Accounts and Notes to the Consolidated Accounts

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Notes	2020	2019
Interest and similar income	2	1,805,583	1,991,445
Interest expense and similar charges	2	(272,408)	(442,917)
NET INTEREST INCOME		1,533,175	1,548,528
Dividends from equity instruments	3	4,775	798
Net fees and commissions income	4	702,656	703,497
Net gains / (losses) from financial operations at fair value through profit or loss	5	(9,561)	4,837
Net gains / (losses) from foreign exchange	5	92,144	69,391
Net gains / (losses) from hedge accounting operations	5	(2,322)	(5,682)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(27,551)	(24,909)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	100,063	99,676
Net gains / (losses) from insurance activity		10,524	11,752
Other operating income / (losses)	6	(159,820)	(144,400)
TOTAL OPERATING INCOME		2,244,083	2,263,488
Staff costs	7	646,700	668,232
Other administrative costs	8	335,495	376,455
Amortisations and depreciations	9	137,149	124,785
TOTAL OPERATING EXPENSES		1,119,344	1,169,472
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,124,739	1,094,016
Impairment for financial assets at amortised cost	10	(513,412)	(390,308)
Impairment for financial assets at fair value through other comprehensive income	11	(10,360)	2,180
Impairment for other assets	12	(79,173)	(96,034)
Other provisions	13	(238,292)	(57,484)
NET OPERATING INCOME		283,502	552,370
Share of profit of associates under the equity method	14	67,695	42,989
Gains / (losses) arising from sales of subsidiaries and other assets	15	(6,188)	31,907
NET INCOME BEFORE INCOME TAXES		345,009	627,266
Income taxes			
Current	30	(113,317)	(100,908)
Deferred	30	(23,327)	(138,370)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		208,365	387,988
Income arising from discontinued or discontinuing operations	16	—	13,412
NET INCOME AFTER INCOME TAXES		208,365	401,400
Net income for the year attributable to:			
Bank's Shareholders		183,012	302,003
Non-controlling interests	44	25,353	99,397
NET INCOME FOR THE YEAR		208,365	401,400
Earnings per share (in Euros)			
Basic	17	0.010	0.018
Diluted	17	0.010	0.018

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	2020				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	208,365	—	208,365	183,012	25,353
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	245,536	—	245,536	212,166	33,370
Reclassification of (gains) / losses to profit or loss	(100,063)	—	(100,063)	(85,423)	(14,640)
Cash flows hedging					
Gains / (losses) for the year	110,583	—	110,583	112,157	(1,574)
Other comprehensive income from investments in associates and others	13,452	—	13,452	13,480	(28)
Exchange differences arising on consolidation	(256,487)	—	(256,487)	(145,504)	(110,983)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,202)	—	(1,202)	(1,202)	—
Fiscal impact	(76,487)	—	(76,487)	(73,238)	(3,249)
	(64,668)	—	(64,668)	32,436	(97,104)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year (note 43)	(10,065)	—	(10,065)	(9,794)	(271)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	461	—	461	461	—
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund (note 50)	(88,645)	—	(88,645)	(88,645)	—
Pension Fund - other associated companies	(3,610)	—	(3,610)	(3,436)	(174)
Fiscal impact	25,009	—	25,009	24,909	100
	(76,850)	—	(76,850)	(76,505)	(345)
Other comprehensive income / (loss) for the year	(141,518)	—	(141,518)	(44,069)	(97,449)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	66,847	—	66,847	138,943	(72,096)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

(Thousands of euros)

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Notes	2020	2019
ASSETS			
Cash and deposits at Central Banks	18	5,303,864	5,166,551
Loans and advances to credit institutions repayable on demand	19	262,395	320,857
Financial assets at amortised cost			
Loans and advances to credit institutions	20	1,015,087	892,995
Loans and advances to customers	21	52,120,815	49,847,829
Debt securities	22	6,234,545	3,185,876
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,031,201	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,315,467	1,405,513
Financial assets designated at fair value through profit or loss	23	–	31,496
Financial assets at fair value through other comprehensive income	23	12,140,392	13,216,701
Hedging derivatives	24	91,249	45,141
Investments in associated companies	25	434,959	400,391
Non-current assets held for sale	26	1,026,481	1,279,841
Investment property	27	7,909	13,291
Other tangible assets	28	640,825	729,442
Goodwill and intangible assets	29	245,954	242,630
Current tax assets		11,676	26,738
Deferred tax assets	30	2,633,790	2,720,648
Other assets	31	1,296,812	1,239,134
TOTAL ASSETS		85,813,421	81,643,408
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	8,898,759	6,366,958
Resources from customers	33	63,000,829	59,127,005
Non subordinated debt securities issued	34	1,388,849	1,594,724
Subordinated debt	35	1,405,172	1,577,706
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	278,851	343,933
Financial liabilities at fair value through profit or loss	37	1,599,405	3,201,309
Hedging derivatives	24	285,766	229,923
Provisions	38	443,799	345,312
Current tax liabilities		14,827	21,990
Deferred tax liabilities	30	7,242	11,069
Other liabilities	39	1,103,652	1,442,225
TOTAL LIABILITIES		78,427,151	74,262,154
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	400,000
Legal and statutory reserves	41	254,464	240,535
Treasury shares	42	(40)	(102)
Reserves and retained earnings	43	642,397	435,823
Net income for the year attributable to Bank's Shareholders		183,012	302,003
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,221,304	6,119,730
Non-controlling interests	44	1,164,966	1,261,524
TOTAL EQUITY		7,386,270	7,381,254
TOTAL LIABILITIES AND EQUITY		85,813,421	81,643,408

