54. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

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

Main types ok risk

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

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

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

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

Real Estate market – Real Estate market risk is related to the potential loss in which the Bank may incur due to changes in the prices of real estate assets owned by the Group.

Pension fund – Pension fund risk consists in the potential losses in which the Bank may incur due to risk related to the uncertainty about required contributions for defined benefit pension plans or to market rates fluctuations that might cause direct financial losses or indirect in the pension fund’s assets.

Business and strategy – The risk related to business and strategy consists in the potential losses due to unpredictable changes in the economic and competitive framework in which the Group develops its activity, changes in the business strategy, risk of depreciation on strategic shareholdings that are out of the consolidation perimeter, and misalignment between IT’s structure and the Bank’s strategy.

Legal and compliance - Legal and compliance risk is related to losses that the Bank may incur as a result of violations or non-compliance with laws and regulations, encompassing the risk of financial crime (related to violations or non-conformities arising from obligations in matters prevention of money laundering and financing of terrorism), the risk of conduct (related to violations or non-compliance with applicable legislation and regulations in force originating, in particular, from fraud, negligent behaviour or design of products and services), the risk associated with non-compliance with personal data protection and the risk of litigation.

Risk of foreign currency loans conversion in Poland – This risk is related to eventual losses for the Group due to approval of law regarding rules of conversion into zlotys of loans originally based in foreign currency.

Internal organisation

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

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

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

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

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

Risk assessment

Credit Risk

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

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

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

(Thousands of euros)

Risk items	2020	2019
Central Governments or Central Banks	19,727,771	15,734,930
Regional Governments or Local Authorities	1,262,288	818,986
Administrative and non-profit Organisations	300,668	301,479
Multilateral Development Banks	40,029	41,422
Other Credit Institutions	3,134,714	3,155,805
Retail and Corporate customers	69,246,853	66,252,288
Other items (*)	9,269,479	9,863,160
	102,981,802	96,168,070

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

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

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

a) Collaterals and Guarantees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the remaining real estate (land or countryside 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 equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

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) and the guidelines issued by the Bank of Portugal through 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, (do not include equity instruments as accounting policy 1 C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2020				
	Gross exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	1,014,782	607	2	—	1,015,391
Loans and advances to customers (note 21)	43,702,669	7,179,503	3,188,808	86,357	54,157,337
Debt instruments (note 22)	6,110,703	124,389	15,806	—	6,250,898
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	12,107,432	—	1,097	—	12,108,529
Guarantees and other commitments (note 45)	13,406,121	1,992,253	442,214	—	15,840,588
Total	76,341,707	9,296,752	3,647,927	86,357	89,372,743

(Thousands of euros)

	2020				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	239	64	1	–	304
Loans and advances to customers (note 21)	169,103	247,252	1,607,223	12,944	2,036,522
Debt instruments (note 22)	9,627	802	5,924	–	16,353
Guarantees and other commitments (note 38)	12,360	10,365	81,105	–	103,830
Total	191,329	258,483	1,694,253	12,944	2,157,009

(Thousands of euros)

	2020				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	1,014,543	543	1	–	1,015,087
Loans and advances to customers (note 21)	43,533,566	6,932,251	1,581,585	73,413	52,120,815
Debt instruments (note 22)	6,101,076	123,587	9,882	–	6,234,545
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	12,107,432	–	1,097	–	12,108,529
Guarantees and other commitments (note 45) (**)	13,393,761	1,981,888	361,109	–	15,736,758
Total	76,150,378	9,038,269	1,953,674	73,413	87,215,734

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.
(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

As at 31 December 2019, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments as accounting policy 1 C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2019				
	Gross Exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	890,357	3,006	–	–	893,363
Loans and advances to customers (note 21)	40,864,110	7,220,484	4,058,116	122,141	52,264,851
Debt instruments (note 22)	3,116,343	74,515	9,549	–	3,200,407
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	13,179,281	–	1,177	–	13,180,458
Guarantees and other commitments (note 45) (**)	12,022,296	1,793,631	483,094	123	14,299,144
Total	70,072,387	9,091,636	4,551,936	122,264	83,838,223

(Thousands of euros)

	2019				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	161	207	–	–	368
Loans and advances to customers (note 21)	94,766	190,878	2,117,756	13,622	2,417,022
Debt instruments (note 22)	4,669	382	9,480	–	14,531
Guarantees and other commitments (note 38)	10,329	6,330	99,899	2	116,560
Total	109,925	197,797	2,227,135	13,624	2,548,481

(Thousands of euros)

	2019				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	890,196	2,799	–	–	892,995
Loans and advances to customers (note 21)	40,769,344	7,029,606	1,940,360	108,519	49,847,829
Debt instruments (note 22)	3,111,674	74,133	69	–	3,185,876
Debt instruments at fair value					
through other comprehensive income (note 23)	13,179,281	–	1,177	–	13,180,458
Guarantees and other commitments (note 45) (**)	12,011,967	1,787,301	383,195	121	14,182,584
Total	69,962,462	8,893,839	2,324,801	108,640	81,289,742

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.
(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

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 23)		
Debt instruments	486,276	255,313
Derivatives	603,644	763,611
Financial assets designated at fair value through profit or loss - Debt instruments (note 23)	–	31,496
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 23)	917,132	1,037,480
Hedging derivatives (note 24)	158,418	87,677
Total	2,165,470	2,087,900

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

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers (gross)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January	40,864,110	7,220,484	4,058,116	122,141	52,264,851
Changes in gross book value:					
Transfers from stage 1 to stage 2	(1,572,866)	1,572,866	—	—	—
Transfers from stage 1 to stage 3	(233,821)	—	233,821	—	—
Transfers from stage 2 to stage 1	1,812,445	(1,812,445)	—	—	—
Transfers from stage 2 to stage 3	—	(493,640)	493,640	—	—
Transfers from stage 3 to stage 1	44,494	—	(44,494)	—	—
Transfers from stage 3 to stage 2	—	161,272	(161,272)	—	—
Write-offs	(2,055)	(5,936)	(255,651)	(293)	(263,935)
Net balance of new financial assets and derecognised financial assets and other variations	2,790,362	536,902	(1,135,352)	(35,491)	2,156,421
Gross amount at the end of the year	43,702,669	7,179,503	3,188,808	86,357	54,157,337

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

(Thousands of euros)

	2020				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	94,766	190,878	2,117,756	13,622	2,417,022
Change in impairment losses:					
Transfer to Stage 1	48,668	(32,331)	(16,333)	(4)	—
Transfer to Stage 2	(7,706)	27,165	(19,459)	—	—
Transfer to Stage 3	(3,063)	(27,404)	30,769	(303)	(1)
Changes occurred due to changes in credit risk	(14,031)	53,595	335,250	3,342	378,156
Write-offs	(2,055)	(5,936)	(255,651)	(293)	(263,935)
Changes due to new financial assets and derecognised financial assets and other variations	52,524	41,285	(585,109)	(3,420)	(494,720)
Impairment losses at the end of the year	169,103	247,252	1,607,223	12,944	2,036,522

During 2019, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	2019				
	Financial assets at amortised cost - Loans and advances to customers (gross)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January	35,658,333	7,235,837	5,518,658	4	48,412,832
Changes in gross book value:					
Transfers from stage 1 to stage 2	(1,580,942)	1,580,942	—	—	—
Transfers from stage 1 to stage 3	(144,179)	—	144,179	—	—
Transfers from stage 2 to stage 1	1,713,624	(1,713,624)	—	—	—
Transfers from stage 2 to stage 3	—	(334,639)	334,639	—	—
Transfers from stage 3 to stage 1	46,668	—	(46,668)	—	—
Transfers from stage 3 to stage 2	—	407,346	(407,346)	—	—
Write-offs	(899)	(3,376)	(674,059)	—	(678,334)
Impact of acquisition/merger of Euro Bank	2,610,511	74,423	46,962	120,733	2,852,629
Net balance of new financial assets and derecognised financial assets and other variations	2,560,994	(26,425)	(858,249)	1,404	1,677,724
Gross amount at the end of the year	40,864,110	7,220,484	4,058,116	122,141	52,264,851

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

(Thousands of euros)

	2019				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	94,542	183,932	2,573,432	—	2,851,906
Change in impairment losses:					
Transfer to Stage 1	39,801	(35,498)	(4,303)	—	—
Transfer to Stage 2	(7,291)	47,833	(40,542)	—	—
Transfer to Stage 3	(1,712)	(18,508)	20,220	—	—
Changes occurred due to changes in credit risk	(52,163)	(18,260)	105,185	—	34,762
Write-offs	(719)	(3,376)	(674,059)	—	(678,154)
Impact of acquisition/merger of Euro Bank	12,769	8,455	18,564	13,109	52,897
Changes due to new financial assets and derecognised financial assets and other variations	9,539	26,300	119,259	513	155,611
Impairment losses at the end of the year	94,766	190,878	2,117,756	13,622	2,417,022

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)

Financial assets modified	**2020**	**2019**
Amortised cost before changes	399,379	669,892
Impairment losses before changes	(66,421)	(270,074)
Net amortised cost before changes	332,958	399,818
Net gain / loss arising on changes	(14,076)	(8,979)
Net amortised cost after changes	318,882	390,839

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:

(Thousands of euros)

Financial assets changed	2020	2019
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	60,793	56,947

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:

(Thousands of euros)

