104)	181,617
Retail business	47,711	(17,150)	30,561	84,963	(45,495)	39,468
Wholesale business	36,213	(7,903)	28,310	45,487	(13,232)	32,255
Restaurants and hotels	87,261	(14,527)	72,734	107,543	(18,650)	88,893
Transports	4,015	(1,490)	2,525	52,957	(3,812)	49,145
Post offices	126	(9)	117	63	(8)	55
Telecommunications	17,971	(1,184)	16,787	11,522	(1,144)	10,378
Services						
Financial intermediation	532,983	(340,890)	192,093	396,917	(242,292)	154,625
Real estate activities	157,517	(42,968)	114,549	245,365	(46,738)	198,627
Consulting, scientific and technical activities	162,833	(92,367)	70,466	226,308	(154,872)	71,436
Administrative and support services activities	77,634	(56,618)	21,016	82,356	(58,456)	23,900
Public sector	5,811	(746)	5,065	7,023	(56)	6,967
Education	19,739	(4,605)	15,134	20,148	(5,513)	14,635
Health and collective service activities	10,021	(948)	9,073	4,125	(920)	3,205
Artistic, sports and recreational activities	89,969	(40,498)	49,471	116,230	(46,221)	70,009
Other services	243,589	(176,395)	67,194	245,119	(172,306)	72,813
Consumer credit	115,214	(19,554)	95,660	168,454	(51,672)	116,782
Mortgage credit	485,933	(10,455)	475,478	566,855	(18,199)	548,656
Other domestic activities	22	(1)	21	6	-	6
Other international activities	28,005	(22,546)	5,459	28,033	(22,828)	5,205
	2,515,493	(1,029,693)	1,485,800	2,979,322	(1,169,139)	1,810,183

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

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

- there are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, 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 1,678,232,000 (31 December 2018: Euros 2,451,122,000).

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

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

As at 31 December 2019, the NPE amounts to Euros 3,234,081,000 (31 December 2018: Euros 4,607,653,000).

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

(Thousands of euros)

	2019	2018
Balance on 1 January	2,293,486	2,742,244
Adjustments due to the implementation of IFRS 9		
Remeasurement under IFRS 9 (note 51)	-	153,917
Transfer resulting from the merger of BII on BCP	49,179	-
Charge for the year in net income interest (note 2)	29,308	31,026
Other transfers	67,579	(56,880)
Impairment charge for the year (note 10)	454,520	460,589
Reversals for the year (note 10)	(169,181)	(57,643)
Loans charged-off	(863,099)	(979,967)
Exchange rate differences	102	200
Balance at the end of the year	1,861,894	2,293,486

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 refered to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2018, the associated credits were liquidated, and the Bank received a set of assets in kind and 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	3,751	4,797
Fisheries	4	152
Mining	3,844	3,295
Food, beverage and tobacco	6,013	1,792
Textiles	7,172	15,498
Wood and cork	2,710	16,757
Paper, printing and publishing	6,160	1,911
Chemicals	28,607	5,137
Machinery, equipment and basic metallurgical	23,343	22,558
Water	230	4,856
Construction	265,909	235,786
Retail business	74,013	28,393
Wholesale business	29,068	41,974
Restaurants and hotels	11,939	27,272
Transports	5,916	4,791
Post offices	6	14
Telecommunications	17,402	1,715
Services		
Financial intermediation	20,608	244,339
Real estate activities	61,841	77,095
Consulting, scientific and technical activities	167,111	88,173
Administrative and support services activities	5,781	10,609
Education	373	755
Health and collective service activities	551	452
Artistic, sports and recreational activities	3,448	787
Other services	1,496	2,439
Consumer credit	109,207	132,126
Mortgage credit	4,035	5,328
Other domestic activities	2,561	1,132
Other international activities	-	34
	863,099	979,967

In compliance with the accounting policy described in note 1 B1.3, 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
Unsecured loans	853,957	958,835
Factoring operations	2,926	5,093
Finance leases	6,216	16,039
	863,099	979,967

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

(Thousands of euros)

	2019	2018
Agriculture and forestry	61	13
Fisheries	-	24
Mining	-	1
Food, beverage and tobacco	198	128
Textiles	384	121
Wood and cork	41	112
Paper, printing and publishing	292	170
Chemicals	484	206
Machinery, equipment and basic metallurgical	127	154
Construction	1,514	1,614
Retail business	1,322	426
Wholesale business	628	724
Restaurants and hotels	19	25
Transports	60	61
Telecommunications	5	27
Services		
Financial intermediation	749	2,236
Real estate activities	1,217	179
Consulting, scientific and technical activities	2	58
Administrative and support services activities	169	438
Health and collective service activities	2	15
Artistic, sports and recreational activities	257	3
Other services	6	41
Consumer credit	953	2,520
Mortgage credit	1	-
Other domestic activities	200	55
Other international activities	-	20
	8,691	9,371

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

(Thousands of euros)

	2019	2018
Unsecured loans	8,521	8,566
Foreign loans	9	691
Finance leases	161	114
	8,691	9,371

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

Traditional securitizations

The traditional securitization operations carried out by the Group concern mortgage loan portfolios and were carried out through credit securitization funds (FTCs) and special purpose entities (SPEs).

Magellan Mortgages No. 2

The Magellan 2 securitization operation was repaid on 18 October 18 2019, through a Clean-Up Call exercise, following the repurchase of loans to Magellan 2, with an increase in gross credit and POCI's of approximately Euros 90 million and Euros 3 million respectively.

Synthetic securitizations

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

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 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 mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Group under the CDS context.

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

20. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	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	8,173	4,891
Bonds issued by other entities		
Portuguese issuers	178,067	254,662
Foreign issuers	50,854	63,325
	374,424	370,255
Impairment	(532)	(284)
	373,892	369,971
	2,448,401	2,641,291

(*) 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 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 (balances 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	1,998	-	6,175	-	-	8,173
Other entities						
Portuguese issuers	-	-	138,737	39,330	-	178,067
Foreign issuers	-	-	-	50,854	-	50,854
	1,998	-	144,912	227,514	-	374,424
	1,359,782	539,434	155,793	404,556	1,799	2,461,364

The analysis of the balance Debt securities (balances 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	-	-	4,891	-	-	4,891
Other entities						
Portuguese issuers	-	90,615	124,809	39,238	-	254,662
Foreign issuers	-	-	-	63,325	-	63,325
	-	90,615	129,700	149,940	-	370,255
	1,450,370	684,711	141,359	349,703	55,353	2,681,496

The analysis of 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	50,854	63,325
Consulting, scientific and technical activities	13,550	15,149
	228,739	317,745
Government and Public securities	145,153	52,226
	373,892	369,971
	2,448,401	2,641,291

(*) corresponds to securities of 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	-	2,946
Charge for the year in net income interest (note 2)	120	211
Impairment 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	284	n.a.
Adjustments due to the implementation of IFRS 9	-	1,838
Impairment charge for the year (note 10)	447	-
Reversals for the year (note 10)	-	(1,554)
Loans charged-off	(202)	-
Exchange rate differences	3	-
Balance at the end of the year	532	284

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

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

(Thousands of euros)

	2019	2018
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	51,452	57,942
Equity instruments	545	805
Trading derivatives	590,361	637,005
	642,358	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,444,772	1,589,899
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	8,006,771	6,900,301
Equity instruments	72,099	96,591
	8,078,870	6,996,892
	10,197,496	9,315,577

The balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1B.5. in the amount of Euros 956,000 (31 December 2018: Euros 916,000).

The portfolio of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	Financial assets at fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,180	-	31,496	4,407,607	4,442,283
Foreign issuers	238	-	-	538,224	538,462
Bonds issued by other entities					
Portuguese issuers	-	16,778	-	802,267	819,045
Foreign issuers	48,034	13,596	-	341,696	403,326
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	-	-	-	1,916,977	1,916,977
Investment fund units (a)	-	1,401,248	-	-	1,401,248
Shares of foreign companies (b)	-	13,150	-	-	13,150
	51,452	1,444,772	31,496	8,006,771	9,534,491
Equity instruments					
Shares					
Portuguese companies	1	-	-	20,037	20,038
Foreign companies	-	-	-	9,638	9,638
Investment fund units	-	-	-	42,424	42,424
Other securities	544	-	-	-	544
	545	-	-	72,099	72,644
Trading derivatives	590,361	-	-	-	590,361
	642,358	1,444,772	31,496	8,078,870	10,197,496
Level 1	46,703	-	31,496	7,718,032	7,796,231
Level 2	303,933	-	-	152,712	456,645
Level 3	291,722	1,444,772	-	208,126	1,944,620

(a) Under IFRS 9, and as detailed in note 51, the participation units held by the Bank on the transaction date, were considered as debt instruments because they not fall within the definition of equity instruments. As at 31 December 2019 this balance include Euros 404,230 related to units of real estate investment funds mainly owned by the Bank.

(b) Under IFRS 9, and as detailed in note 51, these shares were considered as debt instruments because they not fall within the definition of SPPI.

As at 31 December 2019, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

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, referred in note 1 C in the amount of Euros 78,594,000 and Euros 4,854,000, respectively.

As at 31 December 2019, the balance Finantial 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 and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	Financial assets at fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,666	-	33,034	4,096,913	4,133,613
Foreign issuers	-	-	-	151,153	151,153
Bonds issued by other entities					
Portuguese issuers	3,790	16,778	-	955,000	975,568
Foreign issuers	50,486	22,468	-	171,542	244,496
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	675,923	675,923
Investment fund units (a)	-	1,541,619	-	-	1,541,619
Shares of foreign companies (b)	-	9,034	-	-	9,034
	57,942	1,589,899	33,034	6,904,023	8,584,898
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	57,942	1,589,899	33,034	6,900,301	8,581,176
Equity instruments					
Shares					
Portuguese companies	372	-	-	24,307	24,679
Foreign companies	-	-	-	15,863	15,863
Investment fund units	-	-	-	56,421	56,421
Other securities	433	-	-	-	433
	805	-	-	96,591	97,396
Trading derivatives	637,005	-	-	-	637,005
	695,752	1,589,899	33,034	6,996,892	9,315,577
Level 1	52,280	-	33,034	6,368,563	6,453,877
Level 2	349,504	-	-	474,361	823,865
Level 3	293,968	1,589,899	-	153,968	2,037,835

(a) Under IFRS 9, and as detailed in note 51, the participation units held by the Bank on the transaction date, were considered as debt instruments because they not fall within the definition of equity instruments. As at 31 December 2018 this balance include Euros 452,090 related to units of real estate investment funds mainly owned by the Bank.

(b) Under IFRS 9, and as detailed in note 51, these shares were considered as debt instruments because they not fall within the definition of SPPI.

As at 31 December 2018, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

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

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 39)	Fair value adjustments (note 39)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	4,276,310	91,781	39,516	4,407,607
Foreign issuers	534,100	-	4,124	538,224
Bonds issued by other entities				
Portuguese issuers	764,721	17,622	19,924	802,267
Foreign issuers	295,951	5,281	40,464	341,696
Treasury bills				
(Public Issuers and Central Banks)				
Portuguese issuers	1,916,652	-	325	1,916,977
	7,787,734	114,684	104,353	8,006,771
Equity instruments				
Shares				
Portuguese companies	50,771	-	(30,734)	20,037
Foreign companies	15,590	-	(5,952)	9,638
Investment fund units	42,424	-	-	42,424
Other securities	6,930	-	(6,930)	-
	115,715	-	(43,616)	72,099
	7,903,449	114,684	60,737	8,078,870

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 39)	Fair value adjustments (note 39)	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,995,157	149,359	(47,603)	4,096,913
Foreign issuers	151,909	981	(1,737)	151,153
Bonds issued by other entities				
Portuguese issuers	952,775	4,942	(6,439)	951,278
Foreign issuers	134,676	1,491	35,375	171,542
Treasury bills				
(Public Issuers and Central Banks)				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	675,643	-	280	675,923
	6,763,499	156,773	(19,971)	6,900,301
Variable income:				
Shares				
Portuguese companies	57,330	-	(33,023)	24,307
Foreign companies	15,590	-	273	15,863
Investment fund units	56,421	-	-	56,421
Other securities	1,357	-	(1,357)	-
	130,698	-	(34,107)	96,591
	6,894,197	156,773	(54,078)	6,996,892

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

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2019 is as follows:

(Thousands of euros)

	2019			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	4,374,686	67,597	-	4,442,283
Foreign issuers	538,462	-	-	538,462
Bonds issued by other entities				
Portuguese issuers	644,463	69,044	105,538	819,045
Foreign issuers	316,858	3,309	83,159	403,326
Treasury bills and other Government bonds				
Portuguese issuers	1,916,977	-	-	1,916,977
Investment fund units	-	-	1,401,248	1,401,248
Shares of foreign companies	-	-	13,150	13,150
	7,791,446	139,950	1,603,095	9,534,491
Variable income:				
Shares				
Portuguese companies	4,786	3,424	11,828	20,038
foreign companies	-	9,338	300	9,638
Investment fund units	-	-	42,424	42,424
Other securities	-	-	544	544
	4,786	12,762	55,096	72,644
Trading derivatives	-	303,933	286,428	590,361
	7,796,232	456,645	1,944,619	10,197,496

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

(Thousands of euros)

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

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 42.

The item Investment fund units classified as level 3 includes units in restructuring funds (note 42) in the amount of Euros 924.489.000 (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.

As at 31 December 2019, the Bank holds mainly investment fund units in Real Estate Investment Funds that are classified in level 3.

As at 31 December 2019, the amount recorded under the balance Financial assets at fair value through other comprehensive income, amounts to Euros 42,424,000 (31 December 2018: Euros 56,421,000), with unrealised net losses in the amount of Euros 6,930,000 (31 December 2018: Euros net losses 1,357,000), and in the balance Financial assets not held for trading mandatorily at fair value through profit or loss, amounts to Euros 424,808,000 (31 December 2018: Euros 476,614,000).

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 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
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	66,318	2,951,571	1,424,394	-	4,442,283
Foreign issuers	201,996	226,023	103,387	7,056	-	538,462
Bonds issued by other entities						
Portuguese issuers	44	-	382,496	436,505	-	819,045
Foreign issuers	495	-	155,864	246,967	-	403,326
Treasury bills and other						
Government bonds						
Portuguese issuers	782,058	1,134,919	-	-	-	1,916,977
Investment fund units	-	-	-	1,401,248	-	1,401,248
Shares of foreign companies	-	-	-	13,150	-	13,150
	984,593	1,427,260	3,593,318	3,529,320	-	9,534,491
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	20,038	20,038
Foreign companies	-	-	-	-	9,638	9,638
Investment fund units	-	-	-	-	42,424	42,424
Other securities	-	-	-	-	544	544
	-	-	-	-	72,644	72,644
	984,593	1,427,260	3,593,318	3,529,320	72,644	9,607,135

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

(Thousands of euros)

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

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

(Thousands of euros)

	2019	2018
Balance on 31 December 2017	-	689,742
Transition adjustments IFRS 9 (note 51)	-	(686,020)
Balance on 1 January	3,722	3,722
Transfers	(1,194)	788
Reversals	(2,522)	(788)
Amounts charged-off	(6)	-
Balance at the end of the year	-	3,722

As at 31 December 2019, the accumulated impairment associated with the financial assets at fair value through other comprehensive income amounts to Euros 3,154,000 and is recorded against Fair value reserves (31 December 2018: Euros 5,364,000).

The analysis of Financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by 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
Paper, printing and publishing	51,735	-	-	-	51,735
Electricity and gas	9,410	-	-	-	9,410
Water	7,000	-	-	-	7,000
Construction	17,611	-	23,252	-	40,863
Wholesale business	200,367	162	-	-	200,529
Restaurants and hotels	-	9,357	-	-	9,357
Transports	297,236	-	-	-	297,236
Telecommunications	-	4,619	-	-	4,619
Services					
Financial intermediation (*)	483,067	19,135	1,400,671	-	1,902,873
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	-	22	-	-	22
	1,222,371	42,826	1,444,216	-	2,709,413
Government and Public securities	4,980,745	-	1,916,977	-	6,897,722
	6,203,116	42,826	3,361,193	-	9,607,135

(*) 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 42.

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

(Thousands of euros)

	2018				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	47,066	-	-	-	47,066
Construction	-	371	30,118	2,395	32,884
Wholesale business	62,762	655	-	126	63,543
Restaurants and hotels	-	15,585	-	-	15,585
Transports	427,451	-	-	-	427,451
Telecommunications	-	7,782	-	-	7,782
Services					
Financial intermediation (*)	335,565	15,678	1,540,547	-	1,891,790
Real estate activities	-	-	27,374	-	27,374
Consulting, scientific and technical activities	158,735	95	-	-	158,830
Administrative and support services activities	9,720	9,372	-	-	19,092
Public sector	158,360	-	434	-	158,794
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	-	22
	1,216,342	49,576	1,598,473	3,722	2,868,113
Government and Public securities	4,284,766	-	1,529,415	-	5,814,181
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	5,501,108	49,576	3,127,888	-	8,678,572

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,006,988,000 which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 42.

The Bank, as part of the management process of the liquidity risk (note 48), holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Bank operates, which includes fixed income securities. As at 31 December 2019, this caption includes Euros 38,380,000 (31 December 2018: Euros 39,612,000) of securities included in the ECB's monetary policy pool.

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 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	146,000	1,348,807	5,184,287	6,679,094	296,357	238,048
Interest rate options (purchase)	-	83,417	134,529	217,946	19	-
Interest rate options (sale)	-	-	134,529	134,529	-	40
	146,000	1,432,224	5,453,345	7,031,569	296,376	238,088
Stock Exchange transactions:						
Interest rate futures	49,967	17,817	-	67,784	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	52,173	89,135	-	141,308	442	934
Currency swaps	1,661,166	228,136	-	1,889,302	3,401	19,199
Currency options (purchase)	24,979	2,274	-	27,253	632	-
Currency options (sale)	24,979	2,274	-	27,253	-	632
	1,763,297	321,819	-	2,085,116	4,475	20,765
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	-	462,072	136,723	598,795	-	8,057
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)	-	-	20,126	20,126	-	-
Others shares/indexes options (purchase)	16,864	-	-	16,864	16,442	-
Others shares/indexes options (sale)	16,864	-	-	16,864	-	-
	338,241	1,179,093	1,048,113	2,565,447	20,713	1,910
Stock exchange transactions:						
Shares futures	728,807	-	-	728,807	-	-
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	2,247,538	3,395,208	6,999,772	12,642,518	589,405	268,820
Stock Exchange	778,812	17,817	-	796,629	-	-
Embedded derivatives					956	346
	3,026,350	3,413,025	6,999,772	13,439,147	590,361	269,166

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 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	366,157	1,297,318	8,394,118	10,057,593	340,546	267,815
Interest rate options (purchase)	-	84,927	136,129	221,056	9	-
Interest rate options (sale)	-	1,510	136,129	137,639	-	21
Other interest rate contracts	-	19,174	121,588	140,762	2,031	1,147
	366,157	1,402,929	8,787,964	10,557,050	342,586	268,983
Stock Exchange transactions:						
Interest rate futures	104,693	-	-	104,693	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	71,121	131,745	-	202,866	942	644
Currency swaps	1,858,660	552,788	-	2,411,448	5,111	8,748
Currency options (purchase)	34,075	25,126	27,253	86,454	3,357	-
Currency options (sale)	34,075	25,126	27,253	86,454	-	3,349
	1,997,931	734,785	54,506	2,787,222	9,410	12,741
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	58,059	76,034	462,072	596,165	664	4,809
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	411,029	950,649	1,604,819	2,966,497	666	8,816
Shares/indexes options (sale)	-	-	19,730	19,730	-	-
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,622	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	411,029	950,649	1,658,277	3,019,955	16,288	8,816
Stock exchange transactions:						
Shares futures	686,519	-	-	686,519	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	35	-	-	35	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	123,531	-	294,137	417,668	267,141	287
Other credit derivatives (sale)	-	-	80,553	80,553	-	-
	123,531	-	374,690	498,221	267,141	287
Total derivatives traded in:						
OTC Market	2,956,707	3,164,397	11,337,509	17,458,613	636,089	295,636
Stock Exchange	791,247	-	-	791,247	-	-
Embedded derivatives					916	59
	3,747,954	3,164,397	11,337,509	18,249,860	637,005	295,695

22.Hedging derivatives

This balance is analysed as follows:

(Thousands of euros)

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Swaps	34,990	121,474	92,891	68,486

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

As allowed by IFRS 9, the Bank opted to continue to apply the hedge accounting requirements in accordance with IAS 39, 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 negative amount of Euros 2,151,000 (31 December 2018: positive amount of Euros 2,870,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2019, reclassifications were made from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 44,882,000 (31 December 2018: positive amount of Euros 23,004,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows (note 48).

