

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 of 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 and the Committee for Risk Assessment, 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:

Risk items	(Thousands of euros)	
	2020	2019
Central Governments or Central Banks	14,390,978	8,884,919
Regional Governments or Local Authorities	1,202,973	750,240
Administrative and non-profit Organisations	174,543	174,550
Other Credit Institutions	1,981,393	2,019,120
Retail and Corporate customers	48,889,254	45,760,785
Other items (*)	10,993,487	11,803,701
	77,632,628	69,393,315

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:

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

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

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

For the remaining real estate (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:

Internal risk grade	External ratings			
	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 2020 and 2019 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 2020, 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)

Category	2020				
	Gross exposure				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	350,591	607	2	–	351,200
Loans and advances to customers (note 19)	28,180,842	5,972,281	2,346,759	1,780	36,501,662
Debt instruments (note 20)	5,452,105	124,389	15,806	–	5,592,300
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,024,989	–	–	–	8,024,989
Guarantees and other commitments (note 40)	10,273,811	1,690,505	425,284	–	12,389,600
Total	52,282,338	7,787,782	2,787,851	1,780	62,859,751

(*) 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)

Category	2020				
	Impairment losses				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	239	64	1	–	304
Loans and advances to customers (note 19)	85,341	178,672	1,208,578	–	1,472,591
Debt instruments (note 20)	7,699	802	5,924	–	14,425
Guarantees and other commitments (note 35)	4,365	6,891	78,422	–	89,678
Total	97,644	186,429	1,292,925	–	1,576,998

(Thousands of euros)

Category	2020				
	Net exposure				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	350,352	543	1	–	350,896
Loans and advances to customers (note 19)	28,095,501	5,793,609	1,138,181	1,780	35,029,071
Debt instruments (note 20)	5,444,406	123,587	9,882	–	5,577,875
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,024,989	–	–	–	8,024,989
Guarantees and other commitments (notes 35 and 40)	10,269,446	1,683,614	346,862	–	12,299,922
Total	52,184,694	7,601,353	1,494,926	1,780	61,282,753

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)

Category	2019				
	Gross exposure				
	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)

Category	2019				
	Impairment losses				
	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
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)

Category	2019				
	Net exposure				
	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

(*) 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)

	2020	2019
Financial assets held for trading (note 21)		
Debt instruments	425,880	51,452
Derivatives	565,254	698,629
Financial assets designated at fair value through profit or loss - Debt instruments (note 21)	—	31,496
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 21)	1,277,826	1,444,772
Hedging derivatives (note 22)	152,377	69,051
Total	2,421,337	2,295,400

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 2020, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January	24,965,120	6,050,648	3,229,252	3,225	34,248,245
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,031,513)	1,031,513	–	–	–
Transfer from Stage 1 to Stage 3	(70,226)	–	70,226	–	–
<i>Transfer from Stage 2 to Stage 1</i>	1,507,805	(1,507,805)	–	–	–
Transfer from Stage 2 to Stage 3	–	(321,720)	321,720	–	–
Transfer from Stage 3 to Stage 1	14,892	–	(14,892)	–	–
Transfer from Stage 3 to Stage 2	–	130,656	(130,656)	–	–
Write-offs	(1,647)	(4,682)	(133,228)	–	(139,557)
Net balance of new financial assets and derecognised financial assets and other changes	2,796,411	593,671	(995,663)	(1,445)	2,392,974
Gross amount as at 31 December	28,180,842	5,972,281	2,346,759	1,780	36,501,662

During the year of 2020, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	23,898	138,780	1,699,216	–	1,861,894
Change in impairment losses:					
Transfer to Stage 1	17,187	(16,807)	(380)	–	–
<i>Transfer to Stage 2</i>	(2,363)	9,158	(6,795)	–	–
Transfer to Stage 3	(494)	(12,263)	12,757	–	–
Changes occurred due to changes in credit risk	8,244	32,924	216,786	–	257,954
Write-offs	(1,647)	(4,682)	(133,228)	–	(139,557)
Changes due to new financial assets and derecognised financial assets and other variations	40,516	31,562	(579,778)	–	(507,700)
Impairment losses as at 31 December	85,341	178,672	1,208,578	–	1,472,591

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

(Thousands of euros)

	2019				
	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	–	–
<i>Transfer from Stage 2 to Stage 1</i>	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 2019, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	2019				
	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)	–	–
<i>Transfer to Stage 2</i>	(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