	2020									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	23,196,850	2,257,027	94,230	49,833	2,401,090	245,446	238,996	484,442	14,805	26,097,187
Individuals-Other	7,705,016	723,194	84,846	37,072	845,112	304,008	382,718	686,726	71,552	9,308,406
Financial Companies	2,968,646	456,900	37	1	456,938	145,907	90,861	236,768	–	3,662,352
Non-financial comp. - Corporate	8,801,863	1,152,447	2,307	47	1,154,801	204,045	547,859	751,904	–	10,708,568
Non-financial comp.- SME-Corporate	10,547,907	2,694,779	5,149	1,187	2,701,115	816,135	244,154	1,060,289	–	14,309,311
Non-financial comp. -SME-Retail	5,459,793	1,418,540	14,916	3,672	1,437,128	269,042	156,306	425,348	–	7,322,269
Non-financial comp.-Other	402,483	75,951	–	–	75,951	147	1,205	1,352	–	479,786
Other loans	5,151,717	224,617	–	–	224,617	–	1	1	–	5,376,335
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	77,264,214
Impairment										
Individuals-Mortgage	13,165	22,645	2,853	4,813	30,311	27,429	67,084	94,513	1,395	139,384
Individuals-Other	49,118	25,156	14,197	9,188	48,541	124,521	216,529	341,050	11,549	450,258
Financial Companies	3,398	6,440	4	–	6,444	124,059	66,087	190,146	–	199,988
Non-financial comp. - Corporate	30,883	27,546	124	–	27,670	98,921	353,691	452,612	–	511,165
Non-financial comp.- SME-Corporate	50,193	94,396	573	239	95,208	274,732	141,442	416,174	–	561,575
Non-financial comp. -SME-Retail	38,767	43,623	1,984	957	46,564	120,207	79,296	199,503	–	284,834
Non-financial comp.-Other	277	61	–	–	61	74	180	254	–	592
Other loans	5,528	3,684	–	–	3,684	–	1	1	–	9,213
Total	191,329	223,551	19,735	15,197	258,483	769,943	924,310	1,694,253	12,944	2,157,009
Net exposure										
Individuals-Mortgage	23,183,685	2,234,382	91,377	45,020	2,370,779	218,017	171,912	389,929	13,410	25,957,803
Individuals-Other	7,655,898	698,038	70,649	27,884	796,571	179,487	166,189	345,676	60,003	8,858,148
Financial Companies	2,965,248	450,460	33	1	450,494	21,848	24,774	46,622	–	3,462,364
Non-financial comp. - Corporate	8,770,980	1,124,901	2,183	47	1,127,131	105,124	194,168	299,292	–	10,197,403
Non-financial comp.- SME-Corporate	10,497,714	2,600,383	4,576	948	2,605,907	541,403	102,712	644,115	–	13,747,736
Non-financial comp. -SME-Retail	5,421,026	1,374,917	12,932	2,715	1,390,564	148,835	77,010	225,845	–	7,037,435
Non-financial comp.-Other	402,206	75,890	–	–	75,890	73	1,025	1,098	–	479,194
Other loans	5,146,189	220,933	–	–	220,933	–	–	–	–	5,367,122
Total	64,042,946	8,779,904	181,750	76,615	9,038,269	1,214,787	737,790	1,952,577	73,413	75,107,205
% of impairment coverage										
Individuals-Mortgage	0.06%	1.00%	3.03%	9.66%	1.26%	11.18%	28.07%	19.51%	9.42%	0.53%
Individuals-Other	0.64%	3.48%	16.73%	24.78%	5.74%	40.96%	56.58%	49.66%	16.14%	4.84%
Financial Companies	0.11%	1.41%	10.81%	0.00%	1.41%	85.03%	72.73%	80.31%	0.00%	5.46%
Non-financial comp. - Corporate	0.35%	2.39%	5.37%	0.00%	2.40%	48.48%	64.56%	60.20%	0.00%	4.77%
Non-financial comp.- SME-Corporate	0.48%	3.50%	11.13%	20.13%	3.52%	33.66%	57.93%	39.25%	0.00%	3.92%
Non-financial comp. -SME-Retail	0.71%	3.08%	13.30%	26.06%	3.24%	44.68%	50.73%	46.90%	0.00%	3.89%
Non-financial comp.-Other	0.07%	0.08%	0.00%	0.00%	0.08%	50.34%	14.94%	18.79%	0.00%	0.12%
Other loans	0.11%	1.64%	0.00%	0.00%	1.64%	0.00%	100.00%	100.00%	0.00%	0.17%
Total	0.30%	2.48%	9.79%	16.55%	2.78%	38.79%	55.61%	46.46%	14.99%	2.79%

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)

	2020									
		Stage 2				Stage 3				
Sector of activity	**Stage 1**	**No delays**	**Days past due <= 30 days**	**Days past due > 30 days**	**Total**	**Days past due <= 90 days**	**Days past due > 90 days**	**Total**	**POCI**	**Total**
Gross Exposure										
Loans to individuals	30,901,866	2,980,221	179,076	86,905	3,246,202	549,454	621,714	1,171,168	86,357	35,405,593
Non-financial comp.- Trade	5,106,487	945,505	5,049	1,044	951,598	117,856	87,538	205,394	—	6,263,479
Non-financial comp.- Construction	2,035,530	742,594	2,774	267	745,635	401,024	90,589	491,613	—	3,272,778
Non finan. comp.- Manufacturing indust.	5,415,350	975,671	5,469	1,188	982,328	161,262	150,996	312,258	—	6,709,936
Non-financial comp.-Other activities	1,655,621	453,003	313	39	453,355	162,499	78,834	241,333	—	2,350,309
Non-financial comp.- Other services	10,999,058	2,224,944	8,767	2,368	2,236,079	446,728	541,567	988,295	—	14,223,432
Other Services /Other activities	8,120,363	681,517	37	1	681,555	145,907	90,862	236,769	—	9,038,687
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	77,264,214
Impairment										
Loans to individuals	62,283	47,801	17,050	14,001	78,852	151,950	283,613	435,563	12,944	589,642
Non-financial comp.- Trade	20,798	27,464	501	241	28,206	42,532	54,330	96,862	—	145,866
Non-financial comp.- Construction	10,292	16,764	596	96	17,456	115,730	45,112	160,842	—	188,590
Non-financial comp.- Manufacturing industries	22,959	27,309	459	251	28,019	58,793	66,177	124,970	—	175,948
Non-financial comp.-Other activities	5,977	13,602	64	14	13,680	84,627	36,758	121,385	—	141,042
Non-financial comp.- Other services	60,094	80,487	1,061	594	82,142	192,252	372,232	564,484	—	706,720
Other Services /Other activities	8,926	10,124	4	—	10,128	124,059	66,088	190,147	—	209,201
Total	191,329	223,551	19,735	15,197	258,483	769,943	924,310	1,694,253	12,944	2,157,009
Net exposure										
Loans to individuals	30,839,583	2,932,420	162,026	72,904	3,167,350	397,504	338,101	735,605	73,413	34,815,951
Non-financial comp.- Trade	5,085,689	918,041	4,548	803	923,392	75,324	33,208	108,532	—	6,117,613
Non-financial comp.- Construction	2,025,238	725,830	2,178	171	728,179	285,294	45,477	330,771	—	3,084,188
Non finan. comp.- Manufacturing indust.	5,392,391	948,362	5,010	937	954,309	102,469	84,819	187,288	—	6,533,988
Non-financial comp.-Other activities	1,649,644	439,401	249	25	439,675	77,872	42,076	119,948	—	2,209,267
Non-financial comp.- Other services	10,938,964	2,144,457	7,706	1,774	2,153,937	254,476	169,335	423,811	—	13,516,712
Other Services /Other activities	8,111,437	671,393	33	1	671,427	21,848	24,774	46,622	—	8,829,486
Total	64,042,946	8,779,904	181,750	76,615	9,038,269	1,214,787	737,790	1,952,577	73,413	75,107,205
% of impairment coverage										
Loans to individuals	0.20%	1.60%	9.52%	16.11%	2.43%	27.65%	45.62%	37.19%	14.99%	1.67%
Non-financial comp.- Trade	0.41%	2.90%	9.92%	23.08%	2.96%	36.09%	62.06%	47.16%	0.00%	2.33%
Non-financial comp.- Construction	0.51%	2.26%	21.49%	35.96%	2.34%	28.86%	49.80%	32.72%	0.00%	5.76%
Non finan. comp.- Manufacturing indust.	0.42%	2.80%	8.39%	21.13%	2.85%	36.46%	43.83%	40.02%	0.00%	2.62%
Non-financial comp.-Other activities	0.36%	3.00%	20.45%	35.90%	3.02%	52.08%	46.63%	50.30%	0.00%	6.00%
Non-financial comp.- Other services	0.55%	3.62%	12.10%	25.08%	3.67%	43.04%	68.73%	57.12%	0.00%	4.97%
Other Services /Other activities	0.11%	1.49%	10.81%	0.00%	1.49%	85.03%	72.73%	80.31%	0.00%	2.31%
Total	0.30%	2.48%	9.79%	16.55%	2.78%	38.79%	55.61%	46.46%	14.99%	2.79%

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

(Thousands of euros)