The analysis of hedging derivatives portfolio 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
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	1,367,350	2,062,680	3,430,030	17,859	46,122
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	11,450,000	11,450,000	17,131	75,352
Total derivatives traded by:						
OTC Market	-	1,367,350	13,512,680	14,880,030	34,990	121,474

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

(Thousands of euros)

	2018					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	24,500	2,738,774	2,763,274	12,372	60,882
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	-	-	11,880,000	11,880,000	80,519	7,604
Total derivatives traded by:						
OTC Market	-	24,500	14,618,774	14,643,274	92,891	68,486

23. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Portuguese credit institutions	128,205	388,440
Foreign credit institutions	805,385	792,877
Other Portuguese companies	1,963,132	1,760,363
Other foreign companies	2,757,657	2,756,639
	5,654,379	5,698,319
Impairment for investments in:		
Subsidiary companies	(2,484,269)	(2,532,289)
Associated and other companies	(34,461)	(18,057)
	(2,518,730)	(2,550,346)
	3,135,649	3,147,973

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

(Thousands of euros)

	2019	2018
Banco ActivoBank, S.A.	128,205	128,205
Banco de Investimento Imobiliário, S.A.	-	260,235
Bank Millennium S.A.	651,959	645,678
Banque BCP, S.A.S.	33,210	30,203
Banque Privée BCP (Suisse) S.A.	120,216	116,996
BCP África, S.G.P.S., Lda.	683,032	683,032
BCP Capital - Sociedade de Capital de Risco, S.A.	29,773	29,773
BCP International B.V.	1,203,262	1,203,262
BCP Investment, B.V.	1,534,842	1,534,842
Cold River's Homestead, S.A.	20,211	20,210
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	1,500	1,500
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	355,475	355,475
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	19,553	18,535
Millennium bcp Imobiliária, S.A.	359,683	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	493,940	327,653
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	885	885
Millennium bcp - Prestação de Serviços, A.C.E.	18,000	-
Planfipsa S.G.P.S., S.A.	-	1
Projepolska, S.A.	633	633
Servitrust - Trust Management Services S.A.	-	100
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	13
	5,654,379	5,698,319
Impairment for investments in subsidiary and associated companies		
Banco de Investimento Imobiliário, S.A.	-	(50,704)
BCP África, S.G.P.S., Lda.	(92,726)	(92,726)
BCP Capital - Sociedade de Capital de Risco, S.A.	(26,161)	(26,117)
BCP International B.V.	(145,988)	(145,988)
BCP Investment, B.V.	(1,530,314)	(1,529,200)
Cold River's Homestead, S.A.	(4,689)	-
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	(19,553)	(18,535)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	(22,537)	(18,057)
Millennium bcp Imobiliária, S.A.	(348,321)	(341,088)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	(327,049)	(327,049)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	(782)	(782)
Projepolska, S.A.	(610)	-
Servitrust - Trust Management Services S.A.	-	(100)
	(2,518,730)	(2,550,346)
	3,135,649	3,147,973

During 2019, the Bank sold 51% of Planfipsa S.G.P.S (as referred in note 5) and settled Imábida - Imobiliária da Arrábida, S.A. and Servitrust - Trust Management Services S.A. The Banco de Investimento Imobiliário, S.A. was merged into Banco Comercial Português, S.A. (merger by incorporation).

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

During 2018, the Bank also liquidated S & P Reinsurance Limited and closed ACT-C-Indústria de Cortiças, S.A.

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

(Thousands of euros)

	2019	2018
Impairment for investments in subsidiary and associated companies:		
Balance on 1 January	2,550,346	2,389,051
Transfer to merge reserve resulting from the merger of BII on BCP (note 53)	(50,704)	-
Transfers	12,425	-
Impairment charge for the year (note 12)	11,944	177,104
Write-back for the year (note 12)	(4,540)	-
Loans charged-off	(750)	(15,809)
Exchange rate differences	9	-
Balance at the end of the year	2,518,730	2,550,346

As at 31 December 2019, the caption Impairment for investments in subsidiaries and associated companies - Loans charged-off results from the liquidation/dissolution of Servitrust - Trust Management Services S.A. As at 31 December 2018, the caption Impairment for investments in subsidiaries and associated companies - Loans charged-off results from the liquidation/dissolution of ACT - C - Indústria de Cortiças, S.A. and S&P Reinsurance Limited.

The Bank analysed the impairment related to the investments made in subsidiaries and associated as described in note 1 F). The Bank's subsidiaries and associated companies are presented in note 54.

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

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

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

	2019			2018		
	Discount rate	Discount rate	Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	9.065%	9.250%	0.000%	5,500% a 10,000%	10.561%	0.000%
Poland	8.565%	8.750%	2.800%	9.250%	9.250%	2.600%
Angola	19.000%	19.000%	n.a.	19.000%	19.000%	n.a.
Mozambique	21.000%	21.000%	4.750%	20.500%	20.500%	3.940%
Switzerland	9.065%	9.250%	0.000%	9.250%	9.811%	0.000%

Based on the analysis made, the Bank recognised in 2019 impairment for a group of companies, as follows:

(Thousands of euros)

	Balance on 1 January	Impairment charge (note 12)	Loans charged-off (1)	Transfers	Exchange rate differences	Balance on 31 December
Banco de Investimento Imobiliário, S.A.	50,704	-	(50,704)	-	-	-
BCP África, S.G.P.S., Lda.	92,726	-	-	-	-	92,726
BCP Capital - Sociedade de Capital de Risco, S.A.	26,117	44	-	-	-	26,161
BCP International B.V.	145,988	-	-	-	-	145,988
BCP Investment B.V.	1,529,200	1,114	-	-	-	1,530,314
Cold River's Homestead, S.A.	-	4,689	-	-	-	4,689
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	18,535	1,009	-	-	9	19,553
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	18,057	4,480	-	-	-	22,537
Millennium bcp Imobiliária, S.A.	341,088	(4,540)	(650)	12,423	-	348,321
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,049	-	-	-	-	327,049
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	782	-	-	-	-	782
Projepolska, S.A.	-	610	-	-	-	610
Servitrust - Trust Management Services S.A.	100	-	(100)	-	-	-
	2,550,346	7,406	(51,454)	12,423	9	2,518,730

(1) Includes transfer to the BII merger reserve

24. 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 (note 48)	1,015,937	(182,646)	833,291	1,322,473	(179,009)	1,143,464
Assets for own use (closed branches)	3,584	(597)	2,987	3,431	(757)	2,674
Equipment and other	9,769	(6,329)	3,440	9,537	(5,067)	4,470
Subsidiaries acquired exclusively with the purpose of short-term sale	86,826	(21,511)	65,315	122,388	(46,247)	76,141
Other assets	24,033	-	24,033	25,905	-	25,905
	1,140,149	(211,083)	929,066	1,483,734	(231,080)	1,252,654

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 recovered loans or judicial being accounted for at the time the Bank assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 48.

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

In 2019, the Bank entered into a contract for the sale of a portfolio of real estate assets in the total amount of Euros 122,029,000, having generated a gain of Euros 2,000,000.

The Bank 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 Bank has already established contracts for the sale in the amount of Euros 33,846,000 (31 December 2018: Euros 35,149,000), which impairment associated is Euros 10,006,000 (31 December 2018: Euros 3,361,000), which was calculated taking into account the value of the respective contracts.

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

(Thousands of euros)

	2019	2018
Balance on 31 December	231,080	237,330
Transfer resulting from the merger of BII on BCP	24,413	-
Transfers	-	15,272
Impairment for the year (note 12)	75,510	32,375
Loans charged-off	(120,233)	(54,697)
Exchange rate differences	313	800
Balance at the end of the year	211,083	231,080

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 real estate assets in kind.

25. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Land and buildings	479,172	494,685
Equipment		
Computer equipment	190,756	180,692
Security equipment	62,838	63,391
Interior installations	102,087	100,312
Machinery	17,864	17,157
Farniture	74,065	70,360
Motor vehicles	15,686	14,337
Other equipment	2,787	2,829
Right of use		
Real estate	219,624	-
Vehicles and equipment	81	-
Work in progress	2,297	7,908
Other tangible assets	30	29
	1,167,287	951,700
Accumulated depreciation		
Relative to the year (note 9)	(56,963)	(23,167)
Relative to the previous years	(714,554)	(708,362)
	(771,517)	(731,529)
	395,770	220,171

The balance Right-of-use essentially corresponds to lease agreements on real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the term of each lease agreement, as described in the accounting policy 1 H and note 52.

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

(Thousands of euros)

	Balance on 1 january						
	Initial Balance	IFRS 16 adjustment (note 52)	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	494,685	-	152	(7,723)	(7,955)	13	479,172
Equipment:							
Computer equipment	180,692	-	13,901	(4,712)	872	3	190,756
Security equipment	63,391	-	689	(1,205)	(37)	-	62,838
Interior installations	100,312	-	594	(760)	1,941	-	102,087
Machinery	17,157	-	564	(50)	192	1	17,864
Furniture	70,360	-	2,476	(1,008)	2,235	2	74,065
Motor vehicles	14,337	-	3,151	(1,804)	-	2	15,686
Other equipment	2,829	-	-	(42)	-	-	2,787
Right of use:							
Real estate	-	160,578	50,443	(5)	8,608	-	219,624
Vehicles and equipment	-	66	2	(6)	19	-	81
Work in progress	7,908	-	4,910	(72)	(10,449)	-	2,297
Other tangible assets	29	-	-	-	-	1	30
	951,700	160,644	76,882	(17,387)	(4,574)	22	1,167,287
Accumulated depreciation:							
Real estate	(328,545)	-	(9,012)	7,453	3,807	(7)	(326,304)
Equipment:							
Computer equipment	(164,080)	-	(8,966)	4,561	(872)	(2)	(169,359)
Security equipment	(59,154)	-	(872)	1,205	48	-	(58,773)
Interior installations	(90,150)	-	(1,525)	743	(253)	-	(91,185)
Machinery	(15,504)	-	(339)	50	(90)	(1)	(15,884)
Furniture	(64,203)	-	(1,585)	1,005	(2,228)	(1)	(67,012)
Motor vehicles	(7,085)	-	(2,240)	1,516	-	(1)	(7,810)
Other equipment	(2,779)	-	(7)	42	-	-	(2,744)
Right of use:							
Real estate	-	-	(32,380)	-	-	-	(32,380)
Vehicles and equipment	-	-	(37)	-	-	-	(37)
Other tangible assets	(29)	-	-	-	-	-	(29)
	(731,529)	-	(56,963)	16,575	412	(12)	(771,517)
	220,171	160,644	19,919	(812)	(4,162)	10	395,770

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

(Thousands of euros)

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

26. Intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Intangible assets		
Software	73,763	49,054
Other intangible assets	154	153
	73,917	49,207
Accumulated amortisation		
Relative to the year (note 9)	(13,565)	(9,274)
Relative to the previous years	(19,530)	(10,250)
	(33,095)	(19,524)
	40,822	29,683

The changes occurred in Intangible assets balance, during 2019, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	49,054	24,700	-	-	9	73,763
Other intangible assets	153	-	-	-	1	154
	49,207	24,700	-	-	10	73,917
Accumulated amortisation						
Software	(19,437)	(13,565)	-	-	(6)	(33,008)
Other intangible assets	(87)	-	-	-	-	(87)
	(19,524)	(13,565)	-	-	(6)	(33,095)
	29,683	11,135	-	-	4	40,822

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

(Thousands of euros)

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

27. 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	925,420	-	925,420
Employee benefits	836,876	-	836,876	835,234	-	835,234
	1,820,053	-	1,820,053	1,760,654	-	1,760,654
Deferred taxes depending on the future profits						
Intangible assets	49	-	49	-	-	-
Other tangible assets	1,926	(3,118)	(1,192)	1,977	(3,184)	(1,207)
Impairment losses (c)	707,536	(50,303)	657,233	709,541	(50,303)	659,238
Employee benefits	41,552	(811)	40,741	39,757	(205)	39,552
Financial assets at fair value through other comprehensive income	47,111	(121,751)	(74,640)	139,254	(165,893)	(26,639)
Tax losses carried forward	109,964	-	109,964	319,768	-	319,768
Others	64,339	(31,644)	32,695	57,646	(26,476)	31,170
	972,477	(207,627)	764,850	1,267,943	(246,061)	1,021,882
Total deferred taxes	2,792,530	(207,627)	2,584,903	3,028,597	(246,061)	2,782,536
Offset between deferred tax assets and deferred tax liabilities	(207,627)	207,627	-	(246,061)	246,061	-
Net deferred taxes	2,584,903	-	2,584,903	2,782,536	-	2,782,536

(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.
(c) 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.

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 beginning 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, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,391,072,000 (31 December 2018: Euros 1,202,963,000).

- 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 deferred tax rate is analysed as follows:

Description	2019	2018
Income tax	21.0%	21.0%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than Euros 1,500,000 to Euros 7,500,000	3.0%	3.0%
From more than Euros 7,500,000 to Euros 35,000,000	5.0%	5.0%
More than Euros 35,000,000	9.0%	9.0%

The tax applicable to deferred taxes related to tax losses is 21% (31 December 2018: 21%).

The average deferred tax rate associated with temporary differences of the Bank is 31.3% (31 December 2018: 31.3%).

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.

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 deffered income tax assets associated to tax losses, by expire date, are presented as follows:

(Thousands of euros)

Expire date	2019	2018
2026	-	10,297
2028	109,964	309,471
	109,964	319,768

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 for the year 2019, 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 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 Bank's interpretation of the application of IRC Code's general rules.

The Bank 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 Y.1) 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 Bank 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 derecognized 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 recognised 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
2023	140,216	140,962
2024	35,391	-
2026	212,833	202,537
2028	407,380	207,874
	795,820	551,373

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

(Thousands of euros)

	2019			2018		
					Reserves and retained earnings	
	Net income for the year	Reserves	Merge BII	Net income for the year	Impact of adoption of IFRS 9	Movement of the year
Deferred taxes						
not depending on the future profits (a)						
Impairment losses	9,860	-	47,897	(253)	-	-
Employee benefits	102	232	1,308	(2,188)	-	-
	9,962	232	49,205	(2,441)	-	-
Deferred taxes						
depending on the future profits						
Intangible assets	10	-	39	-	-	-
Other tangible assets	15	-	-	18	-	-
Impairment losses	(12,030)	-	10,025	(23,801)	(197,277)	-
Employee benefits	5,694	(4,534)	29	9,702	-	3,474
Financial assets at fair value through other comprehensive income	-	(41,235)	(6,766)	(10,076)	20,322	(36,885)
Financial assets available for sale	n.a.	n.a.	n.a.	n.a.	6,917	n.a.
Tax losses carried forward (b)	(161,693)	(48,111)	-	(1,685)	-	1,685
Others	(1,065)	1,277	1,313	(4,627)	(613)	(685)
	(169,069)	(92,603)	4,640	(30,469)	(170,651)	(32,411)
	(159,107)	(92,371)	53,845	(32,910)	(170,651)	(32,411)
Current taxes						
Actual year	(3,097)	-	-	(3,989)	-	-
Correction of previous years	14,490	-	-	790	-	-
	11,393	-	-	(3,199)	-	-
	(147,714)	(92,371)	53,845	(36,109)	(170,651)	(32,411)

(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.

(b) Tax on reserves and retained earnings refers to realities recognized in reserves and retained earnings 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).

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	287,010	95,376
Current tax rate (%)	31.30%	31.30%
Expected tax	(89,834)	(29,853)
Elimination of double economic taxation of dividends received	6,118	69,882
Non deductible impairment	(6,932)	(50,505)
Contribution to the banking sector	(9,914)	(9,522)
Fiscal gains and losses	6,591	1,636
Effect of tax rate difference and other corrections (a)	14,878	(1,884)
Effect of recognition / derecognition net of deferred taxes (b)	(79,474)	(14,336)
Correction of previous years	12,448	790
Autonomous tax	(1,595)	(2,317)
Total	(147,714)	(36,109)
Effective rate (%)	51.47%	37.86%

(a) Includes the amount of Euros 15,486,000 related to the effect of updating the rate of deferred tax assets on temporary differences transferred by merger of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.
(b) Includes 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.

28. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Debtors	76,355	132,558
Capital supplies	238,449	233,195
Capital supplementary contributions	165	236,232
Other financial investments	292	449
Gold and other precious metals	3,767	3,615
Deposit account applications	468,084	74,220
Debtors for futures and options transactions	98,965	109,445
Artistic patrimony	28,816	28,622
Amounts due for collection	74,451	45,475
Other recoverable tax	18,972	20,024
Subsidies receivables	9,416	8,146
Associated companies	5,671	43,829
Interest and other amounts receivable	28,110	29,179
Prepaid expenses	20,373	22,330
Amounts receivable on trading activity	5,732	11,851
Amounts due from customers	225,073	217,483
Obligations with post-employment benefits (note 45)	10,163	9,941
Sundry assets	27,223	32,728
	1,340,077	1,259,322
Impairment for other assets	(245,740)	(312,773)
	1,094,337	946,549

As at 31 December 2018, the balance "Debtors" includes a balance with Planfipsa Group in the amount of Euros 42,124,000. As referred in note 23, the Bank sold 51% of Planfipsa S.G.P.S. S.A. and a set of credit granted, which generated an income of Euros 10,386,000 (income before taxes of Euros 15,118,000 according to note 5, and a tax cost of Euros 4,732,000).

As referred in note 42, 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 Bank's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The caption Supplementary capital contributions is analysed as follows:

(Thousands of euros)

	2019	2018
Millennium bcp Imobiliária, S.A.	-	51,295
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	166,287
Millennium bcp - Prestação de Serviços, A.C.E.	-	18,000
Servitrust - Trust Management Services S.A.	-	650
Others	165	-
	165	236,232

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

(Thousands of euros)

	2019	2018
Balance on 1 January	312,773	291,828
Transfer resulting from the merger of BII on BCP	1	-
Transfers	(8,721)	57,120
Impairment for the year (note 12)	7,469	6,544
Write back for the year (note 12)	-	(1,432)
Amounts charged-off	(65,782)	(41,287)
Balance at the end of the year	245,740	312,773

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.