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	2020	2019
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,541,781	1,743,234
Commissions received	877,504	899,938
Fees received from services rendered	70,625	100,315
Interests paid	(248,487)	(426,571)
Commissions paid	(157,022)	(171,815)
Recoveries on loans previously written off	22,680	24,269
Net earned insurance premiums	16,386	17,418
Claims incurred of insurance activity	(6,053)	(6,591)
Payments (cash) to suppliers and employees (*)	(1,229,338)	(1,248,720)
Income taxes (paid) / received	(89,589)	(61,027)
	798,487	870,450
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	169,528	(2,626)
Deposits held with purpose of monetary control	(291,669)	–
Loans and advances to customers receivable / (granted)	(4,080,970)	(1,901,159)
Short term trading securities	(175,522)	165,922
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(12,437)	(108,587)
Deposits from credit institutions with agreed maturity date	2,560,161	(2,154,270)
Loans and advances to customers repayable on demand	7,077,726	5,444,107
Deposits from customers with agreed maturity date	(2,992,767)	(1,784,092)
	3,052,537	529,745
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	20	13
Acquisition of investments in subsidiaries (**)	–	(348,997)
Dividends received	11,891	11,003
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	183,763	291,339
Sale of financial assets at fair value through other comprehensive income and at amortised cost	19,346,529	19,886,088
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(39,893,571)	(50,627,555)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	17,992,857	32,096,533
Acquisition of tangible and intangible assets	(78,739)	(105,715)
Sale of tangible and intangible assets	11,276	14,475
Decrease / (increase) in other sundry assets	348,594	(231,448)
	(2,077,380)	985,736
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	–	647,216
Reimbursement of subordinated debt	(165,017)	(129,536)
Issuance of debt securities	–	545,825
Reimbursement of debt securities	(271,849)	(310,448)
Issuance of commercial paper and other securities	22,694	238,839
Reimbursement of commercial paper and other securities	(239,116)	(171,641)
Issue of Perpetual Subordinated Bonds (Additional Tier 1) (note 48)	–	396,325
Reimbursed of perpetual subordinated debt securities	–	(2,922)
Dividends paid to shareholders of the Bank (note 47)	–	(30,228)
Dividends paid of perpetual subordinated debt securities	–	(148)
Dividends paid to non-controlling interests	(22,974)	(15,502)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(37,000)	(27,750)
Increase / (decrease) in other sundry liabilities and non-controlling interests (***)	73,443	(224,200)
	(639,819)	915,830
Exchange differences effect on cash and equivalents	(256,487)	(24,449)
Net changes in cash and equivalents	78,851	2,406,862
Cash (note 18)	636,048	566,202
Deposits at Central Banks (note 18)	4,530,503	2,187,637
Loans and advances to credit institutions repayable on demand (note 19)	320,857	326,707
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,487,408	3,080,546
Cash (note 18)	579,997	636,048
Deposits at Central Banks (note 18)	4,723,867	4,530,503
Loans and advances to credit institutions repayable on demand (note 19)	262,395	320,857
CASH AND EQUIVALENTS AT THE END OF THE YEAR	5,566,259	5,487,408

(*) In 2020, this balance includes the amount of Euros 2,077,000 (2019: Euros 4,551,000) related to short-term lease contracts and the amount of Euros 2,504,000 (2019: Euros 2,118,000) related to lease contracts of low value assets.
(**) In 2019, this balance included the investment in Euro Bank, S.A. (Euros 424,370,000), net of Cash and equivalents at the time of the acquisition (Euros 75,373,000).
(***) In 2020, this balance includes the amount of Euros 59,161,000 (2019: Euros 56,552,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the year attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non- - controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	2,922	264,608	(74)	470,481	301,065	5,780,473	1,183,433	6,963,906
Net income for the year	–	–	–	–	–	–	302,003	302,003	99,397	401,400
Other comprehensive income	–	–	–	–	–	(293,026)	–	(293,026)	11,227	(281,799)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(293,026)	302,003	8,977	110,624	119,601
Results application										
Statutory reserve (note 41)	–	–	–	(30,000)	–	30,000	–	–	–	–
Legal reserve	–	–	–	5,927	–	(5,927)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	301,065	(301,065)	–	–	–
Dividends payed	–	–	–	–	–	(30,228)	–	(30,228)	–	(30,228)
Reimbursed of perpetual subordinated debt securities	–	–	(2,922)	–	–	–	–	(2,922)	–	(2,922)
Issue of perpetual subordinated bonds (Additional Tier 1) (note 40)	–	–	400,000	–	–	–	–	400,000	–	400,000
Interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	(27,750)	–	(27,750)	–	(27,750)
Taxes on interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	19	–	19	–	19
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	(3,675)	–	(3,675)	–	(3,675)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	–	2	–	2	–	2
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	–	(3,652)	–	(3,652)	–	(3,652)
Sale of subsidiaries	–	–	–	–	–	–	–	–	(16,699)	(16,699)
Dividends from other equity instruments	–	–	–	–	–	(148)	–	(148)	–	(148)
Dividends (a)	–	–	–	–	–	–	–	–	(15,502)	(15,502)
Treasury shares	–	–	–	–	(28)	–	–	(28)	–	(28)
Other reserves	–	–	–	–	–	(1,338)	–	(1,338)	(332)	(1,670)
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	400,000	240,535	(102)	435,823	302,003	6,119,730	1,261,524	7,381,254
Net income for the year	–	–	–	–	–	–	183,012	183,012	25,353	208,365
Other comprehensive income	–	–	–	–	–	(44,069)	–	(44,069)	(97,449)	(141,518)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	–	(44,069)	183,012	138,943	(72,096)	66,847
Results application (note 48):										
Legal reserve (note 41)	–	–	–	13,929	–	(13,929)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	–	302,003	(302,003)	–	–	–
Interests of the perpetual subordinated bonds (Additional Tier 1)	–	–		–	–	(37,000)	–	(37,000)	–	(37,000)
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	–	(96)	–	(96)	–	(96)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(1,080)	(1,080)
Dividends (a)	–	–	–	–	–	–	–	–	(22,974)	(22,974)
Treasury shares (note 42)	–	–	–	–	62	–	–	62	–	62
Other reserves (note 43)	–	–	–	–	–	(335)	–	(335)	(408)	(743)
BALANCE AS AT 31 DECEMBER 2020	4,725,000	16,471	400,000	254,464	(40)	642,397	183,012	6,221,304	1,164,966	7,386,270

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the years ended on 31 December 2020 and 2019.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The consolidated financial statements and the accompanying notes were approved on 24 March 2021 by the Bank's Board of Directors and are presented in thousands of Euros, rounded to the nearest thousand.