	2020									
		Stage 2				Stage 3				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	44,618,624	7,707,417	112,588	41,646	7,861,651	1,612,021	1,192,577	2,804,598	–	55,284,873
Poland	17,783,876	895,734	87,765	49,036	1,032,535	354,957	390,278	745,235	86,357	19,648,003
Mozambique	1,293,747	400,304	1,132	1,130	402,566	17,752	79,245	96,997	–	1,793,310
Switzerland	538,028	–	–	–	–	–	–	–	–	538,028
Total	64,234,275	9,003,455	201,485	91,812	9,296,752	1,984,730	1,662,100	3,646,830	86,357	77,264,214
Impairment										
Portugal	99,092	181,637	3,690	1,738	187,065	626,580	670,115	1,296,695	–	1,582,852
Poland	87,204	37,152	15,869	13,255	66,276	140,106	225,096	365,202	12,944	531,626
Mozambique	4,665	4,762	176	204	5,142	3,257	29,099	32,356	–	42,163
Switzerland	368	–	–	–	–	–	–	–	–	368
Total	191,329	223,551	19,735	15,197	258,483	769,943	924,310	1,694,253	12,944	2,157,009
Net exposure										
Portugal	44,519,532	7,525,780	108,898	39,908	7,674,586	985,441	522,462	1,507,903	–	53,702,021
Poland	17,696,672	858,582	71,896	35,781	966,259	214,851	165,182	380,033	73,413	19,116,377
Mozambique	1,289,082	395,542	956	926	397,424	14,495	50,146	64,641	–	1,751,147
Switzerland	537,660	–	–	–	–	–	–	–	–	537,660
Total	64,042,946	8,779,904	181,750	76,615	9,038,269	1,214,787	737,790	1,952,577	73,413	75,107,205
% of impairment coverage										
Portugal	0.22%	2.36%	3.28%	4.17%	2.38%	38.87%	56.19%	46.23%	0.00%	2.86%
Poland	0.49%	4.15%	18.08%	27.03%	6.42%	39.47%	57.68%	49.00%	14.99%	2.71%
Mozambique	0.36%	1.19%	15.55%	18.05%	1.28%	18.35%	36.72%	33.36%	0.00%	2.35%
Switzerland	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%
Total	0.30%	2.48%	9.79%	16.55%	2.78%	38.79%	55.61%	46.46%	14.99%	2.79%

As at 31 December 2020, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	2020							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	35,163,115	9,748,672	3,228,850	2,355	1,026,840	49,169,832	174,692	48,995,140
stage 2	1,136,115	1,765,025	3,268,355	310,673	526,804	7,006,972	243,730	6,763,242
stage 3	–	–	–	3,115,272	1,876	3,117,148	1,582,024	1,535,124
POCI	2,570	2,883	1,728	79,175	1	86,357	12,944	73,413
	36,301,800	11,516,580	6,498,933	3,507,475	1,555,521	59,380,309	2,013,390	57,366,919
Debt instruments at fair value through other comprehensive income (*)								
stage 1	11,866,921	104,997	–	–	77,587	12,049,505	–	12,049,505
Guarantees and other commitments (**)								
stage 1	8,072,817	3,604,506	1,201,615	40	353,690	13,232,668	11,604	13,221,064
stage 2	372,803	562,311	676,210	56,905	218,985	1,887,214	9,611	1,877,603
stage 3	–	–	–	432,685	–	432,685	79,873	352,812
	–	–	–	–	–	–	–	–
	8,445,620	4,166,817	1,877,825	489,630	572,675	15,552,567	101,088	15,451,479
Total	56,614,341	15,788,394	8,376,758	3,997,105	2,205,783	86,982,381	2,114,478	84,867,903

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Segment	**Stage 1**	**No delays**	**Days past due <= 30 days**	**Days past due > 30 days**	**Total**	**Days past due <= 90 days**	**Days past due > 90 days**	**Total**	**POCI**	**Total**
Gross Exposure										
Individuals-Mortgage	22,353,466	2,409,116	153,136	53,818	2,616,070	290,423	336,520	626,943	21,869	25,618,348
Individuals-Other	7,915,090	722,034	108,364	63,299	893,697	243,799	333,221	577,020	100,373	9,486,180
Financial Companies	3,142,152	436,539	87	9	436,635	217,568	253,927	471,495	–	4,050,282
Non-financial comp. - Corporate	8,062,174	994,988	515	448	995,951	443,269	630,343	1,073,612	–	10,131,737
Non-financial comp.- SME-Corporate	9,541,235	2,369,242	22,412	4,655	2,396,309	793,661	323,413	1,117,074	–	13,054,618
Non-financial comp. -SME-Retail	4,091,815	1,232,296	36,575	13,744	1,282,615	409,553	207,741	617,294	22	5,991,746
Non-financial comp.-Other	463,226	122,636	14	–	122,650	9,677	57,553	67,230	–	653,106
Other loans	1,323,948	347,709	–	–	347,709	90	1	91	–	1,671,748
Total	56,893,106	8,634,560	321,103	135,973	9,091,636	2,408,040	2,142,719	4,550,759	122,264	70,657,765
Impairment										
Individuals-Mortgage	5,926	10,390	2,875	3,531	16,796	28,620	71,542	100,162	416	123,300
Individuals-Other	36,710	16,884	11,416	11,523	39,823	94,004	187,494	281,498	13,203	371,234
Financial Companies	1,976	5,198	10	1	5,209	142,056	203,236	345,292	–	352,477
Non-financial comp. - Corporate	22,635	19,230	3	34	19,267	269,938	386,084	656,022	–	697,924
Non-financial comp.- SME-Corporate	32,913	78,768	2,213	615	81,596	260,117	232,087	492,204	–	606,713
Non-financial comp. -SME-Retail	7,767	27,831	2,036	1,178	31,045	194,031	124,383	318,414	5	357,231
Non-financial comp.-Other	239	370	–	–	370	1,314	32,229	33,543	–	34,152
Other loans	1,759	3,691	–	–	3,691	–	–	–	–	5,450
Total	109,925	162,362	18,553	16,882	197,797	990,080	1,237,055	2,227,135	13,624	2,548,481
Net exposure										
Individuals-Mortgage	22,347,540	2,398,726	150,261	50,287	2,599,274	261,803	264,978	526,781	21,453	25,495,048
Individuals-Other	7,878,380	705,150	96,948	51,776	853,874	149,795	145,727	295,522	87,170	9,114,946
Financial Companies	3,140,176	431,341	77	8	431,426	75,512	50,691	126,203	–	3,697,805
Non-financial comp. - Corporate	8,039,539	975,758	512	414	976,684	173,331	244,259	417,590	–	9,433,813
Non-financial comp.- SME-Corporate	9,508,322	2,290,474	20,199	4,040	2,314,713	533,544	91,326	624,870	–	12,447,905
Non-financial comp. -SME-Retail	4,084,048	1,204,465	34,539	12,566	1,251,570	215,522	83,358	298,880	17	5,634,515
Non-financial comp.-Other	462,987	122,266	14	–	122,280	8,363	25,324	33,687	–	618,954
Other loans	1,322,189	344,018	–	–	344,018	90	1	91	–	1,666,298
Total	56,783,181	8,472,198	302,550	119,091	8,893,839	1,417,960	905,664	2,323,624	108,640	68,109,284
% of impairment coverage										
Individuals-Mortgage	0.03%	0.43%	1.88%	6.56%	0.64%	9.85%	21.26%	15.98%	1.90%	0.48%
Individuals-Other	0.46%	2.34%	10.54%	18.20%	4.46%	38.56%	56.27%	48.78%	13.15%	3.91%
Financial Companies	0.06%	1.19%	11.49%	10.79%	1.19%	65.29%	80.04%	73.23%	0.00%	8.70%
Non-financial comp. - Corporate	0.28%	1.93%	0.63%	7.55%	1.93%	60.90%	61.25%	61.10%	0.00%	6.89%
Non-financial comp.- SME-Corporate	0.34%	3.32%	9.88%	13.22%	3.41%	32.77%	71.76%	44.06%	0.00%	4.65%
Non-financial comp. -SME-Retail	0.19%	2.26%	5.57%	8.57%	2.42%	47.38%	59.87%	51.58%	24.69%	5.96%
Non-financial comp.-Other	0.05%	0.30%	0.32%	0.16%	0.30%	13.58%	56.00%	49.89%	0.00%	5.23%
Other loans	0.13%	1.06%	0.00%	86.57%	1.06%	0.34%	25.74%	0.65%	0.00%	0.33%
Total	0.19%	1.88%	5.78%	12.42%	2.18%	41.12%	57.73%	48.94%	11.14%	3.61%