Financial assets modified during the period that have not resulted in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

	2020	2019
Financial assets modified		
Amortised cost before changes	277,729	591,639
Impairment losses before changes	(43,579)	(262,730)
Net amortised cost before changes	234,150	328,909
Net gain / (loss) arising on changes	(6,765)	(11,600)
Net amortised cost after changes	227,385	317,309

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as follows:

Financial assets changed	(Thousands of euros)	
	2020	2019
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	47,839	53,080

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

Segment	(Thousands of euros)										
	2020									POCI	Total
	Stage 1	No delays	Stage 2		Total	Stage 3		Total			
		Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days					
Gross Exposure											
Individuals-Mortgage	14,788,613	2,031,902	70,278	29,660	2,131,840	196,190	186,708	382,898	1,602	17,304,953	
Individuals-Other	3,324,659	463,906	19,254	7,522	490,682	104,024	136,780	240,804	175	4,056,320	
Financial Companies	2,054,502	435,198	37	1	435,236	145,897	90,861	236,758	–	2,726,496	
Non-financial comp.- Corporate	5,961,180	915,159	2,195	–	917,354	151,953	461,518	613,471	–	7,492,005	
Non-financial comp.- SME-Corporate	8,090,449	2,382,361	5,030	1,145	2,388,536	754,748	195,336	950,084	–	11,429,069	
Non-financial comp.-SME-Retail	4,964,239	1,362,536	13,651	2,285	1,378,472	255,315	108,480	363,795	3	6,706,509	
Non-financial comp.-Other	345,439	–	–	–	–	–	40	40	–	345,479	
Other loans	4,728,268	45,662	–	–	45,662	–	1	1	–	4,773,931	
Total	44,257,349	7,636,724	110,445	40,613	7,787,782	1,608,127	1,179,724	2,787,851	1,780	54,834,762	
Impairment											
Individuals-Mortgage	2,389	9,994	336	196	10,526	8,673	39,514	48,187	–	61,102	
Individuals-Other	2,514	8,484	1,009	861	10,354	39,676	70,944	110,620	–	123,488	
Financial Companies	3,134	6,433	4	–	6,437	124,059	66,087	190,146	–	199,717	
Non-financial comp.- Corporate	13,194	23,269	91	–	23,360	86,075	312,732	398,807	–	435,361	
Non-financial comp.- SME-Corporate	36,823	90,351	567	232	91,150	252,743	128,024	380,767	–	508,740	
Non-financial comp.-SME-Retail	35,873	40,845	1,594	354	42,793	114,810	49,559	164,369	–	243,035	
Non-financial comp.-Other	22	–	–	–	–	–	28	28	–	50	
Other loans	3,695	1,809	–	–	1,809	–	1	1	–	5,505	
Total	97,644	181,185	3,601	1,643	186,429	626,036	666,889	1,292,925	–	1,576,998	
Net exposure											
Individuals-Mortgage	14,786,224	2,021,908	69,942	29,464	2,121,314	187,517	147,194	334,711	1,602	17,243,851	
Individuals-Other	3,322,145	455,422	18,245	6,661	480,328	64,348	65,836	130,184	175	3,932,832	
Financial Companies	2,051,368	428,765	33	1	428,799	21,838	24,774	46,612	–	2,526,779	
Non-financial comp.- Corporate	5,947,986	891,890	2,104	–	893,994	65,878	148,786	214,664	–	7,056,644	
Non-financial comp.- SME-Corporate	8,053,626	2,292,010	4,463	913	2,297,386	502,005	67,312	569,317	–	10,920,329	
Non-financial comp.-SME-Retail	4,928,366	1,321,691	12,057	1,931	1,335,679	140,505	58,921	199,426	3	6,463,474	
Non-financial comp.-Other	345,417	–	–	–	–	–	12	12	–	345,429	
Other loans	4,724,573	43,853	–	–	43,853	–	–	–	–	4,768,426	
Total	44,159,705	7,455,539	106,844	38,970	7,601,353	982,091	512,835	1,494,926	1,780	53,257,764	
% of impairment coverage											
Individuals-Mortgage	0.02%	0.49%	0.48%	0.66%	0.49%	4.42%	21.16%	12.58%	0.00%	0.35%	
Individuals-Other	0.08%	1.83%	5.24%	11.45%	2.11%	38.14%	51.87%	45.94%	0.00%	3.04%	
Financial Companies	0.15%	1.48%	10.81%	0.00%	1.48%	85.03%	72.73%	80.31%	0.00%	7.33%	
Non-financial comp.- Corporate	0.22%	2.54%	4.15%	0.00%	2.55%	56.65%	67.76%	65.01%	0.00%	5.81%	
Non-financial comp.- SME-Corporate	0.46%	3.79%	11.27%	20.26%	3.82%	33.49%	65.54%	40.08%	0.00%	4.45%	
Non-financial comp.-SME-Retail	0.72%	3.00%	11.68%	15.49%	3.10%	44.97%	45.68%	45.18%	0.00%	3.62%	
Non-financial comp.-Other	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	70.00%	70.00%	0.00%	0.01%	
Other loans	0.08%	3.96%	0.00%	0.00%	3.96%	0.00%	100.00%	100.00%	0.00%	0.12%	
Total	0.22%	2.37%	3.26%	4.05%	2.39%	38.93%	56.53%	46.38%	0.00%	2.88%	