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

The consolidated financial statements for the year ended on 31 December 2020 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU that are effective on that date.

These consolidated financial statements are a translation of the financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese version prevails.

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2020. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The Group's financial statements were prepared under the going concern assumption, the accrual basis of accounting and under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, under advice of the Executive Committee, to make judgments, estimations and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimations and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimations. The issues involving a higher degree of judgment or complexity or for which assumptions and estimations are considered to be significant are presented in note 1.Z.

B. Basis of consolidation

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

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

B1. Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed, or has rights, to variable returns from its involvement with the entity and is able to take possession of these results through the power it holds over the relevant activities of that entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

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

B2. Investments in associates

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

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

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

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

B3. Goodwill

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

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

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

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

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

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

The recoverable amount of the goodwill registered in the Group's asset is assessed annually in the preparation of the accounts with reference to the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the highest between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

B4. Purchases and dilution of non-controlling interests

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

B5. Loss of control

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

B6. Investments in foreign subsidiaries and associates

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

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

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

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

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

In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2020. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

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

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

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

B7. Transactions eliminated on consolidation

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

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

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

- “Financial assets at amortised cost”;
- “Financial assets at fair value through other comprehensive income”; or,
- “Financial assets at fair value through profit or loss”.

The classification is made taking into consideration the following aspects:

- the Group's business model for the management of the financial asset; and,
- the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which the financial instruments are held at portfolio level, since this approach reflects how assets are managed and how that information is made available to management bodies. The information considered in this evaluation included:

- the policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or on the realization of cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management bodies;
- the evaluation of the risks that affect the performance of the business model (and of the financial assets held under this business model) and the way these risks are managed;
- the remuneration of business managers, i.e., in what way the compensation depends on the fair value of the assets under management or on contractual cash flows received; and,
- the frequency, volume and sales periodicity in previous periods, the reasons for these sales and the expectations about future sales. However, sales information should not be considered individually, but as part of an overall assessment of how the Group establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and financial assets managed and evaluated at fair value by option are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows (HTC), nor for the collection of cash flows and sale of these financial assets (HTC and Sell).

Evaluation if the contractual cash flows correspond to Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the counterparty for the time value of money, for the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), as well as for a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Group considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the Group considered:

- contingent events that may change the periodicity and the amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Group to claim cash flows in relation to specific assets (e.g., contracts with terms that prevent access to assets in case of default – non-recourse asset); and,
- characteristics that may change the time value of money.

In addition, an advance payment is consistent with the SPPI criterion if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and,
- the prepaid fair value is insignificant at initial recognition.

C1.1.1. Financial assets at amortised cost

Classification

A financial asset is classified under the category "Financial assets at amortised cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect their contractual cash flows; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortised cost" category includes loans and advances to credit institutions, loans and advances to customers and debt instruments managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Initial recognition and subsequent measurement

Loans and advances to credit institutions and loans and advances to customers are recognised at the date the funds are made available to the counterparty (settlement date). Debt instruments are recognised on the trade date, that is, on the date the Group accepts to acquire them.

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

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

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

C1.1.2. Financial assets at fair value through other comprehensive income

Classification

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

- the financial asset is held within a business model whose objective is both to collect its contractual cash flows and to sell this financial asset; and,
- its contractual cash flows occur on specific dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, at the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution recognised by an acquirer in a business combination to which IFRS 3 applies, the Group may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis and is only available for financial instruments that comply with the definition of equity instruments provided in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. Changes in the fair value of these financial assets are recognised against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement item designated "Gains or losses on derecognition of financial assets at fair value through other comprehensive income”.

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5). Impairment losses are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against “Other comprehensive income”, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and are subsequently measured at fair value. The changes in the fair value of these financial assets are recognised against “Other comprehensive income”. Dividends are recognised in the income statement when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recognised in “Fair value changes” are transferred to “Retained earnings” at the time of their derecognition.

C1.1.3. Financial assets at fair value through profit or loss

Classification

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the Group for its management or the characteristics of its contractual cash flows do not meet the conditions described above to be measured at amortised cost or at fair value through other comprehensive income (FVOCI).

In addition, the Group may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortised cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces an inconsistency in measurement or recognition (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognising their gains and losses in different bases.

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

a) “Financial assets held for trading”

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

b) “Financial assets not held for trading mandatorily at fair value through profit or loss”

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

c) “Financial assets designated at fair value through profit or loss”

This item includes the financial assets that the Group has chosen to designate at fair value through profit or loss to eliminate accounting mismatch.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, with the costs or income associated with the transactions recognised in profit and loss at the initial moment. Subsequent changes in the fair value of these assets are recognised in profit and loss.

The accrual of interest and of the premium/discount (when applicable) is recognised in "Net interest income", based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category. Dividends are recognised in profit and loss when the right to receive them is attributed.

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

C1.2. Reclassification between categories of financial assets

Financial assets should be reclassified into other categories only if the business model used in their management has changed. In this case, all financial assets affected must be reclassified.

The reclassification must be applied prospectively from the date of reclassification and any gains, losses (including the ones related to impairment) or interest previously recognised should not be restated.

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

C1.3. Modification and derecognition of financial assets

General principles

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

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

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

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

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

- the Group does not have any obligation to pay amounts to the eventual recipients, unless it collects equivalent amounts from the original asset. Short-term advances with the right of full recovery of the amount lent, plus accrued interest at market rates, do not violate this condition;
- the Group is contractually prohibited from selling or pledging the original asset other than as a security to the eventual recipients due its obligation to pay them cash flows; and,
- the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, it is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 – Statement of Cash Flows) during the short settlement period from the collection date until the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

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

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

a) if the Group did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;

b) if the Group retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

v) The transfer of risks and benefits (see prior note) is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset.

vi) The question of whether the Group retained or not control (see note iv) above) over the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally without needing to impose additional restrictions on the transfer, the entity did not retain control. In all other cases, the entity retained control.