29. 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	-	106,715	106,715	-	803,986	803,986
	-	4,047,211	4,047,211	-	4,754,643	4,754,643
Resources from credit institutions in Portugal						
Very short-term deposits	-	-	-	-	8,134	8,134
Sight deposits	218,975	-	218,975	453,795	-	453,795
Term Deposits	-	1,207,589	1,207,589	-	417,911	417,911
CIRS and IRS operations collateralised by deposits (*)	-	1,060	1,060	-	19,820	19,820
	218,975	1,208,649	1,427,624	453,795	445,865	899,660
Resources from credit institutions abroad						
Very short-term deposits	-	28,756	28,756	-	700	700
Sight deposits	127,979	-	127,979	197,673	-	197,673
Term Deposits	-	1,032,182	1,032,182	-	555,195	555,195
Loans obtained	-	1,504,052	1,504,052	-	1,522,631	1,522,631
CIRS and IRS operations collateralised by deposits (*)	-	8,200	8,200	-	1,880	1,880
Sales operations with repurchase agreement	-	-	-	-	439,999	439,999
Other resources	-	5,861	5,861	-	156	156
	127,979	2,579,051	2,707,030	197,673	2,520,561	2,718,234
	346,954	7,834,911	8,181,865	651,468	7,721,069	8,372,537

(*) 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 Bank and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2019	2018
Up to 3 months	1,861,569	2,311,072
3 to 6 months	3,524,850	39,693
6 to 12 months	1,044,411	219,821
1 to 5 years	1,145,164	4,679,943
Over 5 years	605,871	1,122,008
	8,181,865	8,372,537

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

30. 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	21,860,155	425,247	22,285,402	18,849,565	449,154	19,298,719
Term deposits	-	9,529,571	9,529,571	-	11,142,718	11,142,718
Saving accounts	-	4,270,512	4,270,512	-	3,473,141	3,473,141
Cheques and orders to pay	346,394	-	346,394	303,339	-	303,339
Other	-	60,186	60,186	-	-	-
	22,206,549	14,285,516	36,492,065	19,152,904	15,065,013	34,217,917

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

This balance is analysed by remaining period (maturity of the next renovation), as follows:

(Thousands of euros)

	2019	2018
Deposits repayable on demand	22,285,402	19,298,719
Term deposits and saving accounts		
Up to 3 months	6,645,037	6,379,989
3 to 6 months	4,285,470	4,362,232
6 to 12 months	2,762,628	3,573,937
1 to 5 years	106,705	285,501
Over 5 years	243	14,200
	13,800,083	14,615,859
Cheques and orders to pay		
Up to 3 months	346,394	303,339
Other		
Up to 3 months	186	-
Over 5 years	60,000	-
	60,186	-
	36,492,065	34,217,917

31. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Debt securities at amortised cost		
Bonds	392,190	122,301
Covered bonds	995,977	994,347
MTNs	98,814	77,182
	1,486,981	1,193,830
Accruals	9,527	4,937
	1,496,508	1,198,767

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

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at amortised cost					
BCP 4.75 % set 20 -Vm Sr 279	September, 2012	September, 2020	Fixed rate of 4.750%	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	1,995
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 of 0.75%	1,000,000	995,977
Bcp Div Cabaz 3 Acoes-Smtn 3	December, 2017	December, 2020	Indexed to a portfolio of 3 shares	6,362	6,319
Bcp Mill Cabaz 3 Acoes Fev 2021-Smtn Sr 6	February, 2018	February, 2021	Indexed to a portfolio of 3 shares	10,958	10,958
Tit Div Mill Cabaz 3 Acoes Mar 2021-Smtn Sr 7	March, 2018	March, 2021	Indexed to a portfolio of 3 shares	24,336	24,336
Bcp Part Euro Acoes Valor Iii/18 - Smtn Sr. 8	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,370
Bcp Tit Div Mill Cabaz 3 Acoes Mai 2021-Smtn Sr10	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	32,361	32,361
Bcp Perfor Cabaz Ponder 18/17.05.21-Smtn Sr14	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	790	790
Bcp Obrigacoes Janeiro 2026	January, 2019	January, 2026	Euribor 6M+3,5%	360,000	360,000
Bcp Rend Min Cb Multi Set Iii19 28Mar22 Smtn Sr36	March, 2019	March, 2022	Indexed to a portfolio of 3 shares	3,000	3,000
Bcp Eur Sect. Retorno Garant. Iv 19 May22 Smtn37	May, 2019	May, 2022	Indexed to 3 indexes	3,960	3,960
Bcp Acoes Euro Zona Ret. Min.V19 31Mai22 Smtn39	May, 2019	May, 2022	Indexed to a portfolio of 3 shares	2,480	2,480
Bcp Rend. Min. Eur Setores Vi 19Jun22 Smtn Sr41	June, 2019	June, 2022	Indexed to 3 indexes	3,150	3,150
Bcp Eur Cabaz Acoes Ret.Min.Vii 19Ago22 Smtn Sr43	July, 2019	August, 2022	Indexed to a portfolio of 3 shares	2,270	2,270
Bcp Cabaz Acoes America Ret Min 10Out22 Smtn 45	October, 2019	October, 2022	Indexed to a portfolio of 3 shares	1,610	1,610
Bcp Cabaz Acoes Europa Retorno Min.Xii19 Smtn 46	December, 2019	December, 2022	Indexed to a portfolio of 3 shares	6,210	6,210
					1,486,981
Accruals					9,527
					1,496,508

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
Debt securities at amortised cost						
Bonds	-	-	27,641	4,549	360,000	392,190
Covered bonds	-	-	-	995,977	-	995,977
MTNs	-	-	6,318	92,496	-	98,814
	-	-	33,959	1,093,022	360,000	1,486,981

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

(Thousands of euros)

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

32. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Bonds		
Non Perpetual	1,094,087	793,490
Perpetual	22,035	27,021
	1,116,122	820,511
Accruals	8,931	5,113
	1,125,053	825,624

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						
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	28,373
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	16,061
BCP Ob Sub 3S abr 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 fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,210	741
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	51,611	2,635
BCP Subord 2 Ser abr 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 ref. (ii)	300,000	298,742	300,000
Bcp Subord Fix. Rate Note Proj. Tagus Mtn 855	September, 2019	March, 2030	See ref. (iii)	450,000	441,389	450,000
					1,094,087	811,140
Perpetual Bonds						
TOPS BPSM 1997	December, 1997	See ref. (i)	Euribor 6M+0.9%	22,035	22,035	-
					22,035	-
Accruals					8,931	-
					1,125,053	811,140

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

References:
Date of exercise of the next call option - The dates of the next call options are the dates provided in the Issues Terms and Conditions.
(i) June 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						
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3,75%	114,000	114,000	51,173
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3,75%	64,100	64,100	28,881
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M+3,75%	35,000	35,000	16,158
BCP Sub 11/25.08.2019-EMTN 823	August, 2011	August, 2019	Fixed rate 6,383%	7,500	7,637	979
BCP Subord set 2019-EMTN 826	October, 2011	September, 2019	Fixed rate 9,31%	50,000	53,541	7,444
BCP Subord nov 2019-EMTN 830	November, 2011	November, 2019	Fixed rate 8,519%	40,000	43,234	6,844
MBCP Subord dez 2019-EMTN 833	December, 2011	December, 2019	Fixed rate 7,15%	26,600	29,297	5,010
MBCP Subord jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate 7,01%	14,000	15,334	2,901
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,543	5,341
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9,15%	51,000	54,102	12,835
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,522	6,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,560	7,904
Bcp Fix Rate Reset Sub Notes-EMTN 854	December, 2017	December, 2027	Ver ref. (iii)	300,000	298,620	300,000
					793,490	451,887
Perpetual Bonds						
TOPS BPSM 1997	December, 1997	See ref. (i)	Euribor 6M+0.9%	22,035	22,035	8,814
BCP Leasing 2001	December, 2001	See ref. (ii)	Euribor 3M+2.25%	4,986	4,986	1,994
					27,021	10,808
Accruals					5,113	-
					825,624	462,695

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

References:
Date of exercise of the next call option - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.
(i) 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	213,100	361,161
Over 5 years	740,131	298,620
Undetermined	22,035	27,021
	1,116,122	820,511
Accruals	8,931	5,113
	1,125,053	825,624

33. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of euros)

	2019	2018
Trading derivatives (note 22):		
Swaps	267,213	290,475
Options	672	3,370
Embedded derivatives	347	59
Forwards	934	644
Others	-	1,147
	269,166	295,695
Level 2	269,166	295,677
Level 3	-	18

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2019, the balance Financial liabilities held for trading includes, , the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 B.5, in the amount of Euros 346,000 (31 December 2018: Euros 59,000). This note should be analysed together with note 22.

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

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Deposits from customers	1,720,135	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
	3,201,310	3,603,647

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
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 Acoes Iii-Epvm 49	March, 2017	March, 2020	1st quarter=1,624%; 2 nd quarter =3,9%; 2 nd semester=6,5%; 2 nd year =3,25%; 3rd year=3,25%	268	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. Euro Acoes Cupao Extra Xi/17 Eur-Smtn Sr 4	November, 2017	November, 2020	Indexed to EuroStoxx 50	1,370	1,255
Bcp Rend.Eur Div Autoccalable Xii 17Dec20 Smtn Sr5	December, 2017	December, 2020	Indexed to EuroStoxx Select Dividend 30	1,930	1,917
Bcp Euro Dividendos Cupao Memoria Iii18-Smtn Sr.9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	2,174
Bcp Rend Multi Set Eur Autocallable Abr21-Smtn11	April, 2018	April, 2021	Indexed to 3 shares portfolio	1,230	1,239
Mill Cabaz 3 Acoes Junho 2023 - Smtn Sr 13	June, 2018	June, 2023	Indexed to 3 shares portfolio	87,831	87,274
Bcp Rend Cabaz Sect Autocall 28Jun2021-Smtn Sr15	June, 2018	June, 2021	Indexed to 3 shares portfolio	1,580	1,582
Bcp Inv. Eur Acoes Cupao Lock 28Jun21-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50	2,240	2,290
Bcp Tit Div Mill Cabaz 3 Acoes 25Jul2023-Smtn Sr 17	July, 2018	July, 2023	Indexed to 3 shares portfolio	15,572	15,664
Bcp Ret Sect Europa Autcall Vii18 26Jul21-Smtn Sr18	July, 2018	July, 2021	Indexed to 3 indexes	1,270	1,273
Bcp Tit Div Mill Cabaz 3Acoes 10 Set 23- Smtn Sr 20	September, 2018	September, 2023	Indexed to 3 shares portfolio	29,937	30,161
Bcp Rend Sectores Ix 18/27092021 - Smtn 22	September, 2018	September, 2021	Indexed to 3 indexes	1,070	1,067
Cabaz Multi Sect Eur.Autocall Xi18 29Oct21-Smtn23	October, 2018	October, 2021	Indexed to 3 shares portfolio	3,910	3,954
Rembolsos Parciais Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indexed to EuroStoxx Telecoms	312	313
Bcp Perfor. Euro Dividendos 29Nov2021 Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,596
Bcp Tit Divida Mill Cabaz 3 Acoes 3Dez2023 Smtn25	December, 2018	December, 2023	Indexed to 3 shares portfolio	97,728	97,261
Bcp Tit Div Mill Cabaz 3 Acoes 7Jan2024 Smtn Sr 28	January, 2019	January, 2024	Indexed to 3 shares portfolio	23,010	23,843
Bcp Rend Eur Sect Autoc I19 Eur 31Jan22 Smtn Sr30	January, 2019	January, 2022	Indexed to 3 indexes	900	883
Bcp Rend Acoes Eur Cupao Min Autoc Ii19 Smtn Sr32	February, 2019	February, 2022	Indexed to 3 shares portfolio	8,140	8,319
Bcp Cabaz 3 Acoes Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to 3 shares portfolio	76,526	76,818
Bcp Rend Acoes Val. Glob Aut Iii19 12Mar22 Smtn33	March, 2019	March, 2022	Indexed to Stoxx Global Sel. Dividend100	1,160	1,233
Bcp Acoes Eur Rend Min Aut Iii19 12Mar22 Smtn34	March, 2019	March, 2022	Indexed to 3 shares portfolio	5,650	5,789
Bcp Tit Div Mill Cabaz 3 Acoes 8Abr24 Smtn Sr35	April, 2019	April, 2024	Indexed to 3 shares portfolio	69,287	69,367
Bcp Tit Div Mill Cabaz 4 Acoes 5Junho24 Smtn Sr38	June, 2019	June, 2024	Indexed to 4 shares portfolio	86,570	87,880
Bcp Tit Div Mill Cabaz 5 Ac 26Julho2024 Smtn42	July, 2019	July, 2024	Indexed to 5 shares portfolio	80,182	80,281
Bcp Tit Div Millennium Cabaz 5 Ac 6Dez24 Smtn 44	December, 2019	December, 2024	Indexed to 5 shares portfolio	99,120	98,888
					734,984
Accruals					801
					735,785

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	318,904	433,281	734,858	233,092	-	1,720,135
Debt securities at fair value through profit and loss						
Bonds	262	-	-	-	-	262
Medium Term Notes (MTNs)	-	31,797	3,776	699,149	-	734,722
	262	31,797	3,776	699,149	-	734,984
Certificates	-	-	-	-	745,390	745,390
	319,166	465,078	738,634	932,241	745,390	3,200,509

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
Medium Term Notes (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

35. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Provision for guarantees and other commitments	102,068	163,363
Other provisions for liabilities and charges	158,378	150,505
	260,446	313,868

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

(Thousands of euros)

	2019	2018
Balance on 1 January	163,363	114,981
Transfer resulting from the merger of BII on BCP	10,165	-
Adjustments due to the implementation of IFRS 9 (note 51)	-	9,078
Other transfers (note 19)	(67,083)	(2,124)
Charge for the year (note 13)	5	41,462
Reversals for the year (note 13)	(4,382)	(36)
Exchange rate differences	-	2
Balance at the end of the year	102,068	163,363

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

(Thousands of euros)

	2019	2018
Balance on 1 January	150,505	154,076
Transfer resulting from the merger of BII on BCP	7,230	-
Transfers	188	(12,915)
Charge for the year (note 13)	3,395	19,142
Reversals for the year (note 13)	(12)	(24)
Amounts charged-off	(2,928)	(9,774)
Balance at the end of the year	158,378	150,505

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 68,224,000 (31 December 2018: Euros 55,817,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

36. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Creditors:		
Suppliers	42,978	42,183
From factoring operations	35,948	26,323
Deposit account applications and others applications	58,468	73,706
Associated companies	-	10
For futures and options transactions	11,039	13,731
Obligations not covered by the Group Pension Fund - amounts payable by the Bank	11,634	12,670
Rents to pay	175,598	-
Other creditors		
Residents	40,250	41,776
Non-residents	3,136	211,059
Public sector	33,218	30,996
Interests and other amounts payable	35,640	30,157
Deferred income	7,153	7,453
Holiday pay and subsidies	44,026	43,531
Amounts payable on trading activity	81,464	4,810
Operations to be settled - foreign, transfers and deposits	230,189	214,262
Other liabilities	94,256	108,176
	904,997	860,843

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

The balance Obligations not covered by the Group Pension Fund - amounts payable by the Bank includes the amount of Euros 5,448,000 (31 December 2018: Euros 6,238,000) 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 45.

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

In 2019, the Bank 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 52. The analyse of this balance, by maturity, is as follows:

(Thousands of euros)

	2019
Until 1 year	9,389
1 to 5 years	61,467
Over 5 years	116,316
	187,172
Accrued costs recognised in Net interest income	(11,574)
	175,598

37. Share capital 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 described in note 43, 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 a equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1D.

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.

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
Grupo Fosun - 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.

38. 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 amount of Legal reserves amounts to Euros 240,535,000 (31 December 2018: Euros 234,608,000).

As described in note 43, under the appropriation of net income for the 2018 financial year, the Bank distributed the Statutory reserves in the amount of Euros 30,000,000.

39. 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 21)		
Debt instruments (*)	104,353	(19,971)
Equity instruments	(43,616)	(34,107)
	60,737	(54,078)
Cash-flow hedge	156,629	113,700
From financial liabilities designated at fair value through profit or loss		
related to changes in own credit risk	132	4,151
	217,498	63,773
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(32,037)	6,251
Equity instruments	6,422	2,698
Cash-flow hedge	(49,025)	(35,588)
From financial liabilities designated at fair value through profit or loss		
related to changes in own credit risk	(41)	(1,299)
	(74,681)	(27,938)
	142,817	35,835
Other reserves and retained earnings	228,321	487,060
	371,138	522,895
Legal reserve (note 38)	240,535	234,608
Statutory reserves (note 38)	-	30,000
	240,535	264,608
	611,673	787,503

(*) Includes the effects arising from the application of hedge accounting in the amount of Euros 114,684,000.

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

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 (note 21)						
Debt instruments						
Portuguese public debt securities	(45,633)	99,875	58,559	(2,718)	(70,243)	39,840
Others	25,662	79,118	(16,470)	538	(24,335)	64,513
	(19,971)	178,993	42,089	(2,180)	(94,578)	104,353
Equity instruments	(34,107)	(19,387)	-	-	9,878	(43,616)
	(54,078)	159,606	42,089	(2,180)	(84,700)	60,737

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							
Portuguese public debt securities	-	(65,731)	39,420	(5,337)	(3,526)	(10,459)	(45,633)
Others	-	56,141	(23,963)	(6,818)	2,738	(2,436)	25,662
	-	(9,590)	15,457	(12,155)	(788)	(12,895)	(19,971)
Equity instruments	-	(69,382)	(959)	-	-	36,234	(34,107)
Financial assets available for sale							
Debt instruments							
Portuguese public debt securities	(65,350)	65,350	-	-	-	-	-
Others	58,635	(58,635)	-	-	-	-	-
	(6,715)	6,715	-	-	-	-	-
Equity instruments							
Visa Inc.	2,112	(2,112)	-	-	-	-	-
Others	41,996	(41,996)	-	-	-	-	-
	44,108	(44,108)	-	-	-	-	-
Financial assets held to maturity	(451)	451	-	-	-	-	-
	36,942	(115,914)	14,498	(12,155)	(788)	23,339	(54,078)

The negative amount of Euros 115,914,000 of Adjustments due to the implementation of IFRS 9 corresponds, in 2018, as described in note 51, 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.

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

40. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Guarantees granted		
Guarantees	3,509,180	3,242,423
Stand-by letter of credit	44,982	67,103
Open documentary credits	203,623	264,222
Bails and indemnities	137,695	139,345
Other liabilities	108,850	108,850
	4,004,330	3,821,943
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	1,497,679	1,188,515
Securities subscription	83,842	97,159
Other irrevocable commitments	114,165	113,633
Revocable commitments		
Revocable credit lines	5,025,527	4,222,553
Bank overdraft facilities	551,556	542,389
Other revocable commitments	88,337	93,152
	7,361,106	6,257,401
Guarantees received	22,712,077	19,924,548
Commitments from third parties	10,254,809	9,357,320
Securities and other items held for safekeeping	55,706,145	51,939,148
Securities and other items held under custody by the Securities Depository Authority	65,410,519	61,622,103
Other off balance sheet accounts	124,162,888	120,782,241

The guarantees granted by the Bank may be related to loans transactions, where the Bank 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 35).

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

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

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

41. Assets under management and custody

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

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

(Thousands of euros)

	2019	2018
Assets under deposit	51,826,908	48,235,366
Wealth management (*)	2,610,678	2,140,906
	54,437,586	50,376,272

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

42. Transfers of assets

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

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

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

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

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

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

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. 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 Restructuring of the Fund 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 21)	Capital supplies (note 28)	Capital supplementary contributions (note 28) (*)	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
Imparirmant and other fair value ajustments	(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 Bank 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 21)	Capital supplies (note 28)	Capital supplementary contributions (note 28) (*)	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
Vallis Construction Sector Fund				
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 Recuperação FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(10,974)	-	-	(10,974)
	128,174	-	-	128,174
Fundo Aquarius FCR				
Gross value	152,864	-	-	152,864
Impairment and other fair value adjustments	1,075	-	-	1,075
	153,939	-	-	153,939
Discovery Real Estate Fund				
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	1,456,029
Total impairment and other fair value adjustments	(189,712)	(226,049)	(33,280)	(449,041)
	1,006,988	-	-	1,006,988

(*) 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.

As at 31 December 2019, 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		
Corporate restructuring funds	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

43. Relevant events occurred during 2019

Issue of perpetual subordinated (Additional Tier 1) 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 May 22, 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.

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.

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								
		of which:				of which:		
BCP	Phased-in	Pilar 1	Pilar 2	*Buffers*	Fully implemented	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.

44. Fair value

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

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

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 Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

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

Loans and advances to customers with defined maturity date

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

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

Resources from customers and other loans

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

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	2.54%	-0.44%	2.23%	2.77%	0.25%	0.44%	-0.07%	0.02%
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	1.85%	1.17%	2.34%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	1.70%	2.05%	2.31%
CHF	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.35%	-0.35%
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	n.a.	n.a.	3.88%	3.64%	n.a.	n.a.	1.01%	1.09%
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%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.08%	1.57%
PLN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.84%	1.83%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.44%	0.17%
USD	2.10%	2.87%	2.83%	3.84%	1.91%	2.74%	2.05%	2.97%
ZAR	7.25%	n.a.	n.a.	n.a.	n.a.	7.20%	7.16%	7.38%

Financial assets and liabilities measured at fair value throuh 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 prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt instruments

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments remunerated for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Bank.

As original reference, the Bank applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non institutional costumers of the Bank, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of subordinated issues placed in the institutional market was 5.23% (31 December, 2018: 7.18%). Regarding the subordinated issues placed on the retail market it was determined a discount rate of 3.88% (31 December, 2018: 2.64%). For senior and collateralised securities placed on the retail market, the average discount rate was 0.10% (31 December 2018: 0.36%).