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Sector of activity	**Stage 1**	**No delays**	**Days past due <= 30 days**	**Days past due > 30 days**	**Total**	**Days past due <= 90 days**	**Days past due > 90 days**	**Total**	**POCI**	**Total**
Gross Exposure										
Loans to individuals	30,268,556	3,131,150	261,500	117,117	3,509,767	534,222	669,741	1,203,963	122,242	35,104,528
Non-financial comp.- Trade	4,582,666	699,541	15,539	2,875	717,955	162,472	90,839	253,311	5	5,553,937
Non-financial comp.- Construction	1,818,997	661,929	5,314	1,413	668,656	497,493	223,261	720,754	7	3,208,414
Non finan. comp.- Manufacturing indust.	4,923,011	776,824	12,375	5,430	794,629	144,757	127,568	272,325	—	5,989,965
Non-financial comp.-Other activities	1,430,987	406,038	4,623	917	411,578	162,545	11,707	174,252	—	2,016,817
Non-financial comp.- Other services	9,402,789	2,174,830	21,665	8,212	2,204,707	688,893	765,675	1,454,568	10	13,062,074
Other Services /Other activities	4,466,100	784,248	87	9	784,344	217,658	253,928	471,586	—	5,722,030
Total	56,893,106	8,634,560	321,103	135,973	9,091,636	2,408,040	2,142,719	4,550,759	122,264	70,657,765
Impairment										
Loans to individuals	42,636	27,274	14,291	15,054	56,619	122,624	259,036	381,660	13,619	494,534
Non-financial comp.- Trade	14,704	12,532	935	378	13,845	77,103	50,035	127,138	1	155,688
Non-financial comp.- Construction	5,965	8,362	616	90	9,068	135,666	168,096	303,762	1	318,796
Non-financial comp.- Manufacturing industries	16,042	17,799	1,021	759	19,579	51,759	52,406	104,165	—	139,786
Non-financial comp.-Other activities	3,162	11,014	76	121	11,211	75,129	4,224	79,353	—	93,726
Non-financial comp.- Other services	23,681	76,492	1,604	479	78,575	385,743	500,022	885,765	3	988,024
Other Services /Other activities	3,735	8,889	10	1	8,900	142,056	203,236	345,292	—	357,927
Total	109,925	162,362	18,553	16,882	197,797	990,080	1,237,055	2,227,135	13,624	2,548,481
Net exposure										
Loans to individuals	30,225,920	3,103,876	247,209	102,063	3,453,148	411,598	410,705	822,303	108,623	34,609,994
Non-financial comp.- Trade	4,567,962	687,009	14,604	2,497	704,110	85,369	40,804	126,173	4	5,398,249
Non-financial comp.- Construction	1,813,032	653,567	4,698	1,323	659,588	361,827	55,165	416,992	6	2,889,618
Non finan. comp.- Manufacturing indust.	4,906,969	759,025	11,354	4,671	775,050	92,998	75,162	168,160	—	5,850,179
Non-financial comp.-Other activities	1,427,825	395,024	4,547	796	400,367	87,416	7,483	94,899	—	1,923,091
Non-financial comp.- Other services	9,379,108	2,098,338	20,061	7,733	2,126,132	303,150	265,653	568,803	7	12,074,050
Other Services /Other activities	4,462,365	775,359	77	8	775,444	75,602	50,692	126,294	—	5,364,103
Total	56,783,181	8,472,198	302,550	119,091	8,893,839	1,417,960	905,664	2,323,624	108,640	68,109,284
% of impairment coverage										
Loans to individuals	0.14%	0.87%	5.47%	12.85%	1.61%	22.95%	38.68%	31.70%	11.14%	1.41%
Non-financial comp.- Trade	0.32%	1.79%	6.02%	13.16%	1.93%	47.46%	55.08%	50.19%	19.52%	2.80%
Non-financial comp.- Construction	0.33%	1.26%	11.59%	6.39%	1.36%	27.27%	75.29%	42.15%	17.98%	9.94%
Non finan. comp.- Manufacturing indust.	0.33%	2.29%	8.25%	13.97%	2.46%	35.76%	41.08%	38.25%	0.00%	2.33%
Non-financial comp.-Other activities	0.22%	2.71%	1.63%	13.20%	2.72%	46.22%	36.08%	45.54%	0.00%	4.65%
Non-financial comp.- Other services	0.25%	3.52%	7.41%	5.83%	3.56%	55.99%	65.30%	60.90%	32.25%	7.56%
Other Services /Other activities	0.08%	1.13%	11.49%	12.31%	1.13%	65.27%	80.04%	73.22%	0.00%	6.26%
Total	0.19%	1.88%	5.78%	12.42%	2.18%	41.12%	57.73%	48.94%	11.14%	3.61%

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	37,360,242	7,539,145	213,859	50,683	7,803,687	2,091,146	1,634,199	3,725,345	4	48,889,278
Poland	17,805,331	637,164	103,279	83,608	824,051	280,998	375,142	656,140	122,260	19,407,782
Mozambique	1,223,817	458,251	3,965	1,682	463,898	32,342	133,378	165,720	–	1,853,435
Switzerland	503,716	–	–	–	–	3,554	–	3,554	–	507,270
Total	56,893,106	8,634,560	321,103	135,973	9,091,636	2,408,040	2,142,719	4,550,759	122,264	70,657,765
Impairment										
Portugal	29,491	135,225	6,309	2,365	143,899	862,601	946,988	1,809,589	–	1,982,979
Poland	76,111	20,991	11,359	14,078	46,428	115,442	222,327	337,769	13,624	473,932
Mozambique	3,966	6,146	885	439	7,470	8,488	67,740	76,228	–	87,664
Switzerland	357	–	–	–	–	3,549	–	3,549	–	3,906
Total	109,925	162,362	18,553	16,882	197,797	990,080	1,237,055	2,227,135	13,624	2,548,481
Net exposure										
Portugal	37,330,751	7,403,920	207,550	48,318	7,659,788	1,228,545	687,211	1,915,756	4	46,906,299
Poland	17,729,220	616,173	91,920	69,530	777,623	165,556	152,815	318,371	108,636	18,933,850
Mozambique	1,219,851	452,105	3,080	1,243	456,428	23,854	65,638	89,492	–	1,765,771
Switzerland	503,359	–	–	–	–	5	–	5	–	503,364
Total	56,783,181	8,472,198	302,550	119,091	8,893,839	1,417,960	905,664	2,323,624	108,640	68,109,284
% of impairment coverage										
Portugal	0.08%	1.79%	2.95%	4.67%	1.84%	41.25%	57.95%	48.58%	0.00%	4.06%
Poland	0.43%	3.29%	11.00%	16.84%	5.63%	41.08%	59.26%	51.48%	11.14%	2.44%
Mozambique	0.32%	1.34%	22.33%	26.10%	1.61%	26.25%	50.79%	46.00%	0.00%	4.73%
Switzerland	0.07%	0.00%	0.00%	0.00%	0.00%	99.87%	0.00%	99.87%	0.00%	0.77%
Total	0.19%	1.88%	5.78%	12.42%	2.18%	41.12%	57.73%	48.94%	11.14%	3.61%

As at 31 December 2019, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	2019							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	27,229,156	9,199,924	3,325,337	24,978	3,593,623	43,373,018	96,281	43,276,737
stage 2	1,156,108	1,649,110	2,999,799	498,649	615,424	6,919,090	184,280	6,734,810
stage 3	1,054	3,425	66,159	3,757,614	75,746	3,903,998	2,048,079	1,855,919
POCI	434	536	456	112,054	8,662	122,142	13,622	108,520
	28,386,752	10,852,995	6,391,751	4,393,295	4,293,455	54,318,248	2,342,262	51,975,986
Debt instruments at fair value through other comprehensive income (*)								
stage 1	12,732,509	88,792	184	–	276,641	13,098,126	–	13,098,126
Guarantees and other commitments (**)								
stage 1	7,431,539	2,938,347	940,101	235	482,333	11,792,555	9,321	11,783,234
stage 2	206,446	342,793	640,031	65,466	453,912	1,708,648	6,047	1,702,601
stage 3	9	9	18,415	457,458	1,596	477,487	99,279	378,208
POCI	–	2	2	79	40	123	2	–
	7,637,994	3,281,151	1,598,549	523,238	937,881	13,978,813	114,649	13,864,043
Total	48,757,255	14,222,938	7,990,484	4,916,533	5,507,977	81,395,187	2,456,911	78,938,155

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

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

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	27,029	26,070,158	26,097,187	9,168	130,216	139,384
Individuals-Other	114,561	9,193,845	9,308,406	34,298	415,960	450,258
Financial Companies	223,808	3,438,544	3,662,352	189,757	10,231	199,988
Non-financial comp. - Corporate	726,992	9,981,576	10,708,568	444,566	66,599	511,165
Non-financial comp.- SME-Corporate	842,456	13,466,855	14,309,311	373,935	187,640	561,575
Non-financial comp. -SME-Retail	211,864	7,110,405	7,322,269	119,019	165,815	284,834
Non-financial comp.-Other	1,313	478,473	479,786	226	366	592
Other loans	—	5,376,335	5,376,335	—	9,213	9,213
Total	2,148,023	75,116,191	77,264,214	1,170,969	986,040	2,157,009

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	141,590	35,264,003	35,405,593	43,466	546,176	589,642
Non-financial comp.- Trade	116,516	6,146,963	6,263,479	63,083	82,783	145,866
Non-financial comp.- Construction	365,367	2,907,411	3,272,778	137,254	51,336	188,590
Non finan. comp.- Manufacturing indust.	212,034	6,497,902	6,709,936	96,352	79,596	175,948
Non-financial comp.-Other activities	211,532	2,138,777	2,350,309	115,615	25,427	141,042
Non-financial comp.-Other services	877,176	13,346,256	14,223,432	525,442	181,278	706,720
Other Services /Other activities	223,808	8,814,879	9,038,687	189,757	19,444	209,201
Total	2,148,023	75,116,191	77,264,214	1,170,969	986,040	2,157,009

(Thousands of euros)

	2020					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	1,855,583	53,429,290	55,284,873	1,062,714	520,138	1,582,852
Poland	218,477	19,429,526	19,648,003	79,616	452,010	531,626
Mozambique	73,963	1,719,347	1,793,310	28,639	13,524	42,163
Switzerland	—	538,028	538,028	—	368	368
Total	2,148,023	75,116,191	77,264,214	1,170,969	986,040	2,157,009

Group 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, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	29,015	25,589,333	25,618,348	10,216	113,084	123,300
Individuals-Other	115,704	9,370,476	9,486,180	29,834	341,400	371,234
Financial Companies	458,198	3,592,084	4,050,282	344,870	7,607	352,477
Non-financial comp. - Corporate	1,044,443	9,087,294	10,131,737	649,682	48,242	697,924
Non-financial comp.- SME-Corporate	902,774	12,151,844	13,054,618	452,958	153,755	606,713
Non-financial comp. -SME-Retail	438,601	5,553,145	5,991,746	255,339	101,892	357,231
Non-financial comp.-Other	61,862	591,244	653,106	33,358	794	34,152
Other loans	—	1,671,748	1,671,748	—	5,450	5,450
Total	3,050,597	67,607,168	70,657,765	1,776,257	772,224	2,548,481