Derecognition criteria

In the context of the general principles listed in the previous section, and considering that contract modification processes may lead, in some circumstances, to the derecognition of the original financial assets and recognition of new ones (subject to POCI identification), the purpose of this section is to set the criteria and circumstances that may lead to the derecognition of a financial asset.

The Group considers that a modification in the terms and conditions of a credit exposure will result in derecognition of the transaction and in recognition of a new transaction when the modification translates into at least one of the following conditions:

- creation of a new exposure that results from a debt consolidation, without any of the derecognised instruments having a nominal amount higher than 90% of the nominal amount of the new instrument;
- double extension of residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of modification;
- increase of on-balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);

- change in qualitative features, namely:

a) change of currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or relevant monetary authorities;
b) exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;
c) transfer of the instrument’s credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.

Loans written-off

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

C1.4. Purchased or originated credit-impaired assets

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

The two events that lead to the origin of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, where the existence of a significant discount reflects credit losses incurred at the time of their initial recognition.

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

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

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

C1.5.1.1. Financial assets at amortised cost

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

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

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

C1.5.1.3. Credit commitments, documentary credits and financial guarantees

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

C1.5.2. Classification of financial instruments by stages

Changes in credit risk since the initial recognition

	Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	

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

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses);
- Stage 2: the operations in which there is a significant increase in credit risk since its initial recognition (note C1.5.3) but are not impaired (note C1.5.4) are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses);
- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on the risk grades of customers, according to the Bank's Rating Master Scale, and on its evolution, in order to detect significant increases in Probability of Default (PD), complemented by other information regarding the customers' behavior towards the financial system.

C1.5.4. Definition of financial assets in default and impaired

Until 31 December 2019, customers who met at least one of the following criteria were considered to be in default:

a) Customers that are in default or with a limit exceeded for more than 90 days above the materiality applicable;
b) Customers subjected to individual analysis of impairment, for which the amount of impairment represents more than 20% of total exposure;
c) Customers submitted to the individual analysis of impairment and for which impairment value exceeds Euros 5 million;
d) Clients declared insolvent;
e) Customers that are subject to judicial recovery, excluding guarantors;
f) Customers with restructured operations caused by financial difficulties, for which it was registered, at the time of restructuring, an economic loss over Euros 5 million or 20% of total exposure;
g) Customers with restructured operations caused by financial difficulties, due for more than 45 days above the customer applicable materiality considering all its credit operations;
h) Customers that register a recurrence of restructured operations due to financial difficulties within a 24 months period since default resulting from a previous restructuring. If the previous restructuring did not result in default, the 24 months period count begins at the date of the previous restructuring;
i) Customers for which a part or the entirety of their exposure was sold with a loss greater than 20% or Euros 5 million (excluding sales that result from a decision regarding balance sheet management and not from a disposal of problematic loans);
j) Customers for which takes place a new sale with loss, regardless of the amount, within a period of 24 months since the trigger resulting from the previous sale;
k) Guarantors of operations overdue for more than 90 days above the defined materiality, as long as the respective guarantee has been activated;
l) Cross default at the BCP Group level;
m) Customers with restructured operations at a lower interest rate than the refinancing rate of the European Central Bank (unproductive credit).

Until 31 December 2019, it was considered as having objective signs of impairment (i.e., impaired):

i) customers in default, i.e., marked as grade 15 on the Bank's Rating Master Scale;
ii) customers that, when submitted to a questionnaire for analysis of financial difficulties evidence, are considered with objective signs of impairment;
iii) customers whose contracts' values, that are due for more than 90 days, represent more than 20% of their total exposure in the balance sheet;
iv) the Non-Retail customers with one or more contracts overdue for more than 90 days and whose total overdue amount exceeds Euros 500;
v) the Retail customers contracts overdue for more than 90 days and in which the overdue amount exceeds Euros 200;
vi) contracts restructured due to financial difficulties that are overdue for more than 30 days and in which the overdue amount exceeds Euros 200.

As of 1 January 2020, all customers who meet at least one of the following conditions are marked as default and, consequently, in NPE:

a) Delay over 90 days of material payment:

- Amounts of principal, interest or fees not paid on the due date that, cumulatively, represent:
i) more than Euros 100 (retail) or more than Euros 500 (non-retail); and,
ii) more than 1% of the total debt (direct liabilities).

After these two conditions are met, the counting of days of delay begins: if more than 90 consecutive days in which the customer is in this situation have been counted, it is classified as default (or GR15).

The existence of a material payment delay gives rise to the default setting (GR15) of all holders of the operation (or operations).

b) Signs of low probability of payment:

i. Credit restructuring due to financial difficulties with loss of value;
ii. Delay after restructuring due to financial difficulties;
iii. Recurrence of restructuring due to financial difficulties;
iv. Credit with signs of impairment (or stage 3 of IFRS 9);
v. Insolvency or equivalent proceedings;
vi. Litigation;
vii. Guarantees of operations in default;
viii. Credit sales with losses;
ix. Credit fraud;
x. Unpaid credit status;
xi. Breach of covenants in a credit agreement;
xii. Spread of default in an economic group;
xiii. Cross default in BCP Group.