As at 31 December 2020, 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)

Sector of activity	2020									
	Stage 1	Stage 2			Total	Stage 3			POCI	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days			
Gross Exposure										
Loans to individuals	18,113,272	2,495,808	89,532	37,182	2,622,522	300,214	323,489	623,703	1,777	21,361,274
Non-financial comp.- Trade	3,561,188	745,882	4,724	683	751,289	108,517	53,396	161,913	–	4,474,390
Non-financial comp.- Construction	1,679,428	694,394	2,613	77	697,084	392,132	78,170	470,302	–	2,846,814
Non-fin. comp.- Manufacturing ind.	4,042,117	813,142	5,365	1,123	819,630	110,634	68,726	179,360	–	5,041,107
Non-financial comp.-Other activities	1,314,558	396,155	279	10	396,444	159,169	76,880	236,049	–	1,947,051
Non-financial comp.- Other services	8,764,017	2,010,484	7,895	1,537	2,019,916	391,564	488,201	879,765	3	11,663,701
Other Services /Other activities	6,782,769	480,859	37	1	480,897	145,897	90,862	236,759	–	7,500,425
Total	44,257,349	7,636,724	110,445	40,613	7,787,782	1,608,127	1,179,724	2,787,851	1,780	54,834,762
Impairment										
Loans to individuals	4,902	18,479	1,345	1,057	20,881	48,349	110,459	158,808	–	184,591
Non-financial comp.- Trade	12,853	24,600	432	73	25,105	37,421	34,487	71,908	–	109,866
Non-financial comp.- Construction	8,277	15,712	548	13	16,273	113,696	36,815	150,511	–	175,061
Non-fin. comp.- Manufacturing ind.	16,069	24,682	438	234	25,354	45,996	37,060	83,056	–	124,479
Non-financial comp.-Other activities	4,528	13,184	52	2	13,238	82,218	35,784	118,002	–	135,768
Non-financial comp.- Other services	44,185	76,288	783	263	77,334	174,297	346,198	520,495	–	642,014
Other Services /Other activities	6,830	8,240	4	–	8,244	124,057	66,088	190,145	–	205,219
Total	97,644	181,185	3,602	1,642	186,429	626,034	666,891	1,292,925	–	1,576,998
Net exposure										
Loans to individuals	18,108,370	2,477,329	88,187	36,125	2,601,641	251,865	213,030	464,895	1,777	21,176,683
Non-financial comp.- Trade	3,548,335	721,282	4,292	610	726,184	71,096	18,909	90,005	–	4,364,524
Non-financial comp.- Construction	1,671,151	678,682	2,065	64	680,811	278,436	41,355	319,791	–	2,671,753
Non-fin. comp.- Manufacturing ind.	4,026,048	788,460	4,927	889	794,276	64,638	31,666	96,304	–	4,916,628
Non-financial comp.-Other activities	1,310,030	382,971	227	8	383,206	76,951	41,096	118,047	–	1,811,283
Non-financial comp.- Other services	8,719,832	1,934,196	7,112	1,274	1,942,582	217,267	142,003	359,270	3	11,021,687
Other Services /Other activities	6,775,939	472,619	33	1	472,653	21,840	24,774	46,614	–	7,295,206
Total	44,159,705	7,455,539	106,843	38,971	7,601,353	982,093	512,833	1,494,926	1,780	53,257,764
% of impairment coverage										
Loans to individuals	0.03%	0.74%	1.50%	2.84%	0.80%	16.10%	34.15%	25.46%	0.00%	0.86%
Non-financial comp.- Trade	0.36%	3.30%	9.14%	10.69%	3.34%	34.48%	64.59%	44.41%	0.00%	2.46%
Non-financial comp.- Construction	0.49%	2.26%	20.97%	16.88%	2.33%	28.99%	47.10%	32.00%	0.00%	6.15%
Non-fin. comp.- Manufacturing ind.	0.40%	3.04%	8.16%	20.84%	3.09%	41.57%	53.92%	46.31%	0.00%	2.47%
Non-financial comp.-Other activities	0.34%	3.33%	18.64%	20.00%	3.34%	51.65%	46.55%	49.99%	0.00%	6.97%
Non-financial comp.- Other services	0.50%	3.79%	9.92%	17.11%	3.83%	44.51%	70.91%	59.16%	0.00%	5.50%
Other Services /Other activities	0.10%	1.71%	10.81%	0.00%	1.71%	85.03%	72.73%	80.31%	0.00%	2.74%
Total	0.22%	2.37%	3.26%	4.04%	2.39%	38.93%	56.53%	46.38%	0.00%	2.88%