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	144,718	34,959,810	35,104,528	40,050	454,484	494,534
Non-financial comp.- Trade	167,971	5,385,966	5,553,937	98,054	57,634	155,688
Non-financial comp.- Construction	605,188	2,603,226	3,208,414	281,705	37,091	318,796
Non finan. comp.- Manufacturing indust.	170,689	5,819,276	5,989,965	82,803	56,983	139,786
Non-financial comp.-Other activities	152,241	1,864,576	2,016,817	75,203	18,523	93,726
Non-financial comp.-Other services	1,351,591	11,710,483	13,062,074	853,573	134,451	988,024
Other Services /Other activities	458,199	5,263,831	5,722,030	344,869	13,058	357,927
Total	3,050,597	67,607,168	70,657,765	1,776,257	772,224	2,548,481

(Thousands of euros)

	2019					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	2,732,595	46,156,683	48,889,278	1,626,492	356,487	1,982,979
Poland	181,361	19,226,421	19,407,782	83,898	390,034	473,932
Mozambique	133,087	1,720,348	1,853,435	62,318	25,346	87,664
Switzerland	3,554	503,716	507,270	3,549	357	3,906
Total	3,050,597	67,607,168	70,657,765	1,776,257	772,224	2,548,481

Group 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):

	2020					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2010 and previous						
Number of operations	16,767	26,597	324,767	673,562	634	1,042,327
Value (Euros '000)	1,068,622	3,793,513	12,928,312	1,140,256	73,823	19,004,526
Impairment constituted (Euros '000)	71,273	90,991	119,375	26,259	675	308,573
2011						
Number of operations	1,510	3,980	14,140	106,248	16	125,894
Value (Euros '000)	69,455	241,433	561,325	172,819	3,959	1,048,991
Impairment constituted (Euros '000)	7,017	8,549	4,680	4,201	39	24,486
2012						
Number of operations	1,381	4,320	12,335	112,410	200	130,646
Value (Euros '000)	89,788	239,830	450,555	157,067	11,746	948,986
Impairment constituted (Euros '000)	3,752	7,302	5,856	5,302	12	22,224
2013						
Number of operations	1,934	5,636	12,332	122,150	33	142,085
Value (Euros '000)	95,288	725,594	500,758	168,380	9,832	1,499,852
Impairment constituted (Euros '000)	5,138	30,095	6,748	7,398	4,296	53,675
2014						
Number of operations	2,008	7,479	10,727	141,894	115	162,223
Value (Euros '000)	114,841	772,668	478,551	197,259	230,082	1,793,401
Impairment constituted (Euros '000)	5,008	44,559	5,149	11,017	432	66,165
2015						
Number of operations	2,848	10,829	13,168	193,971	179	220,995
Value (Euros '000)	150,370	1,151,841	670,555	316,507	59,311	2,348,584
Impairment constituted (Euros '000)	5,471	47,097	4,426	21,971	8,464	87,429
2016						
Number of operations	3,472	16,227	15,000	235,919	162	270,780
Value (Euros '000)	221,374	1,717,428	803,036	479,839	36,189	3,257,866
Impairment constituted (Euros '000)	11,849	104,871	4,572	35,178	1,816	158,286
2017						
Number of operations	4,472	21,166	24,438	247,818	193	298,087
Value (Euros '000)	364,260	2,057,156	1,563,829	587,943	88,347	4,661,535
Impairment constituted (Euros '000)	6,993	38,347	5,401	39,675	1,234	91,650
2018						
Number of operations	8,189	35,046	31,732	444,697	328	519,992
Value (Euros '000)	1,005,812	3,279,224	2,352,367	1,191,363	436,245	8,265,011
Impairment constituted (Euros '000)	11,726	49,171	5,364	63,291	4,480	134,032
2019						
Number of operations	11,730	40,469	35,600	870,741	368	958,908
Value (Euros '000)	1,289,453	3,536,024	2,827,566	2,068,071	262,031	9,983,145
Impairment constituted (Euros '000)	14,178	104,468	3,206	79,571	1,869	203,292
2020						
Number of operations	16,363	112,733	41,298	806,233	3,758	980,385
Value (Euros '000)	2,199,757	8,758,730	3,311,281	1,864,062	533,921	16,667,751
Impairment constituted (Euros '000)	21,343	112,625	9,788	45,319	1,926	191,001
Total						
Number of operations	70,674	284,482	535,537	3,955,643	5,986	4,852,322
Value (Euros '000)	6,669,020	26,273,441	26,448,135	8,343,566	1,745,486	69,479,648
Impairment constituted (Euros '000)	163,748	638,075	174,565	339,182	25,243	1,340,813

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):

	2019					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2009 and previous						
Number of operations	17,070	27,744	324,486	611,691	385	981,376
Value (Euros '000)	1,098,178	3,889,372	13,295,414	1,053,292	22,035	19,358,291
Impairment constituted (Euros '000)	104,226	130,808	105,157	18,205	182	358,578
2010						
Number of operations	1,675	3,557	21,269	98,942	42	125,485
Value (Euros '000)	155,253	385,822	979,221	177,869	6,340	1,704,505
Impairment constituted (Euros '000)	10,486	12,877	5,437	2,869	370	32,039
2011						
Number of operations	1,725	4,645	15,104	112,267	19	133,760
Value (Euros '000)	78,994	411,266	650,922	185,559	1,312	1,328,053
Impairment constituted (Euros '000)	9,134	14,440	3,869	4,264	12	31,719
2012						
Number of operations	1,629	5,250	13,289	120,107	209	140,484
Value (Euros '000)	98,151	318,169	530,220	167,261	15,625	1,129,426
Impairment constituted (Euros '000)	4,763	16,965	5,676	6,264	663	34,331
2013						
Number of operations	2,331	6,893	13,349	142,202	44	164,819
Value (Euros '000)	125,157	864,816	584,262	192,277	74,566	1,841,078
Impairment constituted (Euros '000)	13,095	49,704	7,744	10,635	37,955	119,133
2014						
Number of operations	2,446	9,630	11,529	166,901	114	190,620
Value (Euros '000)	137,239	924,371	555,774	246,849	223,382	2,087,615
Impairment constituted (Euros '000)	8,951	49,380	6,418	17,301	694	82,744
2015						
Number of operations	3,791	15,509	13,989	255,641	248	289,178
Value (Euros '000)	205,091	1,377,949	760,503	484,927	118,968	2,947,438
Impairment constituted (Euros '000)	22,617	64,782	4,524	33,907	7,293	133,123
2016						
Number of operations	4,352	21,555	15,876	272,966	204	314,953
Value (Euros '000)	296,587	2,108,876	904,586	674,725	112,707	4,097,481
Impairment constituted (Euros '000)	16,843	102,965	4,418	40,701	2,702	167,629
2017						
Number of operations	5,514	27,110	25,886	300,210	279	358,999
Value (Euros '000)	561,497	2,446,356	1,763,007	830,302	164,562	5,765,724
Impairment constituted (Euros '000)	42,394	84,823	5,317	40,748	3,229	176,511
2018						
Number of operations	9,199	39,431	33,391	556,652	508	639,181
Value (Euros '000)	1,375,058	4,168,601	2,626,272	1,607,824	578,385	10,356,140
Impairment constituted (Euros '000)	13,609	59,314	3,537	50,647	8,488	135,595
2019						
Number of operations	18,526	180,431	36,975	1,253,320	4,142	1,493,394
Value (Euros '000)	1,775,386	7,322,607	3,095,865	2,983,482	459,630	15,636,970
Impairment constituted (Euros '000)	14,784	122,409	4,174	46,290	1,770	189,427
Total						
Number of operations	68,258	341,755	525,143	3,890,899	6,194	4,832,249
Value (Euros '000)	5,906,591	24,218,205	25,746,046	8,604,367	1,777,512	66,252,721
Impairment constituted (Euros '000)	260,902	708,467	156,271	271,831	63,358	1,460,829

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

As at 31 December 2020, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2020					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**
< 0.5 M€						
Number	6,762	10,127	9,465	71,863	454,548	384
Value (Euros '000)	873,961	227,216	1,424,019	1,376,171	52,818,151	20,439
>= 0.5 M€ and < 1 M€						
Number	760	64	1,237	266	4,635	4
Value (Euros '000)	530,701	41,638	866,580	181,600	3,005,220	2,442
>= 1 M€ and < 5 M€						
Number	570	69	1,071	206	710	1
Value (Euros '000)	1,193,643	126,066	2,092,151	390,196	1,046,271	2,080
>= 5 M€ and < 10 M€						
Number	99	4	120	19	8	–
Value (Euros '000)	678,577	30,555	821,700	127,934	55,714	–
>= 10 M€ and < 20 M€						
Number	49	1	56	13	–	–
Value (Euros '000)	658,968	14,194	768,953	197,908	–	–
>= 20 M€ and < 50 M€						
Number	31	1	30	1	–	–
Value (Euros '000)	918,836	24,631	923,056	42,758	–	–
>= 50 M€						
Number	5	–	10	2	–	–
Value (Euros '000)	292,767	–	907,585	680,699	–	–
Total						
Number	8,276	10,266	11,989	72,370	459,901	389
Value (Euros '000)	5,147,453	464,300	7,804,044	2,997,266	56,925,356	24,961