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

1. Customers who are in one of the following conditions are subject to individual analysis:

<table>
<tr><td rowspan="2">Customers in default</td><td>Customers in litigation or insolvency, since the total exposure of the group members in these situations exceeds Euros 1 million</td></tr>
<tr><td>Customers integrated into groups with an exposure over Euros 5 million, since they have a risk grade15</td></tr>
<tr><td rowspan="5">Groups or customers who are not in default</td><td>Other customers belonging to groups in the above conditions</td></tr>
<tr><td>Groups or customers with an exposure over Euros 5 million, since a group member has a risk grade 14</td></tr>
<tr><td>Groups or customers with an exposure over Euros 5 million, since a member of the group has a restructured loan and a risk grade 13</td></tr>
<tr><td>Groups or customers with an exposure over Euros 10 million, since at least one member of the group is in stage 2</td></tr>
<tr><td>Groups or customers not included in the preceding paragraphs, whose exposure exceeds Euros 25 million</td></tr>
</table>

2. Regardless of the criteria described in the previous point, the individual analysis is only performed for customers with a credit exposure over Euros 500,000, not being considered customers with exposure below this limit for the purpose of determining the exposure referred in the previous point.

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

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

4. The individual analysis includes the following procedures:

- for customers that are not in default, the analysis of financial difficulties indicators to determine whether the customer has objective signs of impairment, or whether it should be classified in stage 2 given the occurrence of a significant increase in credit risk, considering for this purpose a set of predetermined signs;
- for customers in default or for which the previous analysis has allowed to conclude that the customer has objective signs of impairment, determination of the loss.

5. The individual analysis is the responsibility of the departments in charge of customers' management and of the Credit Department, the latter in respect to the customers managed by the Commercial Networks.

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

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

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the customer's liabilities.

8. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.

9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

- for Going Concern strategies (i.e., the estimation is based on the cash flows of the business), the possibility of applying the 2 additional macroeconomic scenarios (optimistic and pessimistic) should be analysed in a global way, to ascertain if there is the risk of a skewed view of the expected losses from the consideration of only one scenario;
- for Gone Concern strategies (i.e., the recovery estimation is based on the realization of the collateral), the impact of the macroeconomic scenario on collaterals should be analysed, for example, to what extent the projected real estate index allows anticipate significant changes to the current valuation values.

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.

11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimations to be made.

12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

- recovery of collateral in geographies in which the Bank has no relevant recovery experience;
- recovery of debt related to geographies in which there is a strong political instability;
- recovery of non-real estate collateral for which there is no evidence of market liquidity;
- recovery of related collateral or government guarantees in a currency other than the country's own;
- recovery of debt related to debtors for whom there is a strong negative public exposure.

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, which is the final decision on the customer's impairment.

15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.

16. The individual impairment analysis must be carried out at least annually. In case of significant signs of deterioration or improvement in the customer's economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review anticipated impairment of this customer.

C1.5.6. Estimates of expected credit losses - Collective analysis

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

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

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

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

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

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

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

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

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

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

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

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

The EAD represents the expected exposure if the exposure and/or customer defaults. The Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions, including amortisations and prepayments. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the Group has the right to require payment or end the commitment or guarantee.

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

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

The PD point-in-time (PDpit) considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values (in each scenario considered in the ECL calculation) for a set of macroeconomic variables. These relationships were developed specifically based on the Bank's historical information on the behaviour of this parameter (PDpit) in different economic scenarios and are different by customer segment and risk grade.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

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

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

C2.1.1. Financial liabilities at fair value through profit or loss

Classification

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

a) "Financial liabilities held for trading"

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

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

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

- the financial liability is managed, evaluated and reported internally at its fair value; or,
- the designation eliminates or significantly reduces the accounting mismatch of transactions.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised in "Interest expense and similar charges" based on the effective interest rate of each transaction.

C2.1.2. Financial guarantees

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

- the provision for losses determined according to the criteria described in note C1.5;
- the amount initially recognised deducted, when appropriate, from the accumulated amount of income recognised according to IFRS 15 - Revenue from contracts with customers.

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

C2.1.3. Financial liabilities at amortised cost

Classification

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

The category "Financial assets at amortised cost" includes resources from credit institutions and from customers, as well as subordinated and non-subordinated debt securities.

Initial recognition and subsequent measurement

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

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

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

C3. Interest recognition

Income and expense related to interest from financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (net interest income) through the effective interest rate method. Interest related to financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g., early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 or 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interest is recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e., for financial assets entering stage 3, interest is recognised at the amortised cost (net of impairment) in subsequent periods.

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

C4. Hedge accounting

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

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

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

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

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

C4.1. Fair value hedge

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

C4.2. Cash flow hedge

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

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

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

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

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

C4.3. Hedge effectiveness

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

C4.4. Hedge of a net investment in a foreign operation

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

C5. Embedded Derivatives

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

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note C1.1.3.

Derivatives embedded in contracts that are not considered financial assets are treated separately whenever the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

D. Securitization operations

D1. Traditional securitizations

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

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

The three operations are traditional securitizations, where each mortgage loan portfolio was sold to a portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to a SPE with office in Ireland. At the same time, this SPE issued and sold in capital markets a group of different portions of bonds.

As at 31 December 2020, the Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), having occurred in October 2019 the liquidation of the operation Magellan Mortgages no.2 and the consequent incorporation of its credits in BCP and BII.

D2. Synthetic securitizations

Currently, the Group has two synthetic securitization operations.

Caravela SME no.3, which started on 28 June 2013, has a medium and long-term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME no.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying, this way, the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Group retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Group, in accordance of the CDS.

E. Equity instruments

A financial instrument is an equity instrument only if: i) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and, ii) the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

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

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

F2. Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised in the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions. The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

G. Non-current assets held for sale and Discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together with related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets or group of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and its sale is highly probable, in accordance with IFRS 5. For the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5, and that the Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

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

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

G1. Non-operating real estate (INAE)

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

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

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

The fair value is determined based on the market value, which is determined based on the expected sales price obtained through periodic evaluations made by expert external evaluators accredited to the Comissão do Mercado de Valores Mobiliários (CMVM).

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

Whenever the net fair value of the selling costs calculated for an INAE is less than the amount by which the same is recognised in the Group's balance sheet, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against income for the year.

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

H. Lease transactions (IFRS 16)

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

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

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

The Group chose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset’s value is below Euros 5,000. Additionally, this standard was not applied to leases of intangible assets.

