During 2020, the Pension Fund doesn't holds Perpetual subordinated debt securities (Adt1), (31 December 2019: Euros 1,575,000) issued by Banco Comercial Português, S.A. During 2020 and 2019, there were no transactions related to other financial instruments between the Group and the Pension Fund.

During the 2020 and 2019, the balances with the Pension Fund included in income and expense items of the separate income statement, are as follows:

(Thousands of euros)

	2020	2019
Income		
Commissions	1,374	836
Expenses		
Interest expense and similar charges	111	176
Other administrative costs	96	96
	207	272

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 2020, the amount of Guarantees granted by the Bank to the Pension Fund amounted to Euros 5,000 (31 December 2019: 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, other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value. 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 irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage for non performing exposures, are also deducted, due to SREP recommendation.

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 1 January 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 art.° 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 following table:

2020 Minimum Capital Requirements								
		of which:			Fully	of which:		
BCP Solo	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**implemented**	**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)

	2020	2019
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Reserves and retained earnings	828,037	699,485
Regulatory adjustments to CET1	(560,017)	(541,037)
	5,009,491	4,899,919
Tier 1		
Capital Instruments	400,000	400,000
	5,409,491	5,299,919
Tier 2		
Subordinated debt	760,972	811,140
Others	(7,184)	(38,365)
	753,788	772,775
Total own funds	6,163,279	6,072,694
RWA - Risk weighted assets		
Credit risk	30,278,997	29,771,502
Market risk	687,308	1,595,571
Operational risk	2,288,843	2,341,374
CVA	72,109	102,460
	33,327,257	33,810,907
Capital ratios		
CET1	15.0%	14.5%
Tier 1	16.2%	15.7%
Tier 2	2.3%	2.3%
Total	18.5%	18.0%

The 2020 and 2019 amounts include the accumulated net income.