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 22,994,000 (31 December 2018: a positive amount of Euros 12,432,000), and includes a receivable amount of Euros 610,000 (31 December 2018: a receivable amount of Euros 857,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 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 assets and liabilities of the Bank:

	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 month	-0.44%	1.79%	0.80%	1.57%	-0.38%	2.61%	0.85%	1.58%
3 month	-0.43%	1.81%	0.83%	1.61%	-0.36%	2.72%	0.96%	1.62%
6 month	-0.38%	1.84%	0.90%	1.69%	-0.29%	2.81%	1.08%	1.69%
9 month	-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 Bank, as at 31 December 2019:

(Thousands of euros)

	2019				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	4,049,676	4,049,676	4,049,676
Loans and advances to credit institutions repayable on demand	-	-	126,050	126,050	126,050
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	514,309	514,309	513,367
Loans and advances to customers (i)	-	-	32,386,351	32,386,351	32,459,652
Debt instruments	-	-	2,448,401	2,448,401	2,462,053
Financial assets at fair value through profit or loss					
Financial assets held for trading	642,358	-	-	642,358	642,358
Financial assets not held for trading mandatorily at fair value through profit or loss	1,444,772	-	-	1,444,772	1,444,772
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	-	8,078,870	-	8,078,870	8,078,870
Hedging derivatives (ii)	34,990	-	-	34,990	34,990
	2,153,616	8,078,870	39,524,787	49,757,273	49,843,284
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	8,181,865	8,181,865	8,216,520
Resources from customers (i)	-	-	36,492,065	36,492,065	36,501,585
Non subordinated debt securities issued (i)	-	-	1,496,508	1,496,508	1,519,502
Subordinated debt (i)	-	-	1,125,053	1,125,053	1,196,452
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	269,166	-	-	269,166	269,166
Financial liabilities designated at fair value through profit or loss	3,201,310	-	-	3,201,310	3,201,310
Hedging derivatives (ii)	121,474	-	-	121,474	121,474
	3,591,950	-	47,295,491	50,887,441	51,026,009

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2018:

(Thousands of euros)

	2018				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	1,682,922	1,682,922	1,682,922
Loans and advances to credit institutions repayable on demand	-	-	186,477	186,477	186,477
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	2,044,730	2,044,730	2,055,465
Loans and advances to customers (i)	-	-	30,988,338	30,988,338	30,950,023
Debt instruments	-	-	2,641,291	2,641,291	2,647,759
Financial assets at fair value through profit or loss					
Financial assets held for trading	695,752	-	-	695,752	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	1,589,899	-	-	1,589,899	1,589,899
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034	33,034
Financial assets at fair value through other comprehensive income	-	6,996,892	-	6,996,892	6,996,892
Hedging derivatives (ii)	92,891	-	-	92,891	92,891
	2,411,576	6,996,892	37,543,758	46,952,226	46,931,114
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	8,372,537	8,372,537	8,375,877
Resources from customers (i)	-	-	34,217,917	34,217,917	34,230,293
Non subordinated debt securities issued (i)	-	-	1,198,767	1,198,767	1,211,199
Subordinated debt (i)	-	-	825,624	825,624	839,676
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	295,695	-	-	295,695	295,695
Financial liabilities designated at fair value through profit or loss	3,603,647	-	-	3,603,647	3,603,647
Hedging derivatives (ii)	68,486	-	-	68,486	68,486
	3,967,828	-	44,614,845	48,582,673	48,624,873

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Bank classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued on the basis of prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;
ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)), in particular with MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant. In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e. internal ratings, default probabilities determined by internal models, etc.) incorporated in valuation of CVA is not significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSAs), and whose unobservable market data component incorporated in the valuation of CVA is significant in the value of the derivative as a whole. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2019:

(Thousands of euros)

	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	4,049,676	-	-	4,049,676
Loans and advances to credit institutions repayable on demand	126,050	-	-	126,050
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	513,367	513,367
Loans and advances to customers	-	-	32,459,652	32,459,652
Debt instruments	123,300	235,606	2,103,147	2,462,053
Financial assets at fair value through profit or loss				
Financial assets held for trading	46,703	303,933	291,722	642,358
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,444,772	1,444,772
Financial assets designated at fair value through profit or loss	31,496	-	-	31,496
Financial assets at fair value through other comprehensive income	7,718,032	152,712	208,126	8,078,870
Hedging derivatives	-	34,990	-	34,990
	12,095,257	727,241	37,020,786	49,843,284
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	8,216,520	8,216,520
Resources from customers	-	-	36,501,585	36,501,585
Non subordinated debt securities issued	-	-	1,519,502	1,519,502
Subordinated debt	-	-	1,196,452	1,196,452
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	-	269,166	-	269,166
Financial liabilities designated at fair value through profit or loss	745,390	-	2,455,920	3,201,310
Hedging derivatives	-	121,474	-	121,474
	745,390	390,640	49,889,979	51,026,009

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

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	1,682,922	-	-	1,682,922
Loans and advances to credit institutions repayable on demand	186,477	-	-	186,477
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	2,055,465	2,055,465
Loans and advances to customers	-	-	30,950,023	30,950,023
Debt instruments	122,601	226,848	2,298,310	2,647,759
Financial assets at fair value through profit or loss				
Financial assets held for trading	52,280	349,504	293,968	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,589,899	1,589,899
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034
Financial assets at fair value through other comprehensive income	6,368,563	474,361	153,968	6,996,892
Hedging derivatives	-	92,891	-	92,891
	8,445,877	1,143,604	37,341,633	46,931,114
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	8,375,877	8,375,877
Resources from customers	-	-	34,230,293	34,230,293
Non subordinated debt securities issued	-	-	1,211,199	1,211,199
Subordinated debt	-	-	839,676	839,676
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	-	295,677	18	295,695
Financial liabilities designated at fair value through profit or loss	678,192	-	2,925,455	3,603,647
Hedging derivatives	-	68,486	-	68,486
	678,192	364,163	47,582,518	48,624,873

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

(Thousands of euros)

	2019				
	Financial assets				
	held for trading	not held for trading mandatorily at fair value through pnofit or loss	at fair value through other comprehensive income	Total	Financial liabilities held for trading
Balance on 1 January 2019	293,968	1,589,899	153,968	2,037,835	18
Gains / (losses) recognised in:					
Results on financial operations	519	(43,002)	-	(42,483)	-
Net interest income	16	-	586	602	-
Transfers between levels	(3,378)	-	83,815	80,437	(14)
Increase / (reduction) share capital	-	-	-	-	-
Purchases	1	122,874	85,640	208,515	-
Sales, repayments or amortisations	596	(224,999)	(112,316)	(336,719)	(4)
Gains / (losses) recognised in reserves	-	-	(3,743)	(3,743)	-
Exchange differences	-	-	-	-	-
Accruals of interest	-	-	176	176	-
Balance as at 31 December 2019	291,722	1,444,772	208,126	1,944,620	-

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2018 is presented as follows:

(Thousands of euros)

	2018					
	Financial assets					
	held for trading	not held for trading mandatorily at fair value through pnofit or loss	at fair value through other comprehensive income	available for sale	Total	Financial liabilities held for trading
Balance as at 31 December 2017	287,911	-	-	1,863,352	2,151,263	336
Impact of transition to IFRS 9	-	1,832,493	30,859	(1,863,352)	-	-
Balance on 1 January 2018	287,911	1,832,493	30,859	-	2,151,263	336
Gains / (losses) recognised in:						
Results on financial operations	4,637	(29,082)	-	-	(24,445)	-
Net interest income	17	-	897	-	914	-
Transfers between levels	2,735	-	79,081	-	81,816	(332)
Increase / (reduction) share capital	-	(182,497)	-	-	(182,497)	-
Purchases	-	7,117	60,694	-	67,811	14
Sales, repayments or amortisations	(1,332)	(38,508)	(19,788)	-	(59,628)	-
Gains / (losses) recognised in reserves	-	-	2,235	-	2,235	-
Exchange differences	-	376	-	-	376	-
Accruals of interest	-	-	(10)	-	(10)	-
Balance as at 31 December 2018	293,968	1,589,899	153,968	-	2,037,835	18

45. Post-employment benefits and other long term benefits

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

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

	2019	2018
Number of participants		
Pensioners	16,953	16,811
Former attendees acquired rights	3,139	3,147
Employees	7,129	7,085
	27,221	27,043

In accordance with the accounting policy described in note 1 S), the Bank's retirement pension liabilities and other benefits and the respective coverage for the Group, as at 31 December 2019 and 2018, based on the Projected Unit credit method are analysed as follows:

(Thousands of euros)

	2019	2018
Actual amount of the past services		
Pensioners	2,309,366	2,043,969
Former attendees acquired rights	220,064	189,632
Employees	935,161	806,804
	3,464,591	3,040,405
Pension Fund Value	(3,474,754)	(3,050,346)
Net (assets) in balance sheet (note 28)	(10,163)	(9,941)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,558,797	3,269,738

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 in the scope of the fund is called an Additional Complement, which in December 2019 amounted to Euros 289,733,000 (31 December 2018: Euros 284,282,000). 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 53,464,000 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	3,040,405	3,025,679
Service cost	(15,068)	(15,472)
Interest cost / (income)	57,344	62,491
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	99,611	43,655
Arising from changes in actuarial assumptions	362,836	-
Payments	(111,275)	(101,829)
Early retirement programmes and terminations by mutual agreement	18,537	19,302
Contributions of employees	7,926	7,961
Transfer from / (to) other plans (a)	4,275	(1,382)
Balance at the end of the year	3,464,591	3,040,405

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

As at 31 December 2019, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 111,275,000 (31 December 2018: Euros 101,829,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 325,405,000 as at 31 December 2019 (31 December 2018: Euros 298,834,000).

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)

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.

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.

During the 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	3,050,346	3,139,522
Actuarial gains / (losses)	180,687	(53,751)
Contributions to the Fund	289,250	-
Payments	(111,275)	(101,829)
Expected return on plan assets	52,829	59,445
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	684	380
Employees' contributions	7,926	7,961
Transfer from / (to) other plans (a)	4,307	(1,382)
Balance at the end of the year	3,474,754	3,050,346

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

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

(Thousands of euros)

	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	301,171	111,067	412,238	277,652	102,052	379,704
Bonds and other fixed income securities	1,732,315	4,372	1,736,687	1,045,016	4,154	1,049,170
Participations units in investment funds	-	546,624	546,624	-	745,762	745,762
Participation units in real estate funds	-	264,236	264,236	-	273,625	273,625
Properties	-	243,561	243,561	-	243,153	243,153
Loans and advances to credit institutions and others	-	271,408	271,408	-	358,932	358,932
	2,033,486	1,441,268	3,474,754	1,322,668	1,727,678	3,050,346

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 109,635,000 (31 December 2018: Euros 100,691,000). 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 243,561,000 (31 December 2018: Euros 243,153,000), mostly a set of properties called "Taguspark" whose book value of the Bank's share amounts, as at 31 December 2019, to Euros 241,932,000 (31 December 2018: Euros 241,526,000). This book value was calculated on the basis of valuations performed by independent expert evaluators performed in 2017.

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

(Thousands of euros)

	2019	2018
Bonds and other fixed income securities	12,186	12,098
Loans and advances to credit institutions and others	26,336	272,916
	38,522	285,014

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

(Thousands of euros)

	2019	2018
Balance as at 1 January	(9,941)	(113,843)
Recognised in the income statement:		
Service cost	(15,068)	(15,472)
Interest cost / (income) net of the balance liabilities coverage	4,515	3,046
Cost with early retirement programs	18,537	19,302
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(684)	(380)
	7,300	6,496
Recognised in the Statement of Comprehensive Income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(180,687)	53,751
Difference between expected and effective obligations	99,611	43,655
Arising from changes in actuarial assumptions	362,836	-
	281,760	97,406
Contributions to the fund	(289,250)	-
Payments	(32)	-
Balance at the end of the year	(10,163)	(9,941)

The estimated contributions to be made in 2020, by the Bank and by the employees, for the Defined Benefit Plan amount to Euros 11,868,000 and Euros 7,749,000, 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	(15,068)	(15,472)
Net interest cost in the liability coverage balance	4,515	3,046
Cost with early retirement programs	18,537	19,302
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(684)	(380)
(Income) / Cost of the year	7,300	6,496

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

Board of directors plan

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

In accordance with the policy associated with the retirement regulations of former Board of Directors, the Bank registered the responsibility of supporting the cost 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 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 Bank 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 in IAS 19, considering that these are defined benefit plans that share risks between entities over common control, information is obtained on the plan as a whole, which is assessed in accordance with the requirements of IAS 19 on the basis of the applicable assumptions to the plan as a whole.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers. As at 31 December 2019, the Bank 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
Difference between expected and actual liabilities		99,610		43,655
Changes on the assumptions:				
Discount rate		362,837		-
Difference between expected income and income from funds	8.13%	(180,687)	0.18%	53,751
		281,760		97,406

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	144,668	(136,109)	124,069	(119,708)
Pensions increase rate	(153,884)	163,333	(131,118)	140,325
Increase in future compensation levels	(35,487)	44,492	(25,379)	42,795

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2019		2018	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table (*)	124,900	(124,408)	96,452	(102,840)

(*) 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 the year of 2019 and 2018, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. As at 31 December 2019, the Bank accounted as staff costs the amount of Euros 170,000 (31 December 2018: Euros 81,000) related to this contribution.

46. Related parties

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 54 - List of subsidiary and associated companies of Banco Comercial Português S.A., the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

According to Portuguese law, in particular under Articles 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 37.

A) 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
Other Assets	53	53
	372,663	290,437
Liabilities		
Resources from customers	119,530	159,091
	119,530	159,091

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

During the 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 income	5,447	6,834
	17,994	17,692
Costs		
Interest and similar expenses	8	116
Commissions expenses	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	50,851
Irrevocable credit lines	150,000	150,121
	299,542	301,301

B) Transactions with members of the board of directors and key management members

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

(Thousands of euros)

	Loans and advances to customers	
	2019	2018
Board of Directors		
Non-executive directors	2	7
Executive Committee	107	114
Closely related people	277	300
Key management members		
Key management members	6,047	6,141
Closely related people	916	611
Controlled entities	12	17
	7,361	7,190

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

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

(Thousands of euros)

	Resources from customers	
	2019	2018
Board of Directors		
Non-executive directors	7,892	5,915
Executive Committee	631	868
Closely related people	419	322
Controlled entities	30	30
Key management members		
Key management members	8,744	6,133
Closely related people	3,272	2,353
Controlled entities	1,801	1,818
	22,789	17,439

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

(Thousands of euros)

	Interest and similar income		Commissions' income	
	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 the 2019 and 2018, the balances with related parties discriminated in the following table, included in cost items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	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

Revocable and irrevocable credit lines granted by the Bank to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines		Irrevocable credit lines	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	39	22	-	-
Executive Committee	157	70	-	-
Closely related people	27	32	-	-
Key management members				
Key management members	616	375	-	50
Closely related people	154	141	-	24
Controlled entities	20	14	-	-
	1,013	654	-	74

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2019	2018	2019	2018	2019	2018
Fixed remunerations	2,961	3,634	1,804	1,209	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
	4,765	10,182	2,318	1,500	9,223	7,868
Beneficiary Number	6	9	11	19	46	41

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 the key management members, approved for 2018, as described in accounting policies S4 and 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 severance payments were made 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 regarding the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	Key management members				
	Retail	Corporate	Private Banking	Others	Total
Fixed remunerations	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
Beneficiary Number	6	9	2	29	46

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

During 2019, variable remuneration was paid to 46 key management members and it was provided severance pay to three key management members in the amount of Euros 1,077,000, being the highest one in the amount of Euros 657,000. During 2018, no severance pay was 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	198,981 *		25-Oct-19	0.202
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500				
	Bonds (a)	1	0	1		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	173,959 *		25-Oct-19	0
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	169,450	*** 96,240	73,210 *		25-Oct-19	0.202
Miguel de Campos Pereira de Bragança	BCP Shares	564,949	365,968	198,981 *		25-Oct-19	0.202
Miguel Maya Dias Pinheiro	BCP Shares	581,117	361,408	219,709 *		25-Oct-19	0.202
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	1,025,388				
	Bonds (a)	2	0	2		31-Jan-19	200000
Rui Manuel da Silva Teixeira (3)	BCP Shares	212,043	36,336	175,707 *		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	3,000		31-Jan-19	0.193
Alexandre Manuel Casimiro de Almeida	BCP Shares	0	121,440		121,440	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		42,656	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 paragraphs stated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people who they are associated with 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	31/12/2018	Acquisitions	Disposals	Date	Unit Price Euros
José Guilherme Potier Raposo Pulido Valente	BCP Shares	138719	138719				
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		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 paragraphs stated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people who they are associated with 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 subsidiaries and associated companies, detailed in note 54

As at 31 December 2019, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost			Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-curent assets held for sale	Other assets	Total
		Loans and advances to credit institutions	Loans and advances to customers	Debt instruments	held for trading	not held for trading mandatorily at fair value through profit or loss					
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	-	-	50	50
Banco Millennium Atlântico, S.A.	147	209,377	-	-	-	-	-	-	-	-	209,524
Banque BCP, S.A.S.	5	-	-	-	-	-	-	-	-	-	5
BCP Finance Bank Ltd	-	-	-	-	-	-	3,309	-	-	-	3,309
Bichorro – Empreendimentos Turísticos e Imobiliários, S.A.	-	-	3,795	-	-	-	-	-	-	-	3,795
BIM - Banco Internacional de Moçambique, S.A.R.L.	188	1,874	-	-	-	-	-	-	-	2,455	4,517
Cold River's Homestead, S.A.	-	-	-	-	-	-	-	1,793	-	-	1,793
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	-	-	302	-	-	-	-	-	-	-	302
Fiparso- Sociedade Imobiliária Lda.	-	-	52	-	-	-	-	-	-	5	57
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	2	2
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	-	-	16	16
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	-	-	9	9
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	-	-	-	3	3
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	-	-	-	3	3
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Group Bank Millennium (Poland)	37	-	-	-	85	-	-	-	-	-	122
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	-	-	115	115
Magellan Mortgages No. 3 PLC	-	-	-	-	4,749	13,596	64,814	-	-	-	83,159
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	62,649	-	101,391	-	-	257,250	-	13,835	435,125
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	-	18,000	-	5,464	23,464
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	-	18,595	-	-	18,595
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	-	166,287	-	-	166,287
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	-	-	-	2	2
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	-	1	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	9,824	-	-	-	-	-	-	6	9,830
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	43,782	2	43,784
Sciense4You S.A.	-	-	3,579	-	-	-	-	-	-	-	3,579
UNICRE - Instituição Financeira de Crédito, S.A.	-	41,243	10	-	-	-	-	-	-	-	41,253
Webspectator Corporation	-	-	-	-	-	-	-	-	17,158	-	17,158
	377	252,494	80,211	-	106,225	13,596	68,123	461,925	60,940	21,974	1,065,865

(*) Regarding supplies

As at 31 December 2018, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost			Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-curent assets held for sale	Other assets	Total
		Loans and advances to credit institutions	Loans and advances to customers	Debt instruments	held for trading	not held for trading mandatorily at fair value through profit or loss					
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	-	1	1
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	-	-	21	21
Banco de Investimento Imobiliário, S.A.	-	1,541,208	-	-	17,792	-	-	-	-	21,420	1,580,420
Banco Millennium Atlântico, S.A.	-	238,027	-	-	-	-	-	-	-	-	238,027
Banque BCP, S.A.S.	5	-	-	-	-	-	-	-	-	-	5
BCP Finance Bank Ltd	-	-	-	-	-	-	2,757	-	-	-	2,757
Bichorro – Empreendimentos Turísticos e Imobiliários, S.A.	-	-	3,666	-	-	-	-	-	-	-	3,666
BIM - Banco Internacional de Moçambique, S.A.R.L.	187	310	-	-	1	-	-	-	-	2,674	3,172
Cold River's Homestead, S.A.	-	-	-	-	-	-	-	1,793	-	-	1,793
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Fiparso- Sociedade Imobiliária Lda.	-	-	40	-	-	-	-	-	-	5	45
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	2	2
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	-	-	400	400
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	-	-	218	218
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	19	-	-	-	-	-	-	1	20
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	-	-	-	3	3
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	-	-	-	4	4
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Group Bank Millennium (Poland)	46	-	-	-	71	-	-	-	-	-	117
Imábida - Imobiliária da Arrábida, S.A.	-	-	-	-	-	-	-	-	21,102	26	21,128
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	-	-	35	35
Magellan Mortgages No. 2 PLC	-	-	-	-	-	6,400	7,543	-	-	-	13,943
Magellan Mortgages No. 3 PLC	-	-	-	-	5,303	16,068	73,373	-	-	-	94,744
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	59,423	-	107,843	-	-	257,250	-	14,509	439,025
Millennium bcp Bank & Trust	-	-	-	-	569	-	-	-	-	-	569
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	-	-	-	18,973	18,973
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	-	-	-	57,195	57,195
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	-	-	-	166,287	166,287
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	-	-	-	2	2
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	-	1	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	9,824	-	-	-	-	-	-	3	9,827
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	2	2
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	4,450	950	-	-	-	-	-	-	5,400
Planfipsa S.G.P.S., S.A. (Grupo)	-	-	50,808	-	-	-	-	-	-	42,413	93,221
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	43,782	2	43,784
Servitrust - Trust Management Services S.A.	-	-	-	-	-	-	-	-	-	650	650
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	-	3	-	-	-	-	-	-	-	3
UNICRE - Instituição Financeira de Crédito, S.A.	-	36,453	3	-	-	-	-	-	-	-	36,456
Webspectator Corporation	-	-	-	-	-	-	-	-	16,844	-	16,844
	238	1,815,998	128,236	950	131,579	22,468	83,673	259,043	81,728	324,853	2,848,766