Lease definition

The new lease definition focusses on the control of the identified asset, establishing that a contract constitutes or contains a lease if it carries the right to control the use of an identified asset, i.e., the right to obtain substantially all the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee's perspective

The Group recognise for all leases, except for those with a term under 12 months or for leases of low-value assets:

- a right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be supported by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently, it will be measured according to the cost model (subject to depreciations/amortisations and impairment tests);
- a lease liability initially recorded at the present value of the remaining lease payments (NPV), which includes:
  - fixed payments deducted from any lease incentives receivable;
  - variable lease payments that depend on a rate or an index, initially measured considering the rate or index as at the commencement date;
  - amounts expected to be paid by the lessee under residual values guarantees;
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease.

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

Subsequently, lease payments are measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in -substance fixed payments and the review of the lease term.

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

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

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

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

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

- in the consolidated income statement:
  (i) recording in "Interest Income" the interest expenses related to lease liabilities;
  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.

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

Impact from the lessor’s perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

Subleases

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

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

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

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

I. Lease transactions (IAS 17)

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

I1. Finance lease transactions

At the lessee's perspective, finance lease transactions were recorded at the beginning as an asset and liability at fair value of the leased asset, which was equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases were recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals were a combination of the financial income and amortisation of the capital outstanding. Recognition of the financial result reflected a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, were measured in accordance with the accounting policy defined in note 1.G.

I2. Operational leases

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

J. Recognition of income from services and commissions

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

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

Income from services and commissions, that is an integral part of the effective interest rate of a financial instrument, is recognised in net interest income.

K. Net gains/(losses) from financial operations at fair value through profit or loss, Net gains/(losses) from foreign exchange, Net gains/(losses) from hedge accounting, Net gains/(losses) from derecognition of assets and liabilities at amortised cost and Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income

These balances include gains and losses arising from financial assets and liabilities at fair value through profit and loss, i.e., fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This balance also includes the gains and losses arising from the sale of financial assets at fair value through other comprehensive income and financial assets and financial liabilities at amortised cost. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this balance, as well as the net gains or losses from foreign exchange.

L. Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

M. Other tangible assets

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

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

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

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

N. Investment property

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

These investments are initially recognised at their acquisition cost, including transaction costs, and subsequently revaluated at their fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in the income statement, as "Other operating income/(losses)" (note 6).

The experts responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

O. Intangible assets

O1. Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

O2. Software

The Group recognises as intangible assets the costs associated to software acquired from external entities, and depreciates them on a straight-line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

P. Cash and cash equivalents

For the purposes of the cash flow statement, the item "Cash and cash equivalents" comprises balances with less than three months maturity from the balance sheet date, where are included the items "Cash and deposits at Central Banks" and "Loans and advances to credit institutions".

Q. Offsetting

Financial assets and liabilities are offset and recognised at their net book value when: i) the Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassification of comparative amounts, the provisions of IAS 1.41 are disclosed: i) the nature of the reclassification; ii) the amount of each item (or class of items) reclassified; and, iii) the reason for the reclassification.

R. Foreign currency transactions

Transactions in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into the respective functional currency of the operation at the foreign exchange rate on the reporting date. Foreign exchange differences arising from conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted into the respective functional currency of the operation at the foreign exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are converted into the respective functional currency of the operation at the foreign exchange rate on the date that the fair value was determined against profit and loss, except for financial assets at fair value through other comprehensive income, for which the difference is recognised against equity.

S. Employee benefits

S1. Defined benefit plans

The Group has the responsibility to pay its employees' retirement pensions, invalidity pensions and survivor's pensions, in accordance with the terms of the two collective labour agreements approved. These benefits are provided for in the pension plans 'Plano ACT' and 'Plano ACTQ' of the Banco Comercial Português Group Pension Fund.

Following the publication of Decree-Law no. 54/2009, of 2 March, banking entities are obligatorily enrolling new employees in the General Social Security System (RGSS). These employees have the RGSS as their basic retirement scheme, and do not have any benefits under the ACT (base plan). In the scope of its management and human resources, the Group had already adopted as a rule the inclusion of new employees in the RGSS since July 2005. However, until the transposition into the ACT of the alterations resulting from said Decree-Law 54/2009, all employees were covered by the provisions of the social security chapter of the ACT, and for employees who were already registered with the RGSS, the ACT benefit worked as a complement to the RGSS. As of 1 July 2009, in accordance with the ACT, all new employees only have the RGSS as their basic social security scheme.

Until 2011, in addition to the benefits provided for in the two plans above mentioned, the Group had assumed the responsibility, if certain conditions were verified in each year, of assigning retirement supplements to the Group's employees hired until 21 September 2006 (Complementary Plan). The Group, at the end of 2012, determined the extinction (cut) of the old-age benefit of the Complementary Plan. On 14 December 2012, the "Instituto de Seguros de Portugal (ISP)" formally approved this change to the Group's benefit plan, effective from 1 January 2012. The plan was cut, and employees were given individual acquired rights. On that date, the Group also proceeded to the settlement of the respective liability.

From 1 January 2011, Bank's employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the banks remain liable for benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The banks support the remaining difference for the total pension assured in the Collective Labour Agreement (ACT).

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the Projected Unit Credit during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the ACT was reached between the BCP Group and two federations of the unions that represented the Group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT has already been published by the Ministry of Labour in Bulletin of Labour and Employment on 15 February 2017 and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions.

The negotiation with" Sindicato dos Bancários do Norte (SBN)", which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31 December 2017, for employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability), that changed from 65 years to 66 years and two months in 2016 and the subsequent update of an additional month in each year, which cannot, in any case, be higher than the one in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to the SAMS and, lastly, it was introduced a new benefit called the End of Career Premium, that replaces the Seniority Premium.

These changes described above were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs".