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)

Segment	2019									
	Stage 1	Stage 2			Total	Stage 3			POCI	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days	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)

Sector of activity	2019									
	Stage 1	Stage 2			Total	Stage 3			POCI	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days			
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-fin. 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-fin. 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-fin. 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-fin. 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 2020, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	2020							
	Gross Exposure					Total	Impairment losses	Net 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)			
Financial assets at amortised cost								
stage 1	25,152,472	6,612,176	2,216,651	–	2,239	33,983,538	93,279	33,890,259
stage 2	1,037,497	1,513,753	2,919,442	201,350	425,235	6,097,277	179,538	5,917,739
stage 3	–	–	–	2,362,566	1	2,362,567	1,214,503	1,148,064
POCI	33	11	86	1,605	45	1,780	–	1,780
	26,190,002	8,125,940	5,136,179	2,565,521	427,520	42,445,162	1,487,320	40,957,842
Debt instruments at fair value through other comprehensive income (*)								
stage 1	7,882,434	104,997	–	–	37,558	8,024,989	–	8,024,989
	7,882,434	104,997	–	–	37,558	8,024,989	–	8,024,989
Guarantees and other commitments								
stage 1	6,577,009	2,755,912	884,156	–	56,734	10,273,811	4,365	10,269,446
stage 2	300,674	488,972	629,160	55,560	216,139	1,690,505	6,891	1,683,614
stage 3	–	–	–	425,284	–	425,284	78,422	346,862
	6,877,683	3,244,884	1,513,316	480,844	272,873	12,389,600	89,678	12,299,922
Total	40,950,119	11,475,821	6,649,495	3,046,365	737,951	62,859,751	1,576,998	61,282,753

(*) 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 2019, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	2019							
	Gross Exposure					Total	Impairment losses	Net 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)			
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
	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.

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

As at 31 December 2020, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment and by sector of activity, are presented in the following tables:

(Thousands of euros)

Segment	2020					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	3,111	17,301,842	17,304,953	1,459	59,643	61,102
Individuals-Other	79,147	3,977,173	4,056,320	24,452	99,036	123,488
Financial Companies	223,808	2,502,688	2,726,496	189,757	9,960	199,717
Non-financial comp. - Corporate	605,762	6,886,243	7,492,005	393,104	42,257	435,361
Non-financial comp. - SME-Corporate	744,552	10,684,517	11,429,069	340,661	168,079	508,740
Non-financial comp. -SME-Retail	199,201	6,507,308	6,706,509	113,281	129,754	243,035
Non-financial comp. -Other	–	345,479	345,479	–	50	50
Other loans	–	4,773,931	4,773,931	–	5,505	5,505
Total	1,855,581	52,979,181	54,834,762	1,062,714	514,284	1,576,998

(Thousands of euros)