(*) 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 loan's portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2019					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)	Real Estate	Other real Collateral (*)
< 0.5 M€						
Number	6,437	9,745	10,791	74,567	453,331	413
Value (Euros '000)	833,563	228,720	1,526,932	1,608,063	52,185,423	22,193
>= 0.5 M€ and < 1 M€						
Number	685	46	1,366	279	4,234	6
Value (Euros '000)	476,576	29,484	952,816	192,906	2,747,545	3,487
>= 1 M€ and < 5 M€						
Number	910	895	1,104	276	848	12
Value (Euros '000)	1,274,189	240,034	2,146,890	422,576	845,945	3,606
>= 5 M€ and < 10 M€						
Number	86	8	126	24	6	—
Value (Euros '000)	588,600	62,474	850,782	157,821	39,768	—
>= 10 M€ and < 20 M€						
Number	42	4	60	16	—	—
Value (Euros '000)	576,221	50,642	803,455	240,773	—	—
>= 20 M€ and < 50 M€						
Number	33	4	24	3	—	—
Value (Euros '000)	869,417	73,324	709,533	96,262	—	—
>= 50 M€						
Number	3	—	12	4	—	—
Value (Euros '000)	171,131	—	924,316	863,177	—	—
Total						
Number	8,196	10,702	13,483	75,169	458,419	431
Value (Euros '000)	4,789,697	684,678	7,914,724	3,581,578	55,818,681	29,286

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

As at 31 December 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)

	2020				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,588,618	844,461	350,664	142,435
<60%	19,206	789,264	234,200	56,620	24,279
>=60% and <80%	3,700	709,085	101,272	72,452	37,061
>=80% and <100%	1,662	248,389	78,613	77,370	39,665
>=100%	9,488	545,414	235,800	134,275	61,323
Companies - Other Activities					
Without associated collateral	n.a.	17,737,941	2,961,784	1,056,742	874,987
<60%	48,932	1,535,990	495,872	175,632	66,483
>=60% and <80%	16,436	1,054,486	423,175	126,032	57,750
>=80% and <100%	10,940	631,875	151,211	144,382	74,328
>=100%	5,373	805,289	366,542	225,969	168,215
Mortgage loans					
Without associated collateral	n.a.	379,665	20,531	14,332	8,621
<60%	333,998	10,989,137	1,049,779	188,239	50,755
>=60% and <80%	138,075	7,644,345	820,004	168,267	43,624
>=80% and <100%	59,838	3,581,664	417,700	112,552	28,692
>=100%	19,609	1,222,170	114,204	130,599	55,103

As at 31 December 2019, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2019				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	2,086,625	768,657	442,944	202,585
<60%	17,242	558,709	241,261	63,333	15,699
>=60% and <80%	3,389	675,660	97,461	26,694	10,938
>=80% and <100%	1,538	163,759	85,336	112,415	26,182
>=100%	8,068	436,551	190,209	370,532	195,285
Companies - Other Activities					
Without associated collateral	n.a.	14,681,508	2,224,191	1,597,121	1,045,994
<60%	47,980	1,374,701	447,465	233,219	80,416
>=60% and <80%	16,575	902,710	244,641	151,310	51,077
>=80% and <100%	13,894	709,089	202,621	143,773	70,388
>=100%	8,657	1,115,491	357,817	723,141	487,563
Mortgage loans					
Without associated collateral	n.a.	231,962	5,098	10,469	7,999
<60%	272,952	8,057,885	952,664	201,100	30,362
>=60% and <80%	145,013	7,210,271	1,031,242	236,650	29,324
>=80% and <100%	67,132	3,286,948	616,158	251,569	29,570
>=100%	28,216	1,343,396	219,650	375,142	115,204

As at 31 December 2020, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	2020					
	Assets arising from recovered loans results (note 26)		Assets belong to investments funds and real estate companies (note 26)		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	364,668	280,263	236,513	236,513	601,181	516,776
Rural	45,122	35,122	3,225	3,225	48,347	38,347
Buildings in development						
Mortgage loans	5,538	4,355	–	–	5,538	4,355
Other	47	47	–	–	47	47
Constructed buildings						
Commercials	219,242	172,188	13,166	13,166	232,408	185,354
Mortgage loans	258,399	201,337	1,542	1,542	259,941	202,879
Other	4,834	4,524	2,636	2,636	7,470	7,160
Other assets	4,069	4,069	–	–	4,069	4,069
	901,919	701,905	257,082	257,082	1,159,001	958,987

As at 31 December 2019, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	2019					
	Assets arising from recovered loans results (note 26)		Assets belong to investments funds and real estate companies (note 26)		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	462,441	367,128	252,190	252,190	714,631	619,318
Rural	20,104	15,065	3,398	3,398	23,502	18,463
Buildings in development						
Commercials	1,468	767	34,176	34,176	35,644	34,943
Mortgage loans	4,000	3,043	–	–	4,000	3,043
Other	61	61	–	–	61	61
Constructed buildings						
Commercials	288,983	233,049	21,467	21,467	310,450	254,516
Mortgage loans	312,807	251,777	2,948	2,948	315,755	254,725
Other	6,827	6,502	2,659	2,659	9,486	9,161
Other assets	3,894	3,894	–	–	3,894	3,894
	1,100,585	881,286	316,838	316,838	1,417,423	1,198,124

Credit concentration risk

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is defined and described in the document *Credit Principles and Guidelines*, approved by the Bank's management body. This policy applies to all Group entities by the transposition of the respective definitions and requirements into the internal rulings of each entity. Through the document mentioned above, the Group defined the following guidelines relating to the control and management of credit concentration risk:

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency).The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

1) Exposures to Sovereigns;
2) Exposures to Institutions (Banks/financial institutions);
3) Single-name exposures (Large Corporate exposures);
4) Geographic concentration (country risk);
5) Exposure to sectors of activity.

These limits apply to the 'Net exposures' at stake(*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The measurement of geographic concentration excludes the countries in which the Group operates (Portugal, Poland and Mozambique).

Except for exposure to sectors of activity, the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE(**) positions are covered by the NPE reduction Plan.

The limits in force as at 31 December 2020, for the exposure to Sovereigns, Institutions, Single-name and geographical (for a given Customer/Group of Customers in the second and third cases) are the following, in terms of the Net Exposure weight over the Consolidated Own Funds:

		Limit = Max. % of Net Exposure over the Consolidated Own Funds		
Risk quality	**Risk grades**	**Sovereigns**	**Institutions**	**Countries (geog.)**
1st Tier	1 - 3	25.0%	10.0%	40.0%
2nd Tier	4 - 6	10.0%	5.0%	20.0%
3rd Tier	7 - 12	7.5%	2.5%	10.0%

Risk quality	Risk grade	*Single-name*
High quality	1 - 5	7.0%
Average/good quality	6 - 7	4.5%
Average low/quality	8 - 9	3.0%
Low quality	10 - 11	0.6%
Restricted credit	12 - 13	0.3%

(*) Net exposure = EAD x LGD, considering LGD=45% whenever own estimates for LGD are not available or applicable. EAD = Exposure at default ; LGD = Loss given Default;
(**) NPE = Non-performing exposures

As at 31 December 2020:

- There were no exposure excesses to Sovereigns, Institutions or countries;

- There were 2 Economic Groups with net exposure above the established Single-name limits for their respective risk grade, which compares with 3 cases by the end of 2019. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the assessment of the Single-name concentration is also performed within the Group RAS (Risk Appetite Statement) scope.

In what concerns the limit for exposure to sectors of activity, in force on 31 December 2020, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. As of 31 December 2020, there was no excess over this limit.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks.

The credit concentration risk is measured and monitored by the Risk Office supported on a database on credit exposures (the *Risk Office Datamart*), monthly updated by the Group's systems, which feeds the risk management system of the Group.

The Risk Office maintains a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, which is used by the Credit Division within the scope of credit analysis for large clients.

Market risk

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

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

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

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

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

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

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

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

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

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

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

The table below presents the amounts at risk for the Trading Book, measured by the methodologies referred to above:

(Thousands of euros)

	31 December 2020	Max of global risk in the period	Min of global risk in the period	31 December 2019
Generic Risk (VaR)	3,863	4,895	826	2,095
Interest Rate Risk	3,770	3,244	800	1,876
FX Risk	341	4,555	183	1,170
Equity Risk	318	195	91	81
Diversification effects	*567*	*3,100*	*249*	*1,033*
Specific Risk	19	10	10	3
Commodities Risk	—	—	3	5
Global Risk	3,882	4,905	839	2,103

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss.

Interest rate risk

The evaluation of interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long-term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

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

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

(Thousands of euros)

	2020			
Currency	**-200 bp (*)**	**- 100 bp (*)**	**+100 bp**	**+ 200 bp**
CHF	(996)	2,997	4,227	8,362
EUR	(23,033)	829	6,466	138,375
PLN	18,171	18,434	(3,926)	(6,686)
USD	(21,289)	(18,414)	4,901	35,048
	(27,147)	3,846	11,668	175,099

(*) 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)

	2019			
Currency	**- 200 bp (*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	2,075	2,075	2,906	6,406
EUR	67,754	66,915	8,699	27,583
PLN	69,034	37,128	(34,785)	(67,405)
USD	(21,837)	(12,593)	12,160	23,930
	117,026	93,525	(11,020)	(9,486)

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

As described in accounting policy 1 B), the financial statements of the Group's subsidiaries and associates placed abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates (Balance sheet)		Average exchange rates (Income statement)	
Currency	**2020**	**2019**	**2020**	**2019**
AOA	800.4060	541.2770	663.3585	412.0225
BRL	6.3542	4.5114	5.9636	4.3958
CHF	1.0812	1.0872	1.0699	1.1132
MOP	9.7706	9.0080	9.7706	9.0080
MZN	91.2250	70.0750	79.3506	69.9398
PLN	4.5603	4.2518	4.4571	4.2954
USD	1.2234	1.1225	1.1427	1.1201

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area, in accordance with the risk specialization model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations, taking into consideration the defined policy and the conditions and availability of instruments.