In 2017, after the authorization of the "Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF - Portuguese Insurance and Pension Funds Supervision Authority), the BCP Group's pension fund agreement was amended. The main purpose of the process was to incorporate into the pension fund the changes introduced in the Group's ACT in terms of retirement benefits, as well as to transfer to the pension fund the responsibilities that were directly chargeable to the company's (extra-fund liabilities). The pension fund has a part exclusively affected to the financing of these liabilities, which in the scope of the fund are called Additional Complement. The End of Career Premium also became the responsibility of the pension fund under the basic pension plan.

The Group's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimation. The responsibilities with past service are calculated using the Projected Unit Credit method and actuarial assumptions considered adequate.

Pension liabilities are calculated by the responsible actuary, who is certified by the ASF.

The Group's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high- quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

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

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

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

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

The contributions to the funds are made annually by each company of the Group, according to a specific contributions plan that ensures the solvency of the fund. In the end of each year, according to Bank of Portugal Notice no. 12/2001, the minimum level required for the responsibilities funding must be 100% regarding pension payments and 95% regarding past services of active employees.

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

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

At the end of 2019, the Bank started a negotiation process for the full revision of the Collective Labour Agreements' Clauses, with work continuing to take place during the first months of 2020, until they were interrupted in March, due to the constraints imposed by the pandemic. In June, negotiations with the Unions resumed, following the proposals received in the meantime from the Unions regarding the 2020 update of the Salary Tables and other clauses of pecuniary expression of the Collective Labour Agreements under negotiation, which led to the Bank formally presenting to the Unions, on 3 July, a counter-offer to update them by 0.3%, in line with the variation registered in 2019 in the Consumer Price Index, according to official information from the National Statistical Institute.

Following the negotiation process developed in 2020 with several unions subscribing to the Collective Labour Agreements, the Bank agreed, on 30 July 2020, with SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários, SIB – Sindicato Independente da Banca and SBN – Sindicato Bancários do Norte, meanwhile renamed to SBN – Sindicato dos Trabalhadores do Sector Financeiro de Portugal, the update of the Bank's Salary Tables and Contributions for SAMS in 2020 by 0.30%, and the increase in other clauses of pecuniary expression, such as lunch allowance, diuturnities, among others. The agreed updates took effect on 1 January 2020, except for remunerations related to subsistence and travel allowances, which will be updated after the operationalization of the agreed updates.

Regarding the remaining unions subscribing to the Group's Collective Labour Agreements, i.e., SBSI – Sindicato Bancários Sul e Ilhas, meanwhile renamed to Mais Sindicato do Sector Financeiro, and SBC – Sindicato Bancários do Centro, during September, a platform of understanding was reached with them, embodied in an agreement in principle to the salary update agreed with the other unions, which allowed its application to all the Bank's Employees in the salary processing of September 2020, regardless of their union affiliation. In September, negotiations were resumed with all the unions subscribing to the Group's Collective Labour Agreements for the conclusion of the full review of their respective Clauses, which are still ongoing.

The publication in the Labour and Employment Bulletin of the referred Agreements with the respective Unions is in progress.

S3. Defined contribution plan

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

As at 31 December 2020, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

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

S4. Variable remuneration paid to employees

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

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

S5. Share-based compensation plan

As at 31 December 2020, a variable compensation plan with shares is in force for the members of the Executive Committee and for the employees considered key management members, resulting from the Remuneration Policies for the members of the management and supervisory bodies and for the employees, approved for the financial year of 2020 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

As defined in the Remuneration Policy for the members of the management and supervisory bodies, an annual variable remuneration system is foreseen, for which an assessment of the performance of each member of the Executive Committee is carried out on an annual basis based on quantitative and qualitative criteria. According to this assessment and the annual fixed remuneration, and provided that the Bank's minimum level of performance as measured by a set of quantitative indicators is met, the amount of the variable remuneration to be attributed to each member of the Executive Committee is determined. The payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, being 60% of its value paid in the year following the financial year to which it concerns. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed results from their valuation at a quotation value defined in accordance with the approved Remuneration Policy.

The Remuneration Policy for Employees foresees an annual variable remuneration system for Employees not covered by Commercial Incentives Systems, based on the annual assessment of the performance of each Employee, carried out using quantitative and qualitative criteria. As a result of this assessment and the fixed reference remuneration for the function performed, and provided that the Bank's minimum level of performance in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each Employee is determined. For Employees considered as Employees with Key Functions, the payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 40% of its value, being 60% of its value paid in the year following the financial year to which it concerns. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed and to be attributed results from their valuation at a quotation value defined in accordance with the approved Remuneration Policy.

Employees considered as Employees with Key Functions are not covered by Commercial Incentives Systems.

As foreseen in the approved Remuneration Policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the Employees considered as Employees with Key Functions are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the covered people have had a direct participation.

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2018 until 31 December 2021, provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 3 years for 40% of its value, being 60% of its value paid in the year following the assessment period to which it relates. The number of BCP shares attributed results from their valuation at a quotation value defined in accordance with the approved Remuneration Policy.

All the shares attributed to the members of the Executive Committee and to the Employees with Key Functions, within the scope of the payment of variable remuneration, including long-term, are subject to a retention period of 1 year after their payment.

The total variable remuneration to be attributed, each year, to each member of the Executive Committee and to each Employee considered as Employee with Key Function, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective Remuneration Policy.

T. Income taxes

The Group is subject to income tax in several jurisdictions. The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code (CIRC), the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014 of 26 August, to which it adhered, and individual legislation. Additionally, deferred taxes relating to tax losses and to temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that these taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets at fair value through other comprehensive income and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted by authorities at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for non-deductible goodwill for tax purposes, differences arising from initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

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

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

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

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

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the financial years of 2020 and 2019, the RETGS application was maintained.

U. Segmental reporting

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

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

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

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

Foreign activity:

- Poland;
- Mozambique;
- Other.

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

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

Provisions are recognised when i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities); ii) it is probable that a payment will be required to settle; and, iii) a reliable estimation can be made of the amount of the obligation.