Sector of activity	2020					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	82,258	21,279,016	21,361,274	25,911	158,680	184,591
Non-financial comp.- Trade	90,292	4,384,098	4,474,390	47,929	61,937	109,866
Non-financial comp.- Construction	354,386	2,492,428	2,846,814	130,164	44,897	175,061
Non finan. comp. - Manufacturing indust.	96,264	4,944,843	5,041,107	58,284	66,195	124,479
Non-financial comp.-Other activities	208,443	1,738,608	1,947,051	113,247	22,521	135,768
Non-financial comp.- Other services	800,130	10,863,571	11,663,701	497,424	144,590	642,014
Other Services/Other activities	223,808	7,276,617	7,500,425	189,755	15,464	205,219
Total	1,855,581	52,979,181	54,834,762	1,062,714	514,284	1,576,998

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

(Thousands of euros)

Segment	2019					
	Gross Exposure			Impairment losses		
	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

(Thousands of euros)

Sector of activity	2019					
	Gross Exposure			Impairment losses		
	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 2020, 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):

Year of production	2020					Total
	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	
2010 and previous						
Number of operations	15,237	20,856	234,750	350,468	84	621,395
Value (Euros '000)	979,897	2,978,208	8,965,576	763,545	2,064	13,689,290
Impairment constituted (Euros '000)	68,832	76,322	38,874	14,595	1	198,624
2011						
Number of operations	1,184	1,783	4,753	44,722	1	52,443
Value (Euros '000)	53,759	177,429	246,664	89,453	20	567,325
Impairment constituted (Euros '000)	4,838	4,772	457	959	—	11,026
2012						
Number of operations	961	1,533	2,816	48,435	174	53,919
Value (Euros '000)	78,588	136,655	117,212	69,579	8,259	410,293
Impairment constituted (Euros '000)	3,430	3,727	360	487	6	8,010
2013						
Number of operations	1,469	2,388	5,522	69,600	13	78,992
Value (Euros '000)	69,535	482,040	236,171	99,713	1,571	889,030
Impairment constituted (Euros '000)	4,245	25,091	607	795	53	30,791
2014						
Number of operations	1,458	3,675	3,823	67,035	70	76,061
Value (Euros '000)	81,732	565,414	204,394	102,031	182,189	1,135,760
Impairment constituted (Euros '000)	3,700	30,654	172	835	110	35,471
2015						
Number of operations	2,055	5,455	5,774	76,269	89	89,642
Value (Euros '000)	119,000	694,515	365,544	125,916	5,888	1,310,863
Impairment constituted (Euros '000)	4,346	33,545	183	2,173	5	40,252
2016						
Number of operations	2,516	7,626	7,842	86,407	39	104,430
Value (Euros '000)	198,602	1,482,707	533,710	186,555	3,673	2,405,247
Impairment constituted (Euros '000)	9,559	93,210	347	3,276	3	106,395
2017						
Number of operations	3,189	9,843	12,385	88,640	86	114,143
Value (Euros '000)	302,687	1,583,266	1,001,857	233,144	38,649	3,159,603
Impairment constituted (Euros '000)	5,865	28,414	257	5,224	26	39,786
2018						
Number of operations	6,175	17,397	17,582	169,083	163	210,400
Value (Euros '000)	919,972	2,473,924	1,647,157	504,918	362,900	5,908,871
Impairment constituted (Euros '000)	7,646	29,306	343	8,467	67	45,829
2019						
Number of operations	9,398	23,855	19,078	447,170	77	499,578
Value (Euros '000)	1,100,422	2,560,487	1,884,065	934,200	137,753	6,616,927
Impairment constituted (Euros '000)	11,776	90,226	241	9,435	57	111,735
2020						
Number of operations	12,973	45,216	16,153	177,891	127	252,360
Value (Euros '000)	1,937,296	7,157,986	1,751,145	683,789	253,224	11,783,440
Impairment constituted (Euros '000)	17,913	89,306	1,884	8,663	151	117,917
Total						
Number of operations	56,615	139,627	330,478	1,625,720	923	2,153,363
Value (Euros '000)	5,841,490	20,292,631	16,953,495	3,792,843	996,190	47,876,649
Impairment constituted (Euros '000)	142,150	504,573	43,725	54,909	479	745,836

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 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):

Year of production	2019					Total
	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	
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 2020, 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:

Fair Value	2020					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0,5 M€						
Number	6,416	1,599	7,678	5,243	246,759	364
Value (Euros '000)	830,614	82,951	1,158,491	225,661	34,568,965	20,084
>= 0,5 M€ and < 1 M€						
Number	711	40	929	89	4,318	4
Value (Euros '000)	496,050	26,209	647,728	58,593	2,804,370	2,442
>= 1 M€ and < 5 M€						
Number	514	35	773	80	685	1
Value (Euros '000)	1,080,764	60,874	1,525,334	151,036	1,012,799	2,080
>= 5 M€ and < 10 M€						
Number	90	3	98	15	8	–
Value (Euros '000)	619,990	22,608	682,289	102,585	55,714	–
>= 10 M€ and < 20 M€						
Number	42	–	54	11	–	–
Value (Euros '000)	569,865	–	740,318	166,824	–	–
>= 20 M€ and < 50 M€						
Number	29	–	27	1	–	–
Value (Euros '000)	862,058	–	819,011	42,758	–	–
>= 50 M€						
Number	4	–	9	2	–	–
Value (Euros '000)	237,397	–	854,036	680,699	–	–
Total						
Number	7,806	1,677	9,568	5,441	251,770	369
Value (Euros '000)	4,696,738	192,642	6,427,207	1,428,156	38,441,848	24,606

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

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:

Fair Value	2019					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
	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 2020, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

Segment/Ratio	2020				
	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,265,649	775,852	340,939	135,337
<60%	13,770	637,346	219,102	40,890	17,246
>=60% and <80%	2,256	582,394	97,014	68,520	33,614
>=80% and <100%	946	210,416	75,211	69,120	36,839
>=100%	9,330	503,561	222,337	130,534	60,129
Companies - Other Activities					
Without associated collateral	n.a.	14,597,720	2,719,477	974,465	816,312
<60%	9,794	693,927	384,584	127,348	43,030
>=60% and <80%	2,582	565,415	182,958	98,234	41,405
>=80% and <100%	1,345	224,569	103,651	123,698	59,234
>=100%	5,039	574,176	342,014	199,875	148,278
Mortgage loans					
Without associated collateral	n.a.	255,821	18,980	2,564	3,356
<60%	215,892	7,247,771	935,515	120,181	9,101
>=60% and <80%	91,001	5,043,875	718,936	109,592	7,999
>=80% and <100%	34,386	1,873,305	363,892	78,916	8,628
>=100%	8,841	418,729	94,569	73,685	26,870

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)

Segment/Ratio	2019				
	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 2020 and 2019, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 24), by type of asset:

Asset	(Thousands of euros)			
	2020		2019	
	Assets arising from recovered loans results (note 24)			
	Appraised value	Book value	Appraised value	Book value
Land				
Urban	360,957	277,072	458,679	363,704
Rural	45,122	35,122	20,104	15,065
Buildings in development				
Commercials	–	–	1,468	767
Mortgage loans	5,538	4,355	4,000	3,043
Constructed buildings				
Commercials	196,577	149,523	259,226	203,351
Mortgage loans	254,311	197,249	307,220	246,208
Others	1,236	926	1,478	1,153
	863,741	664,247	1,052,175	833,291

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:

- 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, and measured by the methodologies referred to above:

	(Thousands of euros)			
	2020	Max of global risk in the period	Min of global risk in the period	2019
Generic Risk (VaR)	4,025	6,536	817	1,542
Interest Rate Risk	3,795	3,248	777	1,507
FX Risk	852	6,349	380	711
Equity Risk	318	195	68	81
<i>Diversification effects</i>	<i>(940)</i>	<i>(3,256)</i>	<i>(408)</i>	<i>(757)</i>
Specific Risk	19	10	5	2
Non-Linear Risk	–	–	–	–
Commodities Risk	–	–	2	5
Global Risk	4,044	6,546	824	1,549

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)

Currency	2020			
	-200 bp(*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	(119)	365	595	1,162
EUR	(15,417)	(14,058)	(16,808)	91,941
PLN	(944)	(198)	789	1,558
USD	(12,162)	(3,504)	10,012	19,578
	(28,642)	(17,395)	(5,412)	114,239

(*) 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)

Currency	2019			
	-200 bp(*)	- 100 bp (*)	+ 100 bp	+ 200 bp
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	44,756	5,763	18,862

(*) 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 subsidiaries, 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 2019: PLN 2,570,017,000), with the equivalent amount of Euros 563,563,000 (31 December 2019: Euros 604,454,000), 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 2019: CHF 100,000,000), with the equivalent amount of Euros 92,492,000 (31 December 2019: Euros 91,976,000), with the hedging instrument in the amount of CHF 76,359,000 (31 December 2019: CHF 76,493,000) with the equivalent amount of Euros 70,626,000 (31 December 2019: Euros 70,355,000).