As at 31 December 2020, the Group's investments in convertible foreign currencies were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

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

As at 31 December 2020, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		2020			
		Net Investment	Hedging instruments	Net Investment	Hedging instruments
Company	Currency	Currency '000	Currency '000	Euros '000	Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	76,359	100,000	70,626	92,492
Bank Millennium, S.A.	PLN	2,570,017	2,570,017	563,563	563,563

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. These hedging relationships were considered effective during 2020, as referred in the accounting policy 1 C4.

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM - Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country. At the date of preparation of this report, there are no outstanding amounts due to the aforementioned requirements.

Liquidity risk

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

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risk Commission is responsible for controlling the liquidity risk. This control is reinforced through the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

The COVID- 19 pandemic, whose negative effects on the economy and in particular on the banking sector are not yet fully known, led supervisors and central banks to promptly take a broad range of mitigation measures. In the case of the ECB, these were announced throughout April, involving the provision of additional liquidity to the banking system through the creation of “Targeted longer-term refinancing operations III” (“TLTRO III”) and the transversal reduction of haircuts applicable to all types of assets eligible for discount with the ECB.

Although the daily monitoring of all liquidity indicators has shown since the beginning of the crisis, both at BCP and at its subsidiaries, a total stability of the deposit base and liquidity buffers with central banks, the Bank decided to rapidly adjust its funding policy from a precautionary point of view: still in April, BCP SA borrowed an additional 1.5 billion from the ECB through the use of Main refinancing operations ("MRO") with a 3-month term, thus increasing its exposure to the central bank from Euros 4,000,000,000 related to the Targeted long-term refinancing operation II ("T LTRO II") to Euros 5,500,000,000; and in June, on the due date of the T LTRO II and the MROs referred to above, it took over Euros 7,550,070,000 in T LTRO III. After these operations, net financing from the ECB increased to a maximum of Euros 4,866,960,000 in September 2020, decreasing until the end of the year to Euros 3,282,609,000, Euros 2,999,224.000 more than in the previous year.

The additional liquidity thus obtained, added to that resulting from the reduction of the commercial gap in Portugal, was applied to the repayment of long-term loans from the European Investment Bank which totalled Euros 1,050,917,000 in 2020 (of which Euros 750,000,000 with early repayment in June), the strengthening of the securities portfolio in Portugal Euros 3,841,666,000, of which Euros 3,564,240,000 in sovereign debt, and in liquidity deposited with the Banco de Portugal (increase of Euros 638,256,000, to Euros 4,295,156,000).

The strengthening of the sovereign debt portfolios was reflected in an increase in the size of the portfolio of assets eligible for discount at the ECB, which also benefited, within the scope of prudent liquidity management, from the inclusion in the monetary policy pool of a retained covered bond issuance worth Euro 1,841,580,000 after haircuts. Together with the collateral easing measures determined by the ECB, this decision contributed to raise the balance of assets eligible for discount at the ECB to Euros 22,502,737,000 (after haircuts), Euros 5,442,604,000 more than in December 2020.

In the same period, the liquidity buffer with the ECB increased by Euros 2,443,473,000, to Euros 19,220,220,000.

As in BCP, all liquidity indicators regarding Bank Millennium (Poland) and BIM (Mozambique) demonstrate the resilience of their liquidity positions throughout the COVID- 19 crisis, supported from the outset by the stability of deposit bases and the solidity of liquidity buffers held with the respective central banks. Accordingly, both operations are positioned throughout 2020 in the comfort zone of the liquidity risk indicators adopted across the Group, as well as regarding the regulatory standards.

In consolidated terms, the refinancing risk of medium-term liabilities will remain at very low levels over the coming years, reaching Euros 1,000,000,000 only in 2022. Even in this case, it will involve the payment of a covered bond issue in that exact amount, the collateral of which will be integrated into the ECB's liquidity buffer after repayment, thus meaning a minor loss of liquidity.

The pool of eligible assets for funding operations in the European Central Bank and other central banks, after haircuts, is detailed as follows:

(Thousands of euros)

	2020	2019
European Central Bank	9,783,715	7,328,153
Other Central Banks	4,591,249	5,888,324
	14,374,964	13,216,477

As at 31 December 2020 the gross amount discounted with the European Central Bank amounts to Euros 7,550,070,000 (31 December 2019: Euros 4,000,000,000). As at 31 December 2020 the amount discounted with the Bank of Mozambique was Euros 2.364.000 (Euros 2,426,000 as at 31 December 2019). There were no discounted amounts with other central banks. The amount of assets eligible for discount with the European Central Bank includes securities issued by the SPE from securitization operations whose assets have not been derecognised in the Group's consolidated view, so that the securities are not recognized in the securities portfolio.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousands of euros)

	2020	2019
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	9,783,715	7,328,153
Outside the pool of ECB monetary policy	12,719,114	9,731,980
	22,502,829	17,060,133
Net borrowing at the ECB (ii)	3,282,609	283,385
Liquidity buffer (iii)	19,220,220	16,776,748

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
ii) Includes, as at 31 December 2020, the value of funding with ECB (deducted from the accrual of the T LTRO III), deducted from deposits with the Bank of Portugal and other liquidity with the Eurosystem (Euros 4,642,131,000), plus the minimum cash reserves (Euros 414,727,000).
iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

Loans to deposits ratio

The BCP Group structurally improved its liquidity profile by recording a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 on 31 December 2020 of 85% (current version) and on 31 December 2019 this ratio was set at 86% (according to the current version of the Instruction as at 31 December 2020).

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 230% at the end of December 2020, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The Liquidity Coverage Ratio stood significantly above the one on the same date of the previous year (216%), with a high coverage level.

Net stable funding ratio

The definition of the Net Stable Funding Ratio (NSFR) was approved by the Basel Committee in October 2014. The Group has a stable financing base, obtained by the high weight of customer deposits in the funding structure, collateralised financing, medium and long-term instruments and a strengthened regulatory capital structure, that allow to adequately support the stable financing requirements of the medium and long-term business model, including tangible and intangible assets, customers loans and the securities portfolio that partly serves the purpose of maintaining a highly liquid assets buffer to cover liquidity outflows in adverse situations. The NFSR stood at 140% as at 31 December 2020 (which compares to 135% by 31 December 2019).

Encumbered and Unencumbered assets

Within the scope of the European Banking Authority's guidance on the disclosure of encumbered assets and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Committee, the following information is presented in accordance with Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

(Thousands of euros)

	2020 (1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the reporting institution	13,132,480	1,282,547			72,219,836	19,600,935		
Equity instruments	–	–			89,476	–		
Debt securities	1,282,547	1,282,547	1,271,418	1,271,418	19,744,815	15,027,097	19,778,972	15,063,086
of which:								
issued by general governments	1,229,857	1,229,857	1,220,181	1,220,181	14,576,381	14,227,085	14,615,178	14,263,052
issued by financial corporations	529	529	529	529	2,033,289	81,056	2,025,739	81,069
issued by non-financial corporations	39,353	39,353	38,417	38,417	3,018,735	703,490	3,019,139	703,407
Other assets:	11,913,754	–			52,427,676	4,073,228		
of which:								
Loans on demand	–	–			3,860,054	3,565,628		
Loans and advances other than loans on demand	11,618,136	–			41,548,406	–		
Other	325,213	–			7,178,437	529,125		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA e HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank's eligible.

(Thousands of euros)

	2019 (1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the reporting institution	10,459,171	1,043,266			70,539,049	16,449,753		
Equity instruments	–	–			86,033	–		
Debt securities	1,137,566	1,043,266	1,136,379	1,042,273	17,762,092	12,773,551	17,764,516	12,774,818
of which:								
issued by general governments	765,468	666,166	765,468	666,166	12,312,751	11,902,959	12,319,695	11,905,154
issued by financial corporations	32,938	32,938	32,938	32,938	1,975,150	23,492	1,970,819	23,492
issued by non-financial corporations	336,757	336,757	336,064	336,064	2,726,570	496,101	2,726,817	495,520
Other assets of which:	9,321,605	–			52,690,924	3,676,202		
of which:								
Loans on demand	–	–			3,430,440	3,130,931		
Loans and advances other than loans on demand	9,061,854	–			41,740,048	–		
Other	259,751	–			7,520,436	545,271		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA e HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank's eligible.

(Thousands of euros)

	2020 (1)			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the reporting institution	—	—	32,017	13,752
Debt securities	—	—	13,752	13,752
of which:				
issued by general governments	—	—	13,752	13,752
Loans and advances other than loans on demand	—	—	12,665	—
Own covered bonds and asset-backed securities issued and not yet pledged			5,021,248	4,992,276
Total assets, Collateral Received and Own Debt Securities Issued	13,132,480	1,282,547		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA and HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank eligibility.

(Thousands of euros)

	2019 (1)			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the reporting institution	—	—	32,476	32,476
Debt securities	—	—	32,476	32,476
of which:				
issued by general governments	—	—	32,476	32,476
Own covered bonds and asset-backed securities issued and not yet pledged			3,616,373	3,616,373
Total assets, Collateral Received and Own Debt Securities Issued	10,459,171	1,043,266		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA and HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank eligibility.

(Thousands of euros)

Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent		Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	
	2020 (1)	2019 (1)	2020 (1)	2019 (1)
Carrying amount of selected financial liabilities	9,830,665	6,768,487	12,788,441	10,056,710

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.

At the end of 2020, and according to the EBA methodology, the total encumbered assets represents 15% of the Group's total balance sheet assets. The encumbered Loans to customers represents 87%, while Debt securities represents 8%.

The encumbered assets are mostly related with the Group's funding operations, namely with the ECB, through the issuance of mortgage bonds and securitisation programs. The type of assets used as collateral for these financing transactions are different Loans to Customers' portfolios, supporting securitisation programs and mortgage bonds issues, either placed outside of the Group or intended to reinforce the collateral pool with the ECB. Another part of the collateralisation of financing operations with the European Investment Bank, is obtained though sovereign debt eligible for central banks, together with bonds issued by public sector companies.