The measurement of provisions considers the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent to the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted at a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

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

V2. Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

V3. Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote. The Group registers a contingent liability when:

i) it is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events that are not wholly within the control of the Group; or,
ii) it is a present obligation that arises from past events but is not recognised because:
   a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or,
   b) the amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

W. Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

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

X. Insurance contracts

X1. Classification

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

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

X2. Recognition and measurement

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

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

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

X3. Premiums

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

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

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

X5. Liability adequacy test

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

Y. Insurance or reinsurance intermediation services

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

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

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

Z. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. These estimates were made considering the best information available at the date of preparation of the consolidated financial statements, considering the context of uncertainty that results from the impact of COVID-19 in the current economic scope (note 61). The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section in order to improve understanding of how they affect the Group's reported results and related disclosure.

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

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

Z1. Entities included in the consolidation perimeter

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

Z2. Goodwill impairment

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

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

Z3. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes in each of the jurisdictions where the Group operates. There are many transactions and calculations for which the tax determination is uncertain during the ordinary course of business. Different interpretations and estimations could result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to taxable income, evolution of tax legislation and its interpretation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors strategy, namely the ability to generate the estimated taxable income, the evolution of tax law and its interpretation.

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

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

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

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

In the calculation of 2019’s taxable income and in the estimation of taxable income, it was considered the maintenance of the tax rules in force until 2018, since the option of applying the new regime was not exercised.

Following changes provided for in Law no. 27-A/2020, of 24 July, within the scope of the Supplementary Budget for 2020, the period for reporting tax losses in Portugal is now 14 years for losses occurred in 2014, 2015 and 2016 and 7 years for tax losses occurred in 2017, 2018 and 2019. Tax losses occurred in the years of 2020 and 2021 have a reporting period of 12 years, which can be deducted up to 2032 and 2033, respectively. The limit for deducting tax losses increases from 70% to 80%, when the difference results from the deduction of tax losses recorded in the tax periods of 2020 and 2021.

In the projections of future taxable income, namely for the analysis of the recoverability of deferred tax assets carried out with reference to 31 December 2020, it was considered the approximation between accounting and tax rules as foreseen by Law no. 98/2019, of 4 September, resulting from not exercising earlier its application over the adaptation period of 5 years provided by the referred law, as well as the changes regarding the use of tax losses foreseen in the referred Law no. 27-A/2020, of 24 July.

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

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

Z4. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by evaluations carried out by external experts, which incorporate several assumptions, namely the selling price per square meter, discount rate, better use of the real estate and expectations regarding the development of real estate projects, as applicable, and also considers the Bank's historical experience in the commercialization of real estate, its perspectives on the evolution of the real estate market and the intentions of the management body regarding the commercialization of these assets.
The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

The hair-cut estimates applied in determining the fair value of these properties were adjusted, in the case of commercial properties and lands. In part, this change stems from the impact on sales prices of the current pandemic situation of COVID-19.

Z5. Pension and other employees’ benefits

Determining pension liabilities requires the use of assumptions and estimations, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rates, mortality tables, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yields regarding a bond issues universe – that the Group considers to have high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers.

Z6. Financial instruments – IFRS 9

Z6.1. Classification and measurement

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

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, must be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and the way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for these assets. This monitoring is part of a process of continuous evaluation by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and, consequently, a prospective classification change of these financial assets.

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

The determination of impairment losses on financial instruments involves judgments and estimations regarding, among others, the following:

Significant increase in credit risk:

Impairment losses correspond to the expected losses on a 12-month for the assets in Stage 1 and the expected losses considering the probability of a default event occurring at some point up to the maturity date of the instrument financial assets for assets in Stages 2 and 3. An asset is classified in Stage 2 whenever there is a significant increase in its credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Group considers qualitative and quantitative information, reasonable and sustainable.

In order to comply with the Supervisors' guidelines, namely with regard to the identification and measurement of credit risk in the context of the COVID-19 pandemic, the Bank proceeded to record additional impairments in relation to the current models of collective impairment calculation (overlays), as described in note 61. The exercise carried out was based on an analysis of migrations from customers identified as having the highest risk for Stage 2 and Stage 3, with the greatest impact on the corporate segment.

Definition of groups of assets with common credit risk characteristics:

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

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

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

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses and corresponds to an estimation of the probability of default in a given period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimation in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The estimation of loss given default is based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Z6.3. Fair value of derivative financial instruments

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

Due to market stress conditions, the Bank needed to reallocate the risk limits, especially in the sensitivity limit of the trading portfolio and to review the stress-test scenarios and their methodologies.

In the context of the COVID-19 pandemic, the calculation of fair value adjustments was revised taking into account liquidity discounts, the costs of closing positions (widening the buy and sell spread), credit risk, spreads of financing and increased volatility.

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

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

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

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

Z8. Leases (IFRS 16)

On 12 October 2020, the European Union published an amendment to IFRS 16, associated with income concessions related to COVID-19. This amendment allows tenants, as a practical expedient, to have the possibility to choose not to consider a rent concession that occurs as a direct consequence of the COVID-19 pandemic as a modification of the lease. A lessee who uses this option must account for any concession that occurs at the rent level in the same way that he would do it under IFRS 16 – Leases, if this change did not constitute a modification of the lease. This amendment does not affect lessors.

Within the scope of the sublease, the Bank carried out the analysis of the respective contracts.

AA. Subsequent events

The Group analyses events occurred after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and,
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurred after the date of the financial statements that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(262)	149
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	31,807	39,690
Loans and advances to customers	1,452,793	1,510,510
Debt securities	117,169	149,473
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	2,990	11,741
Financial assets not held for trading mandatorily at fair value through profit or loss	15,817	26,821
Financial assets designated at fair value through profit or loss	569	1,115
Interest on financial assets at fair value through other comprehensive income	120,258	148,742
Interest on hedging derivatives	60,526	97,663
Interest on other assets	3,916	5,541
	1,805,583	1,991,445
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	32,995	(18,745)
Resources from customers	(184