These hedging relationships were considered effective during the entire period of 2020, 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 and the decision to reinforce the liquidity buffer at the ECB in reaction to the COVID-19 crisis, the portfolio of assets available for discount with this entity ended the period at 31 December 2020 with a value of Euros 22,502,496,000 (31 December 2019: Euros 17,060,132,000), of which Euros 9,783,715,000 were mobilized in the ECB 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)	
	2020	2019
European Central Bank	9,783,715	7,328,153

As at 31 December 2020, the amount discounted in the European Central Bank amounts to Euros 7,550,070,000 (31 December 2019: Euros 4,000,000,000).

Liquidity coverage ratio

The credit transformation ratio on deposits calculated on 31 December 2020, in accordance with Bank of Portugal Instruction No. 16/2004 (current version), stood at 88%, improving from the level of the ratio observed on 31 December 2019 (90%).

Hedging accounting

As at 31 December 2020, 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)

Type of hedging	2020			
	Nocional	Hedging instruments		Change in fair value (A)
		Assets	Liabilities	
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,400,462	5,396	88,654	(48,439)
Interest rate futures	197,400	—	—	647
Interest rate risk				
Currency and interest rate swap	436,079	34	26,365	70
	5,033,941	5,430	115,019	(47,722)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,080,000	69,274	6,540	123,843
	11,080,000	69,274	6,540	123,843
Total	16,113,941	74,704	121,559	76,121

(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 hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

Type of hedging	2019			
	Nocional	Hedging instruments		Change in fair value (A)
		Assets	Liabilities	
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 2020, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	2020							
	Balance sheet item	Hedged items				Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve	
		Book value		Cumulative value of the adjustments			Hedging relationships in effect	Hedging relationships discontinued
		Assets	Liabilities	Assets	Liabilities			
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	110,582	–	6,559	–	4,727	n.a.	n.a.
	(H)	1,672,825	–	28,794	–	25,080	n.a.	n.a.
	(C)	2,107,350	–	(47,320)	–	26,224	n.a.	n.a.
	(D)	–	10,000	–	233	(99)	n.a.	n.a.
	(E)	–	153,450	–	2,253	2,534	n.a.	n.a.
	(F)	–	2,542	–	42	12	n.a.	n.a.
	(G)	–	449,688	–	1,223	(8,197)	n.a.	n.a.
Interest rate futures	(H)	212,143	–	–	–	(911)	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		–	436,080	–	34	(37)	n.a.	n.a.
		4,102,900	1,051,760	(11,967)	3,785	49,333	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,450,000	–	–	–	(123,843)	63,220	207,147
Total		15,552,900	1,051,760	(11,967)	3,785	(74,510)	63,220	207,147

- (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 2019, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	2019								
	Hedged items							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued	
	Assets	Liabilities	Assets	Liabilities					
Fair value hedge									
Interest rate risk									
Interest rate swaps	(B)	449,137	–	5,102	–	623	n.a.	n.a.	
	(H)	89,953	–	856	–	856	n.a.	n.a.	
	(C)	2,075,608	–	(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	
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 2020, 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	2020					
	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.	1,842		n.a.	n.a.
Interest rate futures	(D)	n.a.	(264)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	33		n.a.	n.a.
		n.a.	1,611		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps		–	–	(E)	72,606	–
		–	–		72,606	–
Total		–	1,611		72,606	–

(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 includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

Type of hedging	2019					
	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 2020, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)						
Type of hedging	2020				Fair value	
	Remaining period			Total	Assets	Liabilities
	Up to 3 months	3 months to 1 year	Over 1 year			
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	23,500	370,100	4,006,862	4,400,462	5,396	88,654
Fixed interest rate (average)	0.82%	0.72%	0.11%	0.22%		
Stock Exchange transactions:						
Interest rate futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,080,000	11,080,000	69,274	6,540
Total derivatives traded by:						
OTC Market	186,161	643,518	15,086,862	15,916,541	74,704	121,559
Stock Exchange	–	–	197,400	197,400	–	–

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

(Thousands of euros)						
Type of hedging	2019				Fair value	
	Remaining period			Total	Assets	Liabilities
	Up to 3 months	3 months to 1 year	Over 1 year			
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

Operational Risk

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

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

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are 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 2020, the usual operational risk management activities continued to be executed 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 mobilisation 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.

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