As at 31 December 2019, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Other liabilities	Total
Banco ActivoBank, S.A.	1,221,849	-	365,021	-	-	-	15,784	1,602,654
Banco Millennium Atlântico, S.A.	16,239	-	-	-	30	-	-	16,269
Banque BCP, S.A.S.	104,752	-	-	-	-	-	-	104,752
Banque Privée BCP (Suisse) S.A.	14,077	-	-	-	-	-	-	14,077
BCP África, S.G.P.S., Lda.	-	134,262	-	-	-	-	-	134,262
BCP Capital - Sociedade de Capital de Risco, S.A.	-	3,565	-	-	-	-	-	3,565
BCP Finance Bank Ltd	609,973	-	-	-	-	-	-	609,973
BCP Finance Company, Ltd	-	117,455	-	-	-	-	-	117,455
BCP International, B.V.	-	94,836	-	-	-	-	-	94,836
BCP Investment, B.V.	-	28,941	-	-	-	-	-	28,941
BIM - Banco Internacional de Moçambique, S.A.R.L.	4,392	-	-	-	-	-	-	4,392
Cold River's Homestead, S.A.	-	1,283	-	-	-	-	-	1,283
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	-	327	-	-	-	-	-	327
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	546	-	-	-	-	-	546
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	104	-	-	-	-	-	104
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	1,395	-	-	-	-	-	1,395
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	627	-	-	-	-	-	627
Fundo de Investimento Imobiliário Fechado Gestimo	-	133	-	-	-	-	-	133
Fundo de Investimento Imobiliário Gestão Imobiliária	-	194	-	-	-	-	-	194
Fundo de Investimento Imobiliário Imorenda	-	697	-	-	-	-	-	697
Fundo de Investimento Imobiliário Imosotto Acumulação	-	1,126	-	-	-	-	-	1,126
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	1,354	-	-	-	-	-	1,354
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	1,372	-	-	-	-	-	1,372
Fundo Especial de Investimento Imobiliário Oceânico II	-	591	-	-	-	-	-	591
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	285	-	-	-	-	-	285
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	599	-	-	-	-	-	599
Group Bank Millennium (Poland)	25,119	-	-	-	-	-	-	25,119
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	5,151	-	-	-	-	-	5,151
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	606,902	45,622	355,236	18,417	31,070	7	1,057,254
Millennium bcp - Prestação de Serviços, A.C.E.	-	4,498	-	-	-	-	3,188	7,686
Millennium bcp Bank & Trust	316,957	-	-	-	-	-	-	316,957
Millennium bcp Imobiliária, S.A.	-	1,744	-	-	-	-	-	1,744
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	10,692	-	-	-	-	-	10,692
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	113	-	-	-	-	-	113
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	6,748	-	-	-	-	-	6,748
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	428	-	-	-	-	-	428
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	2,376	-	-	-	-	-	2,376
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	1,223	-	-	-	-	-	1,223
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	23	-	-	-	-	-	23
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	1,790	-	-	-	-	-	1,790
Sciense4You S.A.	-	1,008	-	-	-	-	-	1,008
Setelote-Aldeamentos Turísticos, S.A.	-	139	-	-	-	-	-	139
SIBS, S.G.P.S., S.A.	-	7,468	-	-	-	-	-	7,468
UNICRE - Instituição Financeira de Crédito, S.A.	8	-	-	-	-	-	-	8
	2,313,366	1,040,267	410,643	355,236	18,447	31,070	18,979	4,188,008

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

As at 31 December 2018, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Other liabilities	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	339	-	-	-	-	-	339
Banco ActivoBank, S.A.	403,753	-	-	-	-	-	16,088	419,841
Banco de Investimento Imobiliário, S.A.	174,754	-	-	-	-	-	5,660	180,414
Banco Millennium Atlântico, S.A.	52,512	-	-	-	121	-	-	52,633
Banque BCP, S.A.S.	109,911	-	-	-	-	-	-	109,911
Banque Privée BCP (Suisse) S.A.	15,168	-	-	-	-	-	-	15,168
BCP África, S.G.P.S., Lda.	-	91,180	-	-	-	-	-	91,180
BCP Capital - Sociedade de Capital de Risco, S.A.	-	3,518	-	-	-	-	2	3,520
BCP Finance Bank Ltd	110,530	-	-	-	-	-	-	110,530
BCP Finance Company, Ltd	-	117,474	-	-	-	-	-	117,474
BCP International, B.V.	-	94,929	-	-	-	-	-	94,929
BCP Investment, B.V.	-	29,083	-	-	-	-	-	29,083
BIM - Banco Internacional de Moçambique, S.A.R.L.	2,034	-	-	-	107	-	9	2,150
Cold River's Homestead, S.A.	-	1,510	-	-	-	-	-	1,510
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	-	1,031	-	-	-	-	-	1,031
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	622	-	-	-	-	-	622
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	316	-	-	-	-	-	316
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	165	-	-	-	-	-	165
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	8,831	-	-	-	-	-	8,831
Fundo de Investimento Imobiliário Fechado Gestimo	-	4,200	-	-	-	-	-	4,200
Fundo de Investimento Imobiliário Gestão Imobiliária	-	262	-	-	-	-	-	262
Fundo de Investimento Imobiliário Imorenda	-	1,947	-	-	-	-	-	1,947
Fundo de Investimento Imobiliário Imosotto Acumulação	-	3,009	-	-	-	-	-	3,009
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	1,434	-	-	-	-	-	1,434
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	669	-	-	-	-	-	669
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,062	-	-	-	-	-	1,062
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	480	-	-	-	-	-	480
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	320	-	-	-	-	-	320
Group Bank Millennium (Poland)	212	-	-	-	5	-	-	217
Imábida - Imobiliária da Arrábida, S.A.	-	152	-	-	-	-	-	152
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	5,042	-	-	-	-	24	5,066
Irgossai - Urbanização e construção, S.A.	-	262	-	-	-	-	-	262
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	533,311	132,911	474,810	27,155	31,995	(2)	1,200,180
Millennium bcp - Prestação de Serviços, A.C.E.	-	4,476	-	-	-	-	70	4,546
Millennium bcp Bank & Trust	330,550	-	-	-	-	-	-	330,550
Millennium bcp Imobiliária, S.A.	-	31,304	-	-	-	-	-	31,304
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	13,120	-	-	-	-	-	13,120
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	105	-	-	-	-	-	105
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	7,032	-	-	-	-	-	7,032
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	878	-	-	-	-	-	878
Mundotêxtil - Indústrias Têxteis, S.A.	-	86	-	-	-	-	-	86
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1,363	-	-	-	-	-	1,363
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	3,059	-	-	-	-	-	3,059
Planfipsa S.G.P.S., S.A. (Grupo)	-	2,204	-	-	-	-	-	2,204
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	76	-	-	-	-	-	76
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	2,476	-	-	-	-	-	2,476
Setelote-Aldeamentos Turísticos, S.A.	-	149	-	-	-	-	-	149
Servitrust - Trust Management Services S.A.	-	12	-	-	-	-	-	12
SIBS, S.G.P.S., S.A.	-	5,957	-	-	-	-	-	5,957
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	805	-	-	-	-	-	805
UNICRE - Instituição Financeira de Crédito, S.A.	30	-	-	-	-	-	-	30
	1,199,454	974,250	132,911	474,810	27,388	31,995	21,851	2,862,659

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

As at 31 December 2019, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	5	-	-	-	5
Banco Millennium Atlântico, S.A.	9,648	1,495	155	-	-	11,298
Banque BCP, S.A.S.	-	5	-	-	3,007	3,012
Banque Privée BCP (Suisse) S.A.	-	919	49	-	7,610	8,578
BCP Capital - Sociedade de Capital de Risco, S.A.	-	2	-	-	-	2
BCP Finance Bank Ltd	336	-	-	-	-	336
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	57	-	-	-	-	57
BIM - Banco Internacional de Moçambique, S.A.R.L.	43	121	11,546	-	-	11,710
Cold River's Homestead, S.A.	-	1	-	-	-	1
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	-	14	-	-	-	14
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	6	-	-	-	6
Fiparso- Sociedade Imobiliária Lda.	1	-	-	-	-	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	12	-	-	-	12
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	23	-	-	-	23
Fundo de Investimento Imobiliário Fechado Gestimo	-	9	-	-	-	9
Fundo de Investimento Imobiliário Gestão Imobiliária	-	1	-	-	-	1
Fundo de Investimento Imobiliário Imorenda	-	119	-	-	-	119
Fundo de Investimento Imobiliário Imosotto Acumulação	-	134	-	-	-	134
Fundo Especial de Investimento Imobiliário Fechado Intercapital	2	6	-	-	-	8
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	33	-	-	-	33
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	7	-	-	-	7
Fundo Especial de Investimento Imobiliário Oceânico II	-	80	-	-	-	80
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	61	-	-	-	61
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	6	-	-	-	6
Group Bank Millennium (Poland)	16	3	-	48	-	67
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	317	41	-	3,668	4,026
Magellan Mortgages No. 2 PLC	1,171	94	-	-	-	1,265
Magellan Mortgages No. 3 PLC	3,898	379	-	-	-	4,277
Millennium bcp Bank & Trust	-	-	-	29	-	29
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,828	54,447	244	10,363	-	67,882
Millennium bcp Imobiliária, S.A.	-	1	1	-	-	2
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	4,976	4,976
Millennium bcp - Prestação de Serviços, A.C.E.	-	139	4,889	-	-	5,028
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	5	-	-	-	5
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	15	-	-	-	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	100	62	-	-	-	162
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	30	-	-	-	30
Mundotêxtil - Indústrias Têxteis, S.A.	111	28	-	-	-	139
Planfipsa S.G.P.S., S.A. (Group)	348	9	2	-	-	359
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	-	332	-	-	332
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	18	-	-	-	18
Sciense4You S.A.	70	8	10	-	-	88
SIBS, S.G.P.S., S.A.	1	21	-	-	-	22
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1	-	-	286	287
UNICRE - Instituição Financeira de Crédito, S.A.	602	1,062	3	-	130	1,797
	19,232	59,698	17,272	10,440	19,677	126,319

As at 31 December 2018, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1	-	-	-	1
Banco ActivoBank, S.A.	-	-	30	-	-	30
Banco de Investimento Imobiliário, S.A.	851	123	-	36,012	22,945	59,931
Banco Millennium Atlântico, S.A.	9,746	1,055	28	-	-	10,829
Banque BCP, S.A.S.	-	1	-	-	3,339	3,340
Banque Privée BCP (Suisse) S.A.	-	937	63	-	6,998	7,998
BCP Capital - Sociedade de Capital de Risco, S.A.	-	5	-	-	7,500	7,505
BCP Finance Bank Ltd	488	-	-	93	-	581
BCP Investment, B.V.	-	-	-	-	133,300	133,300
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	53	-	-	-	-	53
BIM - Banco Internacional de Moçambique, S.A.R.L.	3	215	10,937	1,898	-	13,053
Cold River's Homestead, S.A.	-	1	-	-	-	1
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	-	6	-	-	-	6
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	34	-	-	-	34
Fundo de Investimento Imobiliário Fechado Gestimo	-	14	-	-	-	14
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	145	-	-	-	145
Fundo de Investimento Imobiliário Imosotto Acumulação	-	223	-	-	-	223
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	-	6
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	20	34	-	-	-	54
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	20	-	-	-	20
Fundo Especial de Investimento Imobiliário Oceânico II	-	55	-	-	-	55
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	12	-	-	-	12
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	20	-	-	-	20
Grupo Bank Millennium (Polónia)	-	3	-	93	-	96
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	308	61	-	4,013	4,382
Irgossai - Urbanização e construção, S.A.	15	-	-	-	-	15
Magellan Mortgages No. 2 PLC	1,317	113	-	-	-	1,430
Magellan Mortgages No. 3 PLC	4,749	424	-	-	-	5,173
Millennium bcp Bank & Trust	-	-	-	25	-	25
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Grupo)	2,942	55,529	249	-	45,080	103,800
Millennium bcp Imobiliária, S.A.	-	2	-	-	-	2
Millennium bcp - Prestação de Serviços, A.C.E.	-	101	5,541	-	-	5,642
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	-	40	40
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	7	-	-	-	7
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1	-	-	-	1
MR – Fundo Especial de Investimento Imobiliário Fechado	-	16	-	-	-	16
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	9	3	-	-	-	12
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	(1)	40	-	-	-	39
Mundotêxtil - Indústrias Têxteis, S.A.	91	23	-	-	-	114
Planfipsa S.G.P.S., S.A. (Grupo)	2,156	53	7	-	-	2,216
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	-	276	-	-	276
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	18	-	-	-	18
SIBS, S.G.P.S., S.A.	1	30	-	-	-	31
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	2	-	-	50	52
UNICRE - Instituição Financeira de Crédito, S.A.	674	1,228	2	-	86	1,990
	23,114	60,824	17,194	38,121	223,351	362,604

As at 31 December 2019, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	11,995	8,523	(34)	-	-	20,484
Banco Millennium Atlântico, S.A.	302	4	-	-	-	306
Banque BCP, S.A.S.	892	-	-	-	-	892
BCP Capital - Sociedade de Capital de Risco, S.A.	39	-	-	-	-	39
BCP Finance Bank Ltd	13,197	-	-	-	-	13,197
BIM - Banco Internacional de Moçambique, S.A.R.L.	732	10	-	-	-	742
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	11	-	11
Group Bank Millennium (Poland)	(11)	49	-	-	2	40
Imábida - Imobiliária da Arrábida, S.A.	-	-	-	28	-	28
Millennium bcp Bank & Trust	3,215	-	-	-	23	3,238
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	40,569	3	-	313	13,411	54,296
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	3,377	-	3,377
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
Millennium Fundo de Capitalização - Fundo de Capital de Risco	1	-	-	-	-	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	9	-	9
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	-	-	928	-	928
SIBS, S.G.P.S., S.A.	1	-	-	-	-	1
Sciense4You S.A.	-	1	-	-	-	1
UNICRE - Instituição Financeira de Crédito, S.A.	-	10	1,136	1	-	1,147
	70,932	8,600	1,102	4,682	13,436	98,752

As at 31 December 2018, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	105	16,416	-	-	-	16,521
Banco de Investimento Imobiliário, S.A.	409	2,645	-	-	15,693	18,747
Banco Millennium Atlântico, S.A.	1,065	1	-	-	-	1,066
Banque BCP, S.A.S.	871	-	-	-	-	871
BCP Capital - Sociedade de Capital de Risco, S.A.	153	-	-	-	-	153
BCP Finance Bank Ltd	13,508	-	-	-	182	13,690
BCP Finance Company, Ltd	1,012	-	-	-	-	1,012
BIM - Banco Internacional de Moçambique, S.A.R.L.	218	7	-	-	-	225
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	1	-	-	-	-	1
Fundo de Investimento Imobiliário Gestão Imobiliária	-	-	-	54	-	54
Fundo de Investimento Imobiliário Imorenda	-	-	-	6,561	-	6,561
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	2,042	-	2,042
Group Bank Millennium (Poland)	6	48	-	-	22	76
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	2	-	-	-	-	2
Millennium bcp Bank & Trust	4,532	-	-	-	6	4,538
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	45,823	3	-	(21)	-	45,805
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	16,472	-	16,472
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	9	-	9
Planfipsa S.G.P.S., S.A. (Group)	-	-	1	-	-	1
SIBS, S.G.P.S., S.A.	2	-	-	-	-	2
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	1	-	-	-	-	1
UNICRE - Instituição Financeira de Crédito, S.A.	-	9	862	117	-	988
	67,708	19,129	863	25,285	15,903	128,888

As at 31 December 2019, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco Millennium Atlântico, S.A.	7,422	-	600	-	8,022
Banque BCP, S.A.S.	-	-	-	4,907	4,907
Banque Privée BCP (Suisse) S.A.	-	200,000	-	9,966	209,966
BCP Finance Bank Ltd	108,850	-	-	-	108,850
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	-	53	-	-	53
BIM - Banco Internacional de Moçambique, S.A.R.L.	601	-	-	-	601
Cold River's Homestead, S.A.	323	1,793	-	-	2,116
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	40	5	-	-	45
Fiparso- Sociedade Imobiliária Lda.	-	28	-	-	28
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	695	-	695
Group Bank Millennium (Poland)	97	-	-	9,589	9,686
Millennium bcp Bank & Trust	-	-	-	1,244	1,244
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	20	-	-	105
Sciense4You S.A.	62	17	-	-	79
SIBS, S.G.P.S., S.A.	50	-	-	-	50
UNICRE - Instituição Financeira de Crédito, S.A.	-	3,909	-	-	3,909
	117,530	205,825	1,295	25,706	350,356

As at 31 December 2018, the Guarantees granted, Revocable and Irrevocable credit lines to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco de Investimento Imobiliário, S.A.	86	-	-	-	86
Banco Millennium Atlântico, S.A.	7,200	-	13,611	-	20,811
Banque BCP, S.A.S.	-	-	-	4,906	4,906
Banque Privée BCP (Suisse) S.A.	-	200,300	-	9,965	210,265
BCP Finance Bank Ltd	108,850	-	-	-	108,850
BIM - Banco Internacional de Moçambique, S.A.R.L.	1,492	-	-	-	1,492
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	684	6	-	-	690
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	695	-	695
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	350	350
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	250	-	-	250
Group Bank Millennium (Poland)	90	-	-	9,551	9,641
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	221	2	-	-	223
Mundotêxtil - Indústrias Têxteis, S.A.	638	1,094	400	-	2,132
SIBS, S.G.P.S., S.A.	12,388	-	-	-	12,388
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	22	17	-	-	39
UNICRE - Instituição Financeira de Crédito, S.A.	-	8,743	-	-	8,743
	131,671	210,412	14,706	24,772	381,561

Under the scope of the Bank's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	2019	2018
Life insurance		
Saving products	35,742	33,677
Mortgage and consumer loans	19,925	19,039
Others	31	24
	55,698	52,740
Non - Life insurance		
Accidents and health	18,548	17,132
Motor	3,919	3,676
Multi-Risk Housing	6,674	6,409
Others	1,303	1,186
	30,444	28,403
	86,142	81,143

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ocidental - Sociedade Gestora de Fundos de Pensoes, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, S.A. The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Bank, other than those already disclosed.

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

(Thousands of euros)

	2019	2018
Funds receivable for payment of life insurance commissions	13,810	14,497
Funds receivable for payment of non-life insurance commissions	7,643	7,230
	21,453	21,727

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

D) Transactions with the pension fund

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

(Thousands of euros)

	2019	2018
Assets		
Financial assets held for trading	-	58
Liabilities		
Resources from customers	31,391	279,851
Non-subordinated debt securities issued	14,426	14,306
Subordinated debt	-	34
	45,817	294,191

In 2019, the Pension Fund holds perpetual subordinated bonds (Adt1), in the amount of Euros 1,575,000 issued by Banco Comercial Português, S.A.. During the 2019 and 2018, there were no transactions of financial assets between the Bank and the Pension Fund.

During the 2019 and 2018, the balances with the Pension Fund included in income and expense items of the separate income statement, are as follows:

(Thousands of euros)

	2019	2018
Income		
Commissions	836	564
Expenses		
Interest expense and similar charges	176	89
Other administrative costs	96	513
	272	602

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

At 31 December 2019, the amount of Guarantees granted by the Bank to the Pension Fund amounted to Euros 5,000 (31 December 2018: Euros 5,000).

47. Solvency

The Bank's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR).

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

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted of anticipated dividends; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value as well as the irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund , are also deducted.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt, that are compliant with the issue conditions established in the Regulation.

Tier 2 includes the subordinated debt that is compliant with the Regulation. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements lasted until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of January 1, 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

With the IFRS9 introduction the Group has decided to gradually recognise the impacts, according to artº 473º-A of CRR.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios, including a conservation buffer, according to the followiong table:

2019 Minimum Capital Requirements

BCP Solo	Phased-in	of which:			Fully implemented	of which:		
		Pilar 1	Pilar 2	*Buffers*		Pilar 1	Pilar 2	*Buffers*
CET1	7.00%	4.50%	0.00%	2.50%	7.00%	4.50%	0.00%	2.50%
T1	8.50%	6.00%	0.00%	2.50%	8.50%	6.00%	0.00%	2.50%
Total	10.50%	8.00%	0.00%	2.50%	10.50%	8.00%	0.00%	2.50%

The Bank meets all the requirements and other recommendations issued by the supervisor on this matter.