On 31 December 2020, the Other assets: Other in the amount of Euros 7,178,437,000, although not encumbered, are mostly related to the Group's activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

On 31 December 2020, BCP Group has a Euros 12.5 billion BCP Covered Bond Programme ("BCP Programme") with Euros 10.2 billion of covered bonds outstanding. The BCP Programme is backed by a Euros 11.7 billion portfolio of residential mortgages, providing an overcollateralization ("OC") of 14.6%, which is above the minimum of 14% currently required by rating agencies.

The Portuguese covered bond legislation ensures covered bond holders benefit from a dual-recourse, i.e. over the issuer and over the loan portfolio allocated to the Program which, together with other assets, constitute an autonomous estate over which the respective bondholders have a special credit privilege. The national OH Law that this autonomous heritage is segregated from any eventual future bankruptcy, for the holders of mortgage bonds, these having precedence over any other creditors of the issuing entity, overriding the OH Law, in this way and to this extent, the applicable general insolvency and recovery law. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, among them a maximum LTV of 80%, delinquency of no more than 90 days, and them being first lien mortgages (or, if otherwise, all preceding liens being in the cover pool) over properties located in the EU. The BCP's Programme documentation limits property location to Portugal only.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousands of euros)

	2020						
	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Assets							
Cash and deposits at Central Banks	5,303,864	–	–	–	–	–	5,303,864
Loans and advances to CI							
Repayable on demand	262,395	–	–	–	–	–	262,395
Other loans and advances (a)	–	987,553	14,051	13,787	–	–	1,015,391
Loans and advances to customers (a)	–	–	7,865,743	11,285,260	33,608,298	1,398,036	54,157,337
Other financial assets (b)	–	331,652	772,319	6,531,078	6,198,737	653,274	14,487,060
	262,395	1,319,205	8,652,113	17,830,125	39,807,035	2,051,310	69,922,183
Liabilities							
Resources from CI	–	622,107	262,482	7,954,170	60,000	–	8,898,759
Resources from costumers	43,094,367	10,425,445	8,919,552	501,248	60,217	–	63,000,829
Debt securities issued	–	70,579	150,404	1,000,065	167,801	–	1,388,849
Subordinated debt	–	133,954	186,966	–	1,084,252	–	1,405,172
	43,094,367	11,252,085	9,519,404	9,455,483	1,372,270	–	74,693,609

(a) Gross of impairment
(b) Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income.

Operational Risk

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

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

The Risk Management 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 of BCP.

Hedge 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)

	2020			
	Hedging instruments			
		Book value		Change in fair value (A)
Type of hedging	**Notional**	**Assets**	**Liabilities**	
Fair value hedge				
Interest rate risk				
Interest rate swaps	6,403,553	5,396	97,342	(49,584)
Interest rate futures	197,400	—	—	647
Foreign exchange risk				
Currency and interest rate swap	436,079	34	26,365	70
	7,037,032	5,430	123,707	(48,867)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,777,323	69,275	10,020	121,896
Foreign exchange risk				
Currency swap	274,584	—	6,385	755
Currency and interest rate swap	3,278,713	4,779	143,465	148
	15,330,620	74,054	159,870	122,799
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	574,266	11,765	2,189	40,891
Total	22,941,918	91,249	285,766	114,823

(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)

	2019			
	Hedging instruments			
		Book value		
Type of hedging	Notional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,536,385	17,131	46,122	(106,219)
	4,536,385	17,131	46,122	(106,219)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,883,933	18,972	77,272	(123,578)
Foreign exchange risk				
Currency swap	83,090	185	172	48
Currency and interest rate swap	3,005,625	8,853	98,300	4,019
	14,972,648	28,010	175,744	(119,511)
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	598,795	—	8,057	(6,303)
Total	20,107,828	45,141	229,923	(232,033)

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

As at 31 December 2020, the table below includes the detail of the hedged items:

(Thousands of euros)

	2020							
	Hedged items							
		Book value		Cumulative value of the adjustments			Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	110,582	–	6,559	–	4,727	n.a.	n.a.
	(H)	1,672,825	–	28,794	–	25,080	n.a.	n.a.
	(C)	2,129,459	–	(47,320)	1,014	27,490	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.
		4,125,009	1,051,760	(11,967)	4,799	50,599	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,883,933	–	–	–	(121,896)	61,541	207,147
Foreign exchange risk								
Currency and interest rate swap	(B)	3,707,466	–	–	–	(903)	(3,855)	(394)
		15,591,399	–	–	–	(122,799)	57,686	206,753
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	(40,891)	40,891	–
Total		19,716,408	1,051,760	(11,967)	4,799	(113,091)	98,577	206,753

(A) Fair value changes used to calculate the ineffectiveness of the hedge

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

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

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

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

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

(G) Financial liabilities at amortised cost - Subordinated debt

(H) Debt securities held not associated with credit operations

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

(Thousands of euros)

		2019						
		Hedged items						
		Book value		Cumulative value of the adjustments			Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	449,137	–	5,102	–	623	n.a.	n.a.
	(H)	89,953	–	856	–	856	n.a.	n.a.
	(C)	2,217,744	–	(26,417)	–	105,005	n.a.	n.a.
	(D)	–	260,000	–	9,950	1,470	n.a.	n.a.
	(E)	–	180,650	–	5,149	(6,407)	n.a.	n.a.
	(F)	–	2,554	–	54	(43)	n.a.	n.a.
	(G)	–	441,389	–	(6,974)	6,974	n.a.	n.a.
		2,756,834	884,593	(20,459)	8,179	108,478	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,883,933	–	–	–	123,592	(60,371)	217,308
Foreign exchange risk								
Currency and interest rate swap	(B)	3,181,707	–	–	–	(4,067)	(10,302)	(2,598)
		15,065,640	–	–	–	119,525	(70,673)	214,710
Hedging of net investments in foreign entities								
Foreign exchange risk								
- Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	6,303	(6,303)	–
Total		17,822,474	884,593	(20,459)	8,179	234,306	(76,976)	214,710

(A) Fair value changes used to calculate the ineffectiveness of the hedge

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

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

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

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

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

(G) Financial liabilities at amortised cost - Subordinated debt

(H) Debt securities held not associated with credit operations

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 31 December 2020 and 2019, is as follows:

(Thousands of euros)

	Cash flow hedge reserve		Exchange differences	
	2020	**2019**	**2020**	**2019**
Balance as at 1 January	(6,585)	(16,126)	15,480	21,783
Amounts recognised in other comprehensive income:				
Hedging cash flows - foreign exchange risk				
Changes in fair value of currency swaps	(1,044)	4,067	—	—
Foreign exchange changes	445	(170)	—	—
Ineffectiveness of coverage recognised in results	2,029	4,514	—	—
Others	(2,924)	1,130	—	—
Hedging of net investments - foreign exchange risk				
Reclassified to the income statement	—	—	40,891	(6,303)
Balance at the end of the year	(8,079)	(6,585)	56,371	15,480

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2020:

(Thousands of euros)

	2020					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	**Income statement item (A)**	**Gains / (losses) recognised in Other comprehensive income**	**Hedging ineffectiveness recognised in Income statement (A)**	**Income statement item (B)**	**Cash flows that were being hedged (C)**	**Hedged item with an impact on results**
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	1,963		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.	1,732		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(1,934)	(13)	(E)	72,606	—
Foreign exchange risk						
Currency and interest rate swap	(D)	903	(2,029)			—
		(1,031)	(2,042)		72,606	—
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	40,891	—		—	—
		40,891	—		—	—
Total		39,860	(310)		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 income
(F) Net gains / (losses) from foreign exchange

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2019:

(Thousands of euros)

	2019					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	2,259		n.a.	n.a.
		n.a.	2,259		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(62)	(129)	(E)	44,882	–
Foreign exchange risk						
Currency and interest rate swap	(D)	6,020	(4,514)		–	–
		5,958	(4,643)		44,882	–
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	(6,303)	–		–	–
		(6,303)	–		–	–
Total		(345)	(2,384)		44,882	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised
(B) Income Statement item in which the reclassified amount was recognised
(C) but which are no longer expected to occur
(D) Net gains / (losses) from hedge accounting operations
(E) Interest income
(F) Net gains / (losses) from foreign exchange

The table below shows the detail of hedging instruments, as at 31 December 2020, by maturity:

(Thousands of euros)

	2020					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	196,734	608,023	5,598,796	6,403,553	5,396	97,342
Fixed interest rate (average)	1.68%	1.02%	0.47%	0.59%		
Stock Exchange:						
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	–	109,642	11,667,681	11,777,323	69,275	10,020
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swap	274,584	–	–	274,584	–	6,385
Currency and interest rate swap	442,564	610,622	2,225,527	3,278,713	4,779	143,465
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	574,266	–	–	574,266	11,765	2,189
Total derivatives traded by						
OTC Market:	1,650,809	1,601,705	19,492,004	22,744,518	91,249	285,766
Stock Exchange:	–	–	197,400	197,400	–	–

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

(Thousands of euros)

	2019					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	52,919	1,420,269	3,063,197	4,536,385	17,131	46,122
Fixed interest rate (average)	1.98%	-0.05%	1.19%	0.81%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	65,854	111,717	11,706,362	11,883,933	18,972	77,272
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swap	83,090	–	–	83,090	185	172
Currency and interest rate swap	469,804	930,004	1,605,817	3,005,625	8,853	98,300
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	–	462,072	136,723	598,795	–	8,057
Total derivatives traded by OTC Market:	671,667	2,924,062	16,512,099	20,107,828	45,141	229,923

55. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of Metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.