The Bank has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio and its corporate portfolio. The bank has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks and the standard method was used for the purposes of operating risk coverage.

The own funds and the capital requirements determined according to the methodologies CRD IV / CRR (phased-in) previously referred , are the following:

(Thousands of euros)

	2019	2018
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Reserves and retained earnings	699,485	816,664
Regulatory adjustments to CET1	(541,037)	(958,304)
	4,899,919	4,599,831
Tier 1		
Capital Instruments	400,000	1,169
	5,299,919	4,601,000
Tier 2		
Subordinated debt	811,140	462,696
Others	(38,365)	(31,498)
	772,775	431,198
Total own funds	6,072,694	5,032,198
RWA - Risk weighted assets		
Credit risk	29,771,502	29,874,167
Market risk	1,595,571	1,166,542
Operational risk	2,341,374	2,207,019
CVA	102,460	169,095
	33,810,907	33,416,823
Capital ratios		
CET1	14.5%	13.8%
Tier 1	15.7%	13.8%
Tier 2	2.3%	1.3%
Total	18.0%	15.1%

The 2019 and 2018 amounts include the accumulated net income.

48. Risk management

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

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

Main types ok risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

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

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

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

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 behavior or design of products and services), the risk associated with non-compliance with personal data protection and the risk of litigation.

Internal organisation

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

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

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

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

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

Risk assessment

Credit Risk

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

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Bank have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

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

(Thousands of euros)

Risk items	2019	2018
Central Governments or Central Banks	8,884,919	6,545,332
Regional Governments or Local Authorities	750,240	726,228
Administrative and non-profit Organisations	174,550	105
Other Credit Institutions	2,019,120	3,973,609
Retail and Corporate customers	45,760,785	43,376,213
Other items (*)	11,803,701	12,291,640
	69,393,315	66,913,127

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

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

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

a) Collaterals and Guarantees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Risk grades

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

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

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

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

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

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

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

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

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2019 and 2018 integrates the general principles defined in International Financial Reporting Standards (IFRS 9 as at 1 January 2018 and IAS 39 as at 31 December 2017) and the guidelines issued by the Bank of Portugal through a Circular Letter "CC / 2018/00000062", in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2019, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1 B1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2019				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	511,671	3,006	-	-	514,677
Loans and advances to customers (note 19)	24,965,120	6,050,648	3,229,252	3,225	34,248,245
Debt instruments (note 20)	2,377,300	74,515	9,549	-	2,461,364
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	8,006,771	-	-	-	8,006,771
Guarantees and other commitments (note 40)	9,097,042	1,602,505	467,882	-	11,167,429
Total	44,957,904	7,730,674	3,706,683	3,225	56,398,486

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

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

(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 18)	160	208	-	-	368
Loans and advances to customers (note 19)	23,898	138,780	1,699,216	-	1,861,894
Debt instruments (note 20)	3,101	382	9,480	-	12,963
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	-	-	-	-	-
Guarantees and other commitments (note 35)	1,272	4,170	96,626	-	102,068
Total	28,431	143,540	1,805,322	-	1,977,293

(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 18)	511,511	2,798	-	-	514,309
Loans and advances to customers (note 19)	24,941,222	5,911,868	1,530,036	3,225	32,386,351
Debt instruments (note 20)	2,374,199	74,133	69	-	2,448,401
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	8,006,771	-	-	-	8,006,771
Guarantees and other commitments (notes 35 and 40)	9,095,770	1,598,335	371,256	-	11,065,361
Total	44,929,473	7,587,134	1,901,361	3,225	54,421,193

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

(Thousands of euros)

	2018				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	2,035,254	10,657	669	-	2,046,580
Loans and advances to customers (note 19)	22,915,268	5,758,902	4,607,650	4	33,281,824
Debt instruments (note 20)	2,345,182	264,307	72,007	-	2,681,496
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	6,900,301	-	3,722	-	6,904,023
Guarantees and other commitments (note 40)	7,953,682	1,347,531	567,339	-	9,868,552
Total	42,149,687	7,381,397	5,251,387	4	54,782,475

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

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

(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 18)	407	774	669	-	1,850
Loans and advances to customers (note 19)	25,460	125,218	2,142,808	-	2,293,486
Debt instruments (note 20)	3,039	507	36,659	-	40,205
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	-	-	-	-	-
Guarantees and other commitments (note 35)	1,209	3,883	158,271	-	163,363
Total	30,115	130,382	2,338,407	-	2,498,904

(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 18)	2,034,847	9,883	-	-	2,044,730
Loans and advances to customers (note 19)	22,889,808	5,633,684	2,464,842	4	30,988,338
Debt instruments (note 20)	2,342,143	263,800	35,348	-	2,641,291
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	6,900,301	-	-	-	6,900,301
Guarantees and other commitments (notes 35 and 40)	7,952,473	1,343,648	409,068	-	9,705,189
Total	42,119,572	7,251,015	2,909,258	4	52,279,849

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

The 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 21)		
Debt instruments	51,452	57,942
Derivatives	698,629	849,247
Hedging derivatives (note 22)	69,051	214,185
Financial assets designated at fair value through profit or loss (note 21)		
Debt instruments	31,496	33,034
Financial assets not held for trading mandatorily at fair value through profit or loss (note 21)		
Debt instruments	1,444,772	1,589,899
Total	2,295,400	2,744,307

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

During the year of 2019, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 31 December 2018	25,460	125,218	2,142,808	-	2,293,486
Balances BII (integration into BCP)	90	894	48,195	-	49,179
Impairment losses as at 1 January 2019	25,550	126,112	2,191,003	-	2,342,665
Change in impairment losses:					
Transfer to Stage 1	17,491	(15,859)	(1,632)	-	-
Transfer to Stage 2	(3,237)	38,654	(35,417)	-	-
Transfer to Stage 3	(463)	(6,482)	6,945	-	-
Changes occurred due to changes in credit risk	(17,941)	(22,957)	21,815	-	(19,083)
Write-offs	(690)	(3,280)	(558,820)	-	(562,790)
Changes due to new financial assets and derecognised financial assets and other variations	3,188	22,592	75,322	-	101,102
Impairment losses as at 31 December 2019	23,898	138,780	1,699,216	-	1,861,894

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

(Thousands of euros)

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

During the year of 2019, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 31 December 2018	22,915,268	5,758,902	4,607,650	4	33,281,824
Balances BII (integration into BCP)	765,464	252,664	164,404	-	1,182,532
Gross amount as at 1 January 2019	23,680,732	6,011,566	4,772,054	4	34,464,356
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,183,502)	1,183,502	-	-	-
Transfer from Stage 1 to Stage 3	(61,191)	-	61,191	-	-
Transfer from Stage 2 to Stage 1	1,370,214	(1,370,214)	-	-	-
Transfer from Stage 2 to Stage 3	-	(230,310)	230,310	-	-
Transfer from Stage 3 to Stage 1	40,513	-	(40,513)	-	-
Transfer from Stage 3 to Stage 2	-	392,825	(392,825)	-	-
Write-offs	(690)	(3,280)	(558,821)	-	(562,791)
Net balance of new financial assets and derecognised financial assets and other changes	1,119,044	66,559	(842,144)	3,221	346,680
Gross amount as at 31 December 2019	24,965,120	6,050,648	3,229,252	3,225	34,248,245

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

(Thousands of euros)

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

The modified financial assets that do not result in derecognition are analysed as follows:

(Thousands of euros)

Financial assets modified during the year (with impairment losses based on expected lifetime losses)	**2019**	**2018**
Amortised cost before changes	591,639	531,426
Impairment losses before changes	(262,730)	(167,591)
Net amortised cost before changes	328,909	363,835
Net gain / loss arising on changes	(11,600)	(12,847)
Net amortised cost after changes	317,309	350,988

(Thousands of euros)

Financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime	**2019**	**2018**
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	53,080	43,170

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)

	31 December 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	14,212,753	2,287,388	120,935	25,992	2,434,315	241,184	271,844	513,028	3,221	17,163,317
Individuals-Other	3,330,637	526,860	34,229	8,761	569,850	78,517	115,927	194,444	4	4,094,935
Financial Companies	2,274,746	425,519	85	9	425,613	217,568	253,927	471,495	-	3,171,854
Non-financial comp. - Corporate	5,548,424	791,966	500	437	792,903	401,462	537,404	938,866	-	7,280,193
Non-financial comp.- SME-Corporate	6,662,320	2,129,450	20,122	3,489	2,153,061	748,748	269,881	1,018,629	-	9,834,010
Non-financial comp. -SME-Retail	3,538,444	1,163,769	35,113	11,062	1,209,944	393,672	167,721	561,393	-	5,309,781
Non-financial comp.-Other	411,377	22,676	9	-	22,685	7,006	1,821	8,827	-	442,889
Other loans	972,432	122,303	-	-	122,303	-	1	1	-	1,094,736
Total	36,951,133	7,469,931	210,993	49,750	7,730,674	2,088,157	1,618,526	3,706,683	3,225	48,391,715
Impairment										
Individuals-Mortgage	590	5,639	671	194	6,504	5,434	36,218	41,652	-	48,746
Individuals-Other	2,163	6,734	1,621	782	9,137	23,768	56,064	79,832	-	91,132
Financial Companies	1,498	5,198	10	1	5,209	142,056	203,236	345,292	-	351,999
Non-financial comp. - Corporate	5,923	16,254	2	34	16,290	255,891	341,085	596,976	-	619,189
Non-financial comp.- SME-Corporate	12,988	74,365	2,103	575	77,043	245,125	208,182	453,307	-	543,338
Non-financial comp. -SME-Retail	4,687	25,442	1,851	702	27,995	189,071	96,347	285,418	-	318,100
Non-financial comp.-Other	18	228	-	-	228	1,111	1,734	2,845	-	3,091
Other loans	564	1,134	-	-	1,134	-	-	-	-	1,698
Total	28,431	134,994	6,258	2,288	143,540	862,456	942,866	1,805,322	-	1,977,293
Net exposure										
Individuals-Mortgage	14,212,163	2,281,749	120,264	25,798	2,427,811	235,750	235,626	471,376	3,221	17,114,571
Individuals-Other	3,328,474	520,126	32,608	7,979	560,713	54,749	59,863	114,612	4	4,003,803
Financial Companies	2,273,248	420,321	75	8	420,404	75,512	50,691	126,203	-	2,819,855
Non-financial comp. - Corporate	5,542,501	775,712	498	403	776,613	145,571	196,319	341,890	-	6,661,004
Non-financial comp.- SME-Corporate	6,649,332	2,055,085	18,019	2,914	2,076,018	503,623	61,699	565,322	-	9,290,672
Non-financial comp. -SME-Retail	3,533,757	1,138,327	33,262	10,360	1,181,949	204,601	71,374	275,975	-	4,991,681
Non-financial comp.-Other	411,359	22,448	9	-	22,457	5,895	87	5,982	-	439,798
Other loans	971,868	121,169	-	-	121,169	-	1	1	-	1,093,038
Total	36,922,702	7,334,937	204,735	47,462	7,587,134	1,225,701	675,660	1,901,361	3,225	46,414,422
% of impairment coverage										
Individuals-Mortgage	0.00%	0.25%	0.55%	0.75%	0.27%	2.25%	13.32%	8.12%	0.00%	0.28%
Individuals-Other	0.06%	1.28%	4.74%	8.93%	1.60%	30.27%	48.36%	41.06%	0.00%	2.23%
Financial Companies	0.07%	1.22%	11.76%	11.11%	1.22%	65.29%	80.04%	73.23%	0.00%	11.10%
Non-financial comp. - Corporate	0.11%	2.05%	0.40%	7.78%	2.05%	63.74%	63.47%	63.58%	0.00%	8.51%
Non-financial comp.- SME-Corporate	0.19%	3.49%	10.45%	16.48%	3.58%	32.74%	77.14%	44.50%	0.00%	5.53%
Non-financial comp. -SME-Retail	0.13%	2.19%	5.27%	6.35%	2.31%	48.03%	57.44%	50.84%	0.00%	5.99%
Non-financial comp.-Other	0.00%	1.01%	0.00%	0.00%	1.01%	15.86%	95.22%	32.23%	0.00%	0.70%
Other loans	0.06%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%	0.00%	0.00%	0.16%
Total	0.08%	1.81%	2.97%	4.60%	1.86%	41.30%	58.25%	48.70%	0.00%	4.09%

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)

	31 December 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	17,543,390	2,814,248	155,163	34,752	3,004,163	319,702	387,771	707,473	3,225	21,258,251
Non-financial comp.- Trade	2,925,641	492,828	13,433	2,158	508,419	144,383	56,115	200,498	-	3,634,558
Non-financial comp.- Construction	1,378,484	629,234	5,150	1,008	635,392	489,727	198,132	687,859	-	2,701,735
Non-finan. comp.- Manufacturing ind.	3,367,167	613,710	12,101	5,264	631,075	97,026	57,647	154,673	-	4,152,915
Non-financial comp.-Other activities	1,135,697	382,994	4,567	493	388,054	158,705	9,716	168,421	-	1,692,172
Non-financial comp.- Other services	7,353,576	1,989,093	20,494	6,066	2,015,653	661,048	655,214	1,316,262	-	10,685,491
Other Services /Other activities	3,247,178	547,824	85	9	547,918	217,568	253,929	471,497	-	4,266,593
Total	36,951,133	7,469,931	210,993	49,750	7,730,674	2,088,159	1,618,524	3,706,683	3,225	48,391,715
Impairment										
Loans to individuals	2,754	12,373	2,292	976	15,641	29,202	92,282	121,484	-	139,879
Non-financial comp.- Trade	4,309	10,766	807	251	11,824	68,296	31,078	99,374	-	115,507
Non-financial comp.- Construction	2,950	7,780	589	32	8,401	134,212	151,023	285,235	-	296,586
Non-finan. comp.- Manufacturing ind.	5,743	15,025	1,004	720	16,749	42,169	21,829	63,998	-	86,490
Non-financial comp.-Other activities	1,094	10,848	69	92	11,009	72,393	2,799	75,192	-	87,295
Non-financial comp.- Other services	9,520	71,871	1,486	216	73,573	374,127	440,620	814,747	-	897,840
Other Services /Other activities	2,061	6,332	10	1	6,343	142,056	203,236	345,292	-	353,696
Total	28,431	134,995	6,257	2,288	143,540	862,455	942,867	1,805,322	-	1,977,293
Net exposure										
Loans to individuals	17,540,636	2,801,875	152,871	33,776	2,988,522	290,500	295,489	585,989	3,225	21,118,372
Non-financial comp.- Trade	2,921,332	482,062	12,626	1,907	496,595	76,087	25,037	101,124	-	3,519,051
Non-financial comp.- Construction	1,375,534	621,454	4,561	976	626,991	355,515	47,109	402,624	-	2,405,149
Non-finan. comp.- Manufacturing ind.	3,361,424	598,685	11,097	4,544	614,326	54,857	35,818	90,675	-	4,066,425
Non-financial comp.-Other activities	1,134,603	372,146	4,498	401	377,045	86,312	6,917	93,229	-	1,604,877
Non-financial comp.- Other services	7,344,056	1,917,222	19,008	5,850	1,942,080	286,921	214,594	501,515	-	9,787,651
Other Services /Other activities	3,245,117	541,492	75	8	541,575	75,512	50,693	126,205	-	3,912,897
Total	36,922,702	7,334,936	204,736	47,462	7,587,134	1,225,704	675,657	1,901,361	3,225	46,414,422
% of impairment coverage										
Loans to individuals	0.02%	0.44%	1.48%	2.81%	0.52%	9.13%	23.80%	17.17%	0.00%	0.66%
Non-financial comp.- Trade	0.15%	2.18%	6.01%	11.63%	2.33%	47.30%	55.38%	49.56%	0.00%	3.18%
Non-financial comp.- Construction	0.21%	1.24%	11.44%	3.17%	1.32%	27.41%	76.22%	41.47%	0.00%	10.98%
Non-finan. comp.- Manufacturing ind.	0.17%	2.45%	8.30%	13.68%	2.65%	43.46%	37.87%	41.38%	0.00%	2.08%
Non-financial comp.-Other activities	0.10%	2.83%	1.51%	18.66%	2.84%	45.61%	28.81%	44.65%	0.00%	5.16%
Non-financial comp.- Other services	0.13%	3.61%	7.25%	3.56%	3.65%	56.60%	67.25%	61.90%	0.00%	8.40%
Other Services /Other activities	0.06%	1.16%	11.76%	11.11%	1.16%	65.29%	80.04%	73.23%	0.00%	8.29%
Total	0.08%	1.81%	2.97%	4.60%	1.86%	41.30%	58.25%	48.70%	0.00%	4.09%

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)

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

As at 31 December 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

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

As at 31 December 2019, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	31 December 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	19,301,643	6,266,627	2,277,314	1	8,506	27,854,091	27,159	27,826,932
- stage 2	1,064,753	1,497,166	2,744,781	322,561	498,908	6,128,169	139,370	5,988,799
- stage 3	1,040	3,349	66,081	3,094,211	74,120	3,238,801	1,708,696	1,530,105
POCI	-	-	43	3,178	4	3,225	-	3,225
	20,367,436	7,767,142	5,088,219	3,419,951	581,538	37,224,286	1,875,225	35,349,061
Debt instruments at fair value through other comprehensive income (*)								
- stage 1	7,917,745	88,792	184	-	50	8,006,771	-	8,006,771
- stage 2	-	-	-	-	-	-	-	-
- stage 3	-	-	-	-	-	-	-	-
	7,917,745	88,792	184	-	50	8,006,771	-	8,006,771
Guarantees and other commitments								
- stage 1	6,203,291	2,112,908	650,278	-	130,565	9,097,042	1,272	9,095,770
- stage 2	150,984	316,279	621,382	63,260	450,600	1,602,505	4,170	1,598,335
- stage 3	9	9	18,415	447,853	1,596	467,882	96,626	371,256
	6,354,284	2,429,196	1,290,075	511,113	582,761	11,167,429	102,068	11,065,361
Total	34,639,465	10,285,130	6,378,478	3,931,064	1,164,349	56,398,486	1,977,293	54,421,193

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

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

(Thousands of euros)

	31 December 2018							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
- stage 1	19,042,210	6,186,746	2,028,356	-	38,392	27,295,704	28,906	27,266,798
- stage 2	1,063,658	1,362,969	2,648,657	282,774	675,808	6,033,866	126,499	5,907,367
- stage 3	2,418	10,106	89,009	4,507,587	71,206	4,680,326	2,180,136	2,500,190
POCI	-	-	-	-	4	4	-	4
	20,108,286	7,559,821	4,766,022	4,790,361	785,410	38,009,900	2,335,541	35,674,359
Debt instruments at fair value through other comprehensive income (*)								
- stage 1	6,810,518	83,940	-	-	5,843	6,900,301	-	6,900,301
- stage 2	-	-	-	-	-	-	-	-
- stage 3	-	-	-	-	3,722	3,722	-	3,722
	6,810,518	83,940	-	-	9,565	6,904,023	-	6,904,023
Guarantees and other commitments								
- stage 1	5,325,858	1,906,677	568,012	-	153,135	7,953,682	1,209	7,952,473
- stage 2	161,389	265,287	580,507	47,460	292,888	1,347,531	3,883	1,343,648
- stage 3	60	5	25,144	538,513	3,617	567,339	158,271	409,068
	5,487,307	2,171,969	1,173,663	585,973	449,640	9,868,552	163,363	9,705,189
Total	32,406,111	9,815,730	5,939,685	5,376,334	1,244,615	54,782,475	2,498,904	52,283,571

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

The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

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, are presented in the following tables:

(Thousands of euros)

	31 December 2019					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	4,135	17,159,182	17,163,317	1,295	47,451	48,746
Individuals-Other	76,805	4,018,130	4,094,935	15,850	75,282	91,132
Financial Companies	458,198	2,713,656	3,171,854	344,870	7,129	351,999
Non-financial comp. - Corporate	933,779	6,346,414	7,280,193	593,163	26,026	619,189
Non-financial comp.- SME-Corporate	821,781	9,012,229	9,834,010	416,835	126,503	543,338
Non-financial comp. -SME-Retail	426,069	4,883,712	5,309,781	249,787	68,313	318,100
Non-financial comp.-Other	5,835	437,054	442,889	2,721	370	3,091
Other loans	-	1,094,736	1,094,736	-	1,698	1,698
Total	2,726,602	45,665,113	48,391,715	1,624,521	352,772	1,977,293

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 sector of activity, are presented in the following tables:

(Thousands of euros)

	31 December 2019					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	80,941	21,177,310	21,258,251	17,145	122,734	139,879
Non-financial comp.- Trade	134,920	3,499,638	3,634,558	79,983	35,524	115,507
Non-financial comp.- Construction	580,045	2,121,690	2,701,735	266,584	30,002	296,586
Non finan. comp.- Manufacturing indust.	84,095	4,068,820	4,152,915	46,576	39,914	86,490
Non-financial comp.-Other activities	148,954	1,543,218	1,692,172	72,422	14,873	87,295
Non-financial comp.- Other services	1,239,449	9,446,042	10,685,491	796,941	100,899	897,840
Other Services/Other activities	458,198	3,808,395	4,266,593	344,870	8,826	353,696
Total	2,726,602	45,665,113	48,391,715	1,624,521	352,772	1,977,293

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank 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, are presented in the following tables:

(Thousands of euros)

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

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

(Thousands of euros)

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

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank 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	15,965	22,875	237,261	338,670	73	614,844
Value (Euros '000)	1,000,320	3,054,608	9,155,121	711,714	1,948	13,923,711
Impairment constituted (Euros '000)	102,077	115,483	32,867	9,578	-	260,005
2010						
Number of operations	1,417	2,008	13,102	49,884	16	66,427
Value (Euros '000)	146,692	300,328	724,651	105,693	43	1,277,407
Impairment constituted (Euros '000)	9,862	10,882	1,812	797	-	23,353
2011						
Number of operations	1,352	2,153	5,040	48,301	2	56,848
Value (Euros '000)	57,793	293,017	270,225	94,644	35	715,714
Impairment constituted (Euros '000)	5,817	10,572	392	746	-	17,527
2012						
Number of operations	1,174	2,006	3,015	52,606	185	58,986
Value (Euros '000)	83,859	182,871	129,888	71,437	8,783	476,838
Impairment constituted (Euros '000)	3,742	12,473	414	509	3	17,141
2013						
Number of operations	1,794	3,029	6,014	77,558	13	88,408
Value (Euros '000)	74,456	563,433	267,049	108,564	1,512	1,015,014
Impairment constituted (Euros '000)	5,280	38,573	622	759	-	45,234
2014						
Number of operations	1,746	4,762	4,102	74,785	69	85,464
Value (Euros '000)	96,824	661,606	227,704	118,573	181,956	1,286,663
Impairment constituted (Euros '000)	6,982	34,277	132	860	41	42,292
2015						
Number of operations	2,721	7,656	6,193	90,669	97	107,336
Value (Euros '000)	163,496	918,573	401,536	201,207	10,036	1,694,848
Impairment constituted (Euros '000)	20,926	53,101	239	2,041	4	76,311
2016						
Number of operations	3,201	10,465	8,364	101,011	43	123,084
Value (Euros '000)	235,284	1,716,183	587,504	254,860	31,627	2,825,458
Impairment constituted (Euros '000)	14,077	87,145	201	3,256	6	104,685
2017						
Number of operations	3,825	12,560	13,191	106,245	104	135,925
Value (Euros '000)	476,222	1,800,594	1,098,957	325,899	94,790	3,796,462
Impairment constituted (Euros '000)	40,385	69,068	337	4,082	27	113,899
2018						
Number of operations	6,975	20,842	18,540	191,120	187	237,664
Value (Euros '000)	1,208,373	3,059,734	1,793,911	617,921	402,646	7,082,585
Impairment constituted (Euros '000)	7,309	43,284	229	5,158	29	56,009
2019						
Number of operations	14,329	45,792	19,786	536,971	91	616,969
Value (Euros '000)	1,482,718	5,453,698	1,996,586	1,295,203	164,133	10,392,338
Impairment constituted (Euros '000)	10,482	100,326	1,389	4,461	23	116,681
Total						
Number of operations	54,499	134,148	334,608	1,667,820	880	2,191,955
Value (Euros '000)	5,026,037	18,004,645	16,653,132	3,905,715	897,509	44,487,038
Impairment constituted (Euros '000)	226,939	575,184	38,634	32,247	133	873,137

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

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

As at 31 December 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	6,185	1,891	9,004	7,100	260,207	402
Value (Euros '000)	798,829	91,703	1,255,316	290,238	35,043,380	22,170
>= 0.5 M€ and < 1 M€						
Number	647	35	1,037	87	3,869	6
Value (Euros '000)	450,180	21,839	721,631	56,740	2,517,184	3,487
>= 1 M€ and < 5 M€						
Number	446	43	770	81	539	2
Value (Euros '000)	932,308	69,063	1,518,322	151,602	798,827	3,105
>= 5 M€ and < 10 M€						
Number	67	3	97	17	6	-
Value (Euros '000)	465,997	23,184	661,996	114,119	39,768	-
>= 10 M€ and < 20 M€						
Number	35	1	55	14	-	-
Value (Euros '000)	485,611	13,009	740,103	207,088	-	-
>= 20 M€ and < 50 M€						
Number	25	-	24	2	-	-
Value (Euros '000)	718,625	-	709,533	57,393	-	-
>= 50 M€						
Number	3	-	9	4	-	-
Value (Euros '000)	171,131	-	745,204	863,177	-	-
Total						
Number	7,408	1,973	10,996	7,305	264,621	410
Value (Euros '000)	4,022,681	218,798	6,352,105	1,740,357	38,399,159	28,762

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

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

As at 31 December 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)

	31 December 2019				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,736,673	741,390	430,199	187,864
<60%	12,453	408,312	224,914	41,225	8,374
>=60% and <80%	1,636	560,850	92,652	21,159	6,354
>=80% and <100%	707	92,821	80,467	101,810	21,191
>=100%	7,926	365,801	176,194	365,017	192,944
Companies - Other Activities					
Without associated collateral	n.a.	12,596,627	2,190,765	1,211,272	909,888
<60%	13,875	628,986	388,577	153,469	80,291
>=60% and <80%	2,601	440,499	199,038	58,009	15,274
>=80% and <100%	1,885	356,633	138,580	95,536	49,365
>=100%	5,545	561,738	315,401	531,144	356,633
Mortgage loans					
Without associated collateral	n.a.	279,390	25,499	4,751	4,639
<60%	212,091	6,837,908	1,005,158	123,681	3,782
>=60% and <80%	96,711	4,955,299	842,531	133,323	3,615
>=80% and <100%	36,709	1,775,415	439,968	119,234	4,104
>=100%	9,925	343,167	118,577	135,264	32,989

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

(Thousands of euros)

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

As at 31 December 2019 and 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 24), by type of asset:

(Thousands of euros)

	Assets arising from recovered loans results (note 24)			
	2019		2018	
Asset	Appraised value	Book value	Appraised value	Book value
Land				
Urban	458,679	363,704	566,569	433,406
Rural	20,104	15,065	33,013	26,402
Buildings in development				
Commercials	1,468	767	27,075	22,921
Mortgage loans	4,000	3,043	45,260	35,428
Constructed buildings				
Commercials	259,226	203,351	358,781	275,965
Mortgage loans	307,220	246,208	420,138	349,063
Others	1,478	1,153	173	100
Other assets	-	-	210	179
	1,052,175	833,291	1,451,219	1,143,464

Market risk

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

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

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

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

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

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

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

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

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

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

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

The table below presents the amounts at risk for the Trading Book, as at 31 December 2019 and 2018, and measured by the methodologies referred to above:

(Thousands of euros)

	2019	Max of global risk in the period	Min of global risk in the period	2018
Generic Risk (VaR)	1,543	5,350	713	3,110
Interest Rate Risk	1,507	5,532	689	3,173
FX Risk	711	1,219	212	1,802
Equity Risk	81	35	49	34
Diversification effects	(757)	(1,436)	(236)	(1,899)
Specific Risk	2	32	2	46
Non-Linear Risk	-	-	-	-
Commodities Risk	5	2	4	5
Global Risk	1,550	5,384	720	3,161

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 Bank's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Bank's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, 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 Bank's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

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

(Thousands of euros)

	31 December 2019			
Currency	- 200 pb (*)	- 100 pb (*)	+ 100 pb	+ 200 pb
CHF	340	340	684	1,335
EUR	53,904	53,904	(4,092)	(510)
PLN	(1,736)	(1,100)	1,086	2,159
USD	(14,592)	(8,388)	8,085	15,878
	37,916	44,755	5,763	18,863

(*) 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)

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

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

Foreign exchange and equity risk in the banking book

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

The Bank applies, to hedge the foreign exchange risk of the partial investment made in foreign currency in Bank Millennium (Poland) and Banque Privée BCP (Suisse) S.A., the fair value hedge accounting model.

The amount of the investment in Bank Millennium (Poland) subject to hedging is PLN 2,570,017,000 (31 December 2018: PLN 2,570,017,000), with the equivalent amount of Euros 604,454,000 (31 December 2018: Euros 598,151,000), with the hedging instrument in the same amount.

The amount of the investment Banque Privée BCP (Suisse) S.A subject to hedging is CHF 100,000,000 (31 December 2018: CHF 100,000,000), with the equivalent amount of Euros 91,976,000 (31 December 2018: Euros 88,756,000), with the hedging instrument in the amount of CHF 76,493,000 (31 December 2018: CHF 79,922,000) with the equivalent amount of Euros 70,355,000 (31 December 2018: Euros 70,936,000).

These hedging relationships were considered effective during the entire period of 2019, as described in the accounting policy in note 1 B.4.

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

Liquidity risk

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

The 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.

Considering the prudential criteria adopted by the Group for liquidity management, the control of market financing needs and the strenghtening of the liquidity buffer provided by the portfolio available for discount at the ECB continued to receive particular attention. In this line, the portfolio of ECB assets available for discount reached Euros 17,060,132,000 as at 31 December 2019, (31 December 2018: Euros 16,912,532,000), of which Euros 7,328,153,000 mobilized in the ECB's monetary policy pool.

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

(Thousands of euros)

	2019	2018
European Central Bank	7,328,153	6,817,511

As at 31 December 2019, the amount discounted in the European Central Bank amounts to Euros 4,000,000,000 (31 December 2018: Euros 4,000,000,000).

Liquidity coverage ratio

The Bank 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 88% and as at 31 December 2018 this ratio was set at 92% (according to the current version of the Instruction as at 31 December 2018).

Hedging 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)

	Hedging instruments			
		Book value		
Type of hedging	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
- Interest rate swaps	3,430,030	17,859	46,122	(105,957)
	3,430,030	17,859	46,122	(105,957)
Cash flows hedging				
Interest rate risk				
- Interest rate swaps	11,450,000	17,131	75,352	(123,734)
	11,450,000	17,131	75,352	(123,734)
Total	14,880,030	34,990	121,474	(229,691)

(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)

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

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

As at 31 December 2019, the table below includes the detail of the hedged items:

(Thousands of euros)

	Hedged items							
							Cash flow hedge reserve / Currency translation reserve	
		Book value		Cumulative value of the adjustments				
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
- Interest rate swaps	(B)	449,137	-	5,102	-	623	n.a.	n.a.
	(H)	89,953	-	856	-	856	n.a.	n.a.
	(C)	2,075,608	-	(26,689)	-	104,716	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.
		2,614,698	884,593	(20,731)	8,179	108,189	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
- Interest rate swaps	(B)	11,450,000	-	-	-	123,734	(60,682)	217,311
		11,450,000	-	-	-	123,734	(60,682)	217,311
Total		14,064,698	884,593	(20,731)	8,179	231,923	(60,682)	217,311

(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

(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)

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

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

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

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

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

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

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

(G) Financial liabilities at amortised cost - Subordinated debt

As at 31 December 2019, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Amounts reclassified from reserves to results for the following reasons: Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
- Interest rate swaps	(D)	n.a.	2,232		n.a.	n.a.
		n.a.	2,232		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
- Interest rate swaps		-	-	(E)	44,882	-
		-	-		44,882	-
Total		-	2,232		44,882	-

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

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

(C) but which are no longer expected to occur

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

(E) Interest and similar income

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

(Thousands of euros)

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

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

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

(C) but which are no longer expected to occur

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

(E) Interest and similar income

As at 31 December 2019, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

Type of hedging	Remaining period: Up to 3 months	3 months to 1 year	Over 1 year	Total	Fair value: Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	-	1,367,350	2,062,680	3,430,030	17,859	46,122
Fixed interest rate (average)		-0.13%	0.74%	0.39%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	11,450,000	11,450,000	17,131	75,352
Total derivatives traded by:						
OTC Market	-	1,367,350	13,512,680	14,880,030	34,990	121,474

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

(Thousands of euros)

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

Operational Risk

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

49. 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 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.

3. 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"*.

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.

(*) 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%

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 Bank made regular contributions to the Resolution Fund in the amount of Euros 14,279 thousand. The amount related to the contribution on the banking sector, registered in 2019, was Euros 28,464 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 Bank had to make an initial contribution in the amount of Euros 30,843 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 Bank in 2019 was Euros 21,868 thousand, of which the Bank delivered Euros 18,697 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 Bank.

4. 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.

5. 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.

6. 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.

7. 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.

50. 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 Bank 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 Bank applied IFRS 9 and early adopted the amendment to IFRS 9 in the period beginning on 1 January 2018, as note 51.

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 Bank'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 Bank 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 Bank compared to which was already defined in IAS 17;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Bank chose not to apply this standard to short-term lease contracts, i.e., contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset's value is below Euros 5,000. Additionally, this standard 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 Bank 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 Bank'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 it is assessed the date in which the contract is enforceable. 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 Bank 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 Bank 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 Bank 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 Bank's financial statements, as referred in note 52, namely:

- in the 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 balance sheet:
    (i) recording in "Other tangible assets" the recognition of right-to-use assets; and,
    (ii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the 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 individual 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 Bank carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Bank 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 Bank 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 Bank's risk spread, applied over the weighted average term of each lease contract;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Bank identified that the main lease contracts 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 52. 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 Bank'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 Bank'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 Bank'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 Bank 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 Bank 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 Bank:

IFRS 17 – Insurance contracts (applicable for years beginning on or after 1 January 2021)

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 – Insurance Contracts.

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 Bank's financial statements.

51. Application of IFRS 9 - Financial Instruments

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 has replaced IAS 39 - Financial Instruments: Recognition and Measurement and provides new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason, it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts and the changes in processes, governance and business strategy that may involve.

The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance at the date of initial application (1 January 2018).

Financial Instruments IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. In October 2017, the IASB issued the document "Prepayment features with negative compensation (amendments to IFRS 9). The changes are effective for annual periods beginning on 1 January 2019, with early adoption allowed.

The Group applied IFRS 9 and adopted in advance the modifications made to IFRS 9 in the period beginning as at 1 January 2018. The impact of the adoption of IFRS 9 on the Group's equity attributable to shareholders of the Bank, with reference to 1 January 2018 was negative of Euros 345,207,000.

The accounting policies in force in the Group at the level of financial instruments after adoption of IFRS 9 as at 1 January 2018 are described in note 1B.

I. Classification of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model used in asset management, as well as the characteristics of the respective contractual cash flows.

The standard will have an impact at the level of the classification of the financial assets held as at 1 January 2018, as follows:

- Held for Trading and Derivatives held for risk management, which were classified as "Held-for-Trading" and measured at FVTPL under IAS 39, are measured at FVTPL under IFRS 9;
- Loans and advances to customers and to Financial Institutions measured at amortised cost under IAS 39 are generally measured at amortised cost under IFRS 9;
- Investments in held-to-maturity securities, measured at amortized cost under IAS 39, are measured, generally, at amortised cost under IFRS 9;
- Investments in debt securities that were classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on certain circumstances;
- Loans to customers and investment securities that were measured at fair value option under IAS 39 are measured at FVTPL under IFRS 9;
- Most of the equity instruments that were classified as available for sale under IAS 39 are measured at FVTPL under IFRS 9. However, some of these equity instruments are held under a long-term strategic investment and are designated at FVOCI, under IFRS 9.

Based on this analysis and in the strategy defined, no material changes occurred at the level of the measurement associated with financial assets of the Group (financial assets measured at amortised cost versus financial assets measured at fair value) with the impact on the transition to IFRS 9.

II. Impairment - Financial Assets, Commitments and Financial Guarantees

IFRS 9 replaces the "loss incurred" model in IAS 39 by a forward-looking model of "expected credit losses (ECL)", which considers expected losses over the life of financial instruments. Thus, in the determination of ECL, macroeconomic factors are considered as well as other forward looking information, whose changes impact expected losses.

The impact of the adoption of IFRS 9 in the Group's equity related to impairment losses on financial assets, guarantees and other commitments was negative of Euros 174,577,000.

III. Classification - Financial Liabilities

IFRS 9 generally maintains the requirements in IAS 39 regarding the classification of Financial Liabilities. However, under IAS 39 all fair value changes of financial liabilities designated to FVTPL (Fair Value Option) were recognised in the income statement, while under IFRS 9 these fair value changes arepresented as follows: the amount related to the variation in the fair value attributable to changes in the credit risk of the liability is presented in OCI and the remaining value of the change in fair value is presented in profit or loss.

The Bank has adopted the Fair Value Option for some of its own issues which contain embedded derivatives or associated hedging derivatives, or when this designation eliminates or significantly reduces the accounting mismatch of the operations. The fair value variations attributable to changes in the credit risk of these liabilities were recognised in profit or loss in 2017 under IAS 39. In adopting IFRS 9, these changes in fair value were recognised in OCI and the amount recognised in OCI in each year is variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity, at the nominal value.

IV. Derecognition and modification of contracts

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and liabilities without significant changes.

V. Hedge accounting

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

VI. Transition

Changes in accounting policies resulting from the application of IFRS 9 will generally be applied retrospectively, with the exception of the following:

- The Bank applies the exception that allows the non-restatement of prior period comparative information regarding classification and measurement changes (including impairment). Differences in the balance sheet values of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in Reserves and retained earnings, as at 1 January 2018.

- The following assessment was made based on the facts and circumstances that existed at the time of the initial application:
a) the determination of the business model in which the financial asset is held;
b) the designation and revocation of prior designations of certain financial assets and liabilities designated at FVTPL;
c) the designation of certain equity instruments that are not held for trading as FVOCI; and
d) for financial liabilities designated at FVTPL (Fair Value Option), to assess whether the presentation of the effects in the credit risk variations of the financial liabilities in OCI would create or increase an accounting mismatch in profit or loss.

The impact of the adoption of IFRS 9 in the Group's financial statements is described below.

a) Impact of the adoption of IFRS 9 on the Bank's equity

The impacts on the Bank's equity arising from the implementation of IFRS 9 with reference to 1 January 2018 are as detailed below:

(Thousands of euros)

	Other equity items	Fair value changes	Reserves and retained earnings	Total equity attributable to bank's shareholders
Equity as at 31 December 2017 - Before IFRS 9	5,872,937	44,501	11,829	5,929,267
Impairment				
Loans and advances to credit institutions	-	-	(703)	(703)
Loans and advances to customers	-	-	(153,917)	(153,917)
Debt instruments	-	-	(4,784)	(4,784)
	-	-	(159,404)	(159,404)
Provisions	-	-	(9,079)	(9,079)
Changes in securities classification	-	(115,914)	109,838	(6,076)
Own credit risk	-	1,958	(1,958)	-
	-	(113,956)	(60,603)	(174,559)
Current and deferred tax assets	-	26,627	(197,275)	(170,648)
Total impact	-	(87,329)	(257,878)	(345,207)
Equity as at 1 January 2018 - After IFRS 9	5,872,937	(42,828)	(246,049)	5,584,060

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

(b) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The impacts on the Group's balance sheet arising from the implementation of IFRS 9 with reference to 1 January 2018 are detailed as follows:

(Thousands of euros)

	IAS 39 31 Dec 2017	Reclassifications	Remeasurement	IFRS 9 1 Jan 2018
ASSETS				
Cash and deposits at Central Banks	1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand	156,460	-	-	156,460
Financial assets at amortised cost				
Loans and advances to credit institutions	1,254,472	-	(703)	1,253,769
Loans and advances to customers	31,349,425	-	(153,917)	31,195,508
Debt instruments	2,007,520	437,130	(10,860)	2,433,790
Financial assets at fair value through profit or loss				
Financial assets held for trading	770,639	(6,623)	-	764,016
Financial assets not held for trading mandatorily at fair value through profit or loss	n.a.	1,832,687	-	1,832,687
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336
Financial assets at fair value through other comprehensive income	n.a.	4,772,573	-	4,772,573
Financial assets available for sale	6,692,982	(6,692,982)	-	n.a.
Financial assets held to maturity	342,785	(342,785)	-	n.a.
Hedging derivatives	18,804	-	-	18,804
Investments in associated companies	3,370,361	-	-	3,370,361
Non-current assets held for sale	1,480,112	-	-	1,480,112
Other tangible assets	217,101	-	-	217,101
Goodwill and intangible assets	21,409	-	-	21,409
Current tax assets	7,208	-	-	7,208
Deferred tax assets	3,018,508	-	(170,648)	2,847,860
Other assets	1,434,731	-	-	1,434,731
TOTAL ASSETS	53,576,516	-	(336,128)	53,240,388
LIABILITIES				
Financial liabilities at amortised cost				
Resources from credit institutions	7,825,051	-	-	7,825,051
Resources from customers	32,135,035	-	-	32,135,035
Non subordinated debt securities issued	1,440,628	-	-	1,440,628
Subordinated debt	1,021,541	-	-	1,021,541
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	381,380	-	-	381,380
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645
Hedging derivatives	112,352	-	-	112,352
Provisions	269,057	-	9,079	278,136
Current tax liabilities	1,269	-	-	1,269
Other liabilities	617,291	-	-	617,291
TOTAL LIABILITIES	47,647,249	-	9,079	47,656,328
EQUITY				
Share capital	5,600,738	-	-	5,600,738
Share premium	16,471	-	-	16,471
Other equity instruments	2,922	-	-	2,922
Legal and statutory reserves	252,806	-	-	252,806
Reserves and retained earnings	(61,691)	118,021	(345,207)	(288,877)
Net income for the year attributable to Bank's Shareholders	118,021	(118,021)	-	-
TOTAL EQUITY	5,929,267	-	(345,207)	5,584,060
	53,576,516	-	(336,128)	53,240,388

The impacts of the implementation of IFRS 9 on the classification and measurement of financial instruments and the determination of impairment losses on financial assets are explained in more detail in the following notes.

(c) Classification and measurement of financial instruments

The table below shows the measurement category and the book value of financial assets, in accordance with IAS 39 and IFRS 9, as at 1 January 2018.

(Thousands of euros)

IAS 39			IFRS 9		
Category	Measurement	Book value	Category	Measurement	Book value
Cash and deposits at Central Banks	Amortised cost	1,291,663	Cash and deposits at Central Banks	Amortised cost	1,291,663
Loans and advances to credit institutions repayable on demand	Amortised cost	156,460	Loans and advances to credit institutions repayable on demand	Amortised cost	156,460
Loans and advances to credit institutions	Amortised cost	1,254,472	Loans and advances to credit institutions	Amortised cost	1,253,769
Financial assets at amortised cost - Loans and advances to customers	Amortised cost	31,349,425	Financial assets at amortised cost - Loans and advances to customers	Amortised cost	31,195,508
Financial assets at amortised cost - Debt instruments	Amortised cost	2,007,520	Financial assets at amortised cost - Debt instruments	Amortised cost	2,004,574
Financial assets held to maturity	Amortised cost	342,785	Financial assets at amortised cost - Debt instruments	Amortised cost	342,785
Financial assets available for sale	FVOCI (available for sale)	6,692,982	Financial assets at fair value through other comprehensive income	FVOCI	4,765,950
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	1,832,687
			Financial assets at amortised cost - Debt instruments	Amortised cost	86,431
Financial assets held for trading	FVTPL	770,639	Financial assets at fair value through other comprehensive income	FVOCI	6,623
			Financial assets held for trading	FVTPL	764,016
Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336	Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336
Hedging derivatives	FVTPL	18,804	Hedging derivatives	FVTPL	18,804

Notes:

FVOCI - Measured at fair value through other comprehensive income

FVTPL - Measured at fair value through profit or loss

There were no material changes regarding the measurement criteria associated with the Group's financial liabilities with impact on the transition to IFRS 9, except for changes in the fair value of financial liabilities at fair value through profit or loss that are attributable to changes in the credit risk of the instrument, which will be included in other comprehensive income as from 1 January 2018.

(d) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The following table shows the reconciliation between the book values of financial assets according to the measurement categories of IAS 39 and IFRS 9, as at 1 January 2018 (transition date).

(Thousands of euros)

		Financial assets at amortised cost (Amortised Cost)			
	Notes	IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Cash and deposits at Central Banks					
Opening balance in IAS 39 and final balance in IFRS 9		1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand					
Opening balance in IAS 39 and final balance in IFRS 9		156,460	-	-	156,460
Loans and advances to credit institutions					
Opening balance in IAS 39		1,254,472	-	-	1,254,472
Remeasurement: impairment losses	(A)	-	-	(703)	(703)
Final balance in IFRS 9		1,254,472	-	(703)	1,253,769
Loans and advances to customers					
Opening balance in IAS 39		31,349,425	-	-	31,349,425
Remeasurement: impairment losses	(A)	-	-	(153,917)	(153,917)
Final balance in IFRS 9		31,349,425	-	(153,917)	31,195,508
Debt instruments					
Opening balance in IAS 39		2,007,520	-	-	2,007,520
Transfer: of available financial assets for sale (IAS 39)	(E)	-	94,345	-	94,345
Transfer: from held-to-maturity financial assets to maturity date (IAS 39)	(F)	-	342,785	-	342,785
Remeasurement: impairment losses	(A)	-	-	(4,784)	(4,784)
Remeasurement: fair value to amortised cost		-	-	(6,076)	(6,076)
Final balance in IFRS 9		2,007,520	437,130	(10,860)	2,433,790
Financial assets held to maturity					
Opening balance in IAS 39		342,785	-	-	342,785
Transfer: for financial assets at amortised cost - debt securities (IFRS 9)	(F)	-	(342,785)	-	(342,785)
Final balance in IFRS 9		342,785	(342,785)	-	-
Total of financial assets at amortised cost		36,402,325	94,345	(165,480)	36,331,190

(Thousands of euros)

	Notes	Financial assets at fair value through other comprehensive income (FVOCI)			
		IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets at fair value through other comprehensive income - debt instruments					
Opening balance in IAS 39					
Transfer: of available financial assets for sale (IAS 39)	(F)	-	4,734,385	-	4,734,385
Transfer: of financial assets held for trading	(D)	-	6,623	-	6,623
Final balance in IFRS 9		-	4,741,008	-	4,741,008
Financial assets at fair value through other comprehensive income - equity instruments					
Opening balance in IAS 39					
Transfer: of available financial assets for sale (IAS 39)	(B)	-	31,565	-	31,565
Final balance in IFRS 9		-	31,565	-	31,565
		-	4,772,573	-	4,772,573
Financial assets available for sale					
Opening balance in IAS 39		6,692,982	-	-	6,692,982
Transfer: Financial assets not held for trading mandatorily at fair value through profit or loss (IFRS 9)	(C)	-	(1,832,687)	-	(1,832,687)
Transfer: for financial assets at amortised cost (IFRS 9)	(E)	-	(94,345)	-	(94,345)
Transfer: to financial assets at fair value through other comprehensive income - debt instruments (IFRS 9)	(F)	-	(4,734,385)	-	(4,734,385)
Transfer: to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	(B)	-	(31,565)	-	(31,565)
Final balance in IFRS 9		6,692,982	(6,692,982)	-	-
Total financial assets at fair value through other comprehensive income		6,692,982	2,820,599	-	9,513,581

(Thousands of euros)

	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		770,639	-	-	770,639
Transfer: to financial assets at fair value through other comprehensive income	(D)	-	(6,623)	-	(6,623)
Final balance in IFRS 9		770,639	(6,623)	-	764,016
Financial assets not held for trading mandatorily at fair value through profit or loss					
Opening balance in IAS 39					
Transfer: of available financial assets for sale (IAS 39)	(C)	-	1,832,687	-	1,832,687
Final balance in IFRS 9		-	1,832,687	-	1,832,687
Financial assets designated at fair value through profit or loss					
Opening balance in IAS 39 and final balance in IFRS 9		142,336	-	-	142,336
Hedging derivatives					
Opening balance in IAS 39 and final balance in IFRS 9		18,804	-	-	18,804
Total financial assets at fair value through profit or loss		931,779	1,826,064	-	2,757,843

Notes:

(A) Under the IFRS 9 criteria, additional impairments were calculated resulting from the application of the concept of expected loss and registered in Other reserves and retained earnings, for:

- financial assets at amortised cost (Loans and advances to credit institutions);
- financial assets at amortised cost (Loans and advances to customers);
- and debt instruments at fair value through other comprehensive income.

(B) Designation of equity instruments at fair value through other comprehensive income: The Group opted for the irrevocable designation of equity instruments that are neither held for trading nor contingent retribution recognised by a buyer in a business combination to which it applies IFRS 3 as at fair value through other comprehensive income, as allowed by IFRS 9. These instruments were previously classified as "Financial assets available for sale". Changes in the fair value of these instruments will not be reclassified to profit or loss when derecognised.

(C) Classification of debt securities previously classified as "Financial assets available for sale ", which do not fall within the definition of SPPI and of units of participation in funds that do not fall within the definition of equity instruments: The portfolio of debt instruments that do not fall within the scope of SPPI definition was classified under " Financial assets not held for trading mandatorily at fair value through profit or loss " on the date of the initial application.

(D) Classification of debt securities previously classified under "Financial assets held for trading", whose business model is "held to collect and sell" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(E) Classification of debt securities previously under "Financial assets available for sale ", whose business model is "held-to-collect" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(F) Changes occurred in the categories provided for in IAS 39, without changing the measurement basis: In addition to the aforementioned, the following debt instruments were reclassified to new categories in accordance with IFRS 9, following the elimination of previous categories of IAS 39 , without changes in its measurement basis: (i) Instruments previously classified as available for sale, currently classified as financial assets at fair value through other comprehensive income; (ii) Instruments previously classified as held to maturity, currently classified as financial assets at amortised cost.

The table below presents the reconciliation between the book values of impairment / provisions in balance sheet according with the measurement categories of IAS 39 and IFRS 9 as at 1 January 2018 (initial application date):

(Thousands of euros)

Measurement category	Impairment for credit IAS 39 / Provision IAS 37	Reclassifications (A)	Revaluation	Impairment loss / Provision in accordance with IFRS 9
Loans and accounts receivable (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Cash and deposits at Central Banks	-	-	-	-
Loans and advances to credit institutions repayable on demand	-	-	-	-
Loans and advances to credit institutions	-	-	703	703
Loans and advances to customers	2,742,244	-	153,917	2,896,161
Debt securities	42,886	-	4,784	47,670
Total	2,785,130	-	159,404	2,944,534
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Debt securities	-	-	-	-
Available-for-sale financial instruments (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)				
Debt securities	87,368	(83,646)	6,094	9,816
Commitments and financial guarantees issued	269,057	-	9,079	278,136
Total	3,141,555	(83,646)	174,577	3,232,486

(A) The reclassification recorded in impairment for financial assets at fair value through other comprehensive income (Debt securities) in the negative amount of Euros 83,646,000, refers to the write-off impairment for securities that were transferred to FVTPL (fall within the scope of SPPI).

52. Application of IFRS 16 – Leases

As described in note 1 A. Basis of presentation and accounting policy 1 H, the Bank 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 Bank 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 Bank 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 Bank carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Bank 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 Bank 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 Bank 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 (Arrendamento Urbano) are taken into consideration;
- discount rate: it was used the lessee's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Bank's risk spread, applied over the weighted average term of each lease contract. 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 Bank 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 Bank's financial statements, namely:
- in income statement:
(i) in the 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 balance sheet:
(i) in Other tangible assets, the recognition of right-of-use assets, as referred in note 25. Other tangible assets, balance Right of use; and
(ii) in Other liabilities, the record of the amount of recognised lease liabilities, as referred in note 36. 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 includes amounts relating to payments of capital portions of lease liabilities, as detailed in the Separate 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 9,381,000. IFRS 16's adoption didn't cause an impact in the Bank'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	1,682,922	-	1,682,922
Loans and advances to credit institutions repayable on demand	186,477	-	186,477
Financial assets at amortised cost			
Loans and advances to credit institutions	2,044,730	-	2,044,730
Loans and advances to customers	30,988,338	-	30,988,338
Debt securities	2,641,291	-	2,641,291
Financial assets at fair value through profit or loss			
Financial assets held for trading	695,752	-	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	1,589,899	-	1,589,899
Financial assets designated at fair value through profit or loss	33,034	-	33,034
Financial assets at fair value through other comprehensive income	6,996,892	-	6,996,892
Hedging derivatives	92,891	-	92,891
Investments in associated companies	3,147,973	-	3,147,973
Non-current assets held for sale	1,252,654	-	1,252,654
Other tangible assets	220,171	160,644	380,815
Intangible assets	29,683	-	29,683
Current tax assets	18,375	-	18,375
Deferred tax assets	2,782,536	-	2,782,536
Other assets	946,549	-	946,549
TOTAL ASSETS	55,350,167	160,644	55,510,811
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	8,372,537	-	8,372,537
Resources from customers	34,217,917	-	34,217,917
Non subordinated debt securities issued	1,198,767	-	1,198,767
Subordinated debt	825,624	-	825,624
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	295,695	-	295,695
Financial liabilities at fair value through profit or loss	3,603,647	-	3,603,647
Hedging derivatives	68,486	-	68,486
Provisions	313,868	-	313,868
Current tax liabilities	1,620	-	1,620
Other liabilities	860,843	160,644	1,021,487
TOTAL LIABILITIES	49,759,004	160,644	49,919,648
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
Reserves and retained earnings	522,895	-	522,895
Net income for the year	59,267	-	59,267
TOTAL EQUITY	5,591,163	-	5,591,163
TOTAL LIABILITIES AND EQUITY	55,350,167	160,644	55,510,811

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

During the month of September 2019, the Board of Directors of Banco Comercial Português, SA and Banco de Investimento Imobiliário, SA (BII) approved the merger project of BII, a subsidiary 100% owned by Banco Comercial Português, SA , by incorporation in the latter. The merger process for incorporating BII into BCP was concluded on 30 December 2019, after the signing of the merger deed, with effect from 1 January 2019.

In accordance with Banco de Portugal letter CRI / 2020/00001411-G of 02/04/2020, the registration of the merger by incorporation of Banco Investimento Imobiliário SA at Banco Comercial Português, SA was made effective, with effect from from 30 December 2019.

In view of the values presented in the table below regarding the balance sheet of Banco Comercial Português, S.A. after the merger, it was not necessary to carry out a capital increase to comply with regulatory ratios.

Reason and objectives of the merger

The companies Banco Comercial Português, S.A. (BCP) and Banco de Investimento Imobiliário, S.A. (BII) carried out a restructuring and concentration operation that involved the merger through the global transfer of BII's assets to BCP, with the consequent extinction of the merged company, pursuant to paragraph 1 and paragraph a) of paragraph 4 of article 97 and pursuant to article 116, both of the Commercial Companies Code.

BII's activities were integrated with the rest of the Bank's activity, bringing the respective performance models closer together, without this representing an increase in costs for the Bank, since the back-office operations for the domestic distribution network are already integrated in the Bank, in order to benefit from economies of scale.

BCP will continue the activities developed by BII, enhancing this act as an opportunity to develop the business and capture synergies (in costs and income).

The merger aims to make an integrated model prevail, according to which the banking business in Portugal will be developed primarily from BCP, without prejudice to the maintenance of the management model oriented to the different activities grouped into Business Units organically integrated in this Bank.

The Activities of the Incorporated Company and its integration into the Incoporate Company

As a result of the merger, BCP will continue the activities currently carried out by BII.

Until 2006, BII mainly concentrated the Real Estate Leasing and real estate credit business and the Group's real estate development. As of 2006, the business started to be promoted directly by BCP, with BII limiting itself to managing the portfolio it held to date, which it has been doing fully supported by BCP's own structures.

As a result of the merger, BCP will continue the activities currently carried out by BII.

The balance sheets transcribed below correspond to the balance sheets for the year ended 31 December 2018. These include the values of the assets and liabilities to be transferred to BCP:

(Thousands of euros)

	BCP SA (31 December 2018)	BII SA (31 December 2018)	Intragroup balances	Merger reserve	BCP SA after merger (1 January 2019)
ASSETS					
Cash and deposits at Central Banks	1,682,922	-	-	-	1,682,922
Loans and advances to credit institutions repayable on demand	186,477	157,387	(157,387)	-	186,477
Financial assets at amortised cost					
Loans and advances to credit institutions	2,044,730	17,260	(1,558,468)	-	503,522
Loans and advances to customers	30,988,338	1,133,353	-	-	32,121,691
Debt securities	2,641,291	-	-	-	2,641,291
Financial assets at fair value through profit or loss					
Financial assets held for trading	695,752	-	(17,792)	-	677,960
Financial assets not held for trading					
mandatorily at fair value through profit or loss	1,589,899	1,846	-	-	1,591,745
Financial assets designated at fair value through profit or loss	33,034	-	-	-	33,034
Financial assets at fair value through other comprehensive income	6,996,892	1,818,421	-	-	8,815,313
Hedging derivatives	92,891	-	-	-	92,891
Investments in subsidiaries and associated companies	3,147,973	-	-	(209,531)	2,938,442
Non-current assets held for sale	1,252,654	118,422	-	-	1,371,076
Other tangible assets	220,171	-	-	-	220,171
Intangible assets	29,683	-	-	-	29,683
Current tax assets	18,375	-	-	-	18,375
Deferred tax assets	2,782,536	53,843	-	-	2,836,379
Other assets	946,548	8,241	(27,100)	-	927,689
TOTAL ASSETS	55,350,166	3,308,773	(1,760,747)	(209,531)	56,688,661
LIABILITIES					
Financial liabilities at amortised cost					
Resources from credit institutions	8,372,537	2,916,606	(1,680,845)	-	9,608,298
Resources from customers	34,217,917	1	-	-	34,217,918
Non subordinated debt securities issued	1,198,767	-	-	-	1,198,767
Subordinated debt	825,624	35,010	(35,010)	-	825,624
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	295,695	34	(34)	-	295,695
Financial liabilities at fair value through profit or loss	3,603,648	-	-	-	3,603,648
Hedging derivatives	68,486	17,758	(17,758)	-	68,486
Provisions	313,868	17,395	-	-	331,263
Current tax liabilities	1,620	1,349	-	-	2,969
Other liabilities	860,841	23,349	(27,100)	-	857,090
TOTAL LIABILITIES	49,759,003	3,011,502	(1,760,747)	-	51,009,758
EQUITY					
Share capital	4,725,000	17,500	-	(17,500)	4,725,000
Share premium	16,471	-	-	-	16,471
Other equity instruments	2,922	-	-	-	2,922
Legal and statutory reserves	264,608	14,822	-	(14,822)	264,608
Merger reserve	-	-	-	63,901	63,901
Fair value reserves related to the merger (*)	-	-	-	23,839	23,839
Reserves and retained earnings	582,162	264,949	-	(264,949)	582,162
TOTAL EQUITY	5,591,163	297,271	-	(209,531)	5,678,903
	55,350,166	3,308,773	(1,760,747)	(209,531)	56,688,661

(*) The amount determined corresponds to the fair value reserves of the securities registered with Banco Investimento Imobiliário, S.A. as of 31 December 2018 and of the fair value reserves related to securities transactions prior to 31 December 2018 between the two entities.

54. List of subsidiary and associated companies of Banco Comercial Português S.A.

As at 31 December 2019, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Banco ActivoBank, S.A.	Lisbon	64,500,000	EUR	Banking	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	56,762,559	BRL	Financial Services	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	88.2
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100.0
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0

During the 2019, the Group sold the Planfipsa Group and settled Imábida - Imobiliária da Arrábida, S.A., Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A. and Servitrust - Trust Management Services S.A. The Banco de Investimento Imobiliário, S.A. was merged into Banco Comercial Português, S.A.

As at 31 December 2019, the Banco Comercial Português, S.A. investment and venture capital funds, are as follows:

Subsidiary companies	Head office	Participation units	Currency	Activity	% held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	2,732,623	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	90,295,185	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0

Subsidiary companies	Head office	Participation units	Currency	Activity	% held
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,320,959	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	780,089	EUR	Real estate investment fund	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	67,691,000	EUR	Real estate investment fund	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,404,600	EUR	Real estate investment fund	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real estate investment fund	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real estate investment fund	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	63.3
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real estate investment fund	60.0

(*) Company classified as non-current assets held for sale.

As at 31 December 2019, the Bank's associated insurance companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Dublin	50,002,375	EUR	Life reinsurance	49.0

As at 31 December 2019, the Bank's associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Banque BCP, S.A.S.	Paris	155,054,747	EUR	Banking	19.8
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3
Projepolska, S.A.	Cascais	9,424,643	EUR	Real-estate company	23.9
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1

The Bank sold in 2019, the investment held in the associated companies Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.

55. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy AA), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Capital increase of ActivoBank

In January 2020, ActivoBank's share capital was increased by Euros 36,500,000 (fully subscribed and paid by BCP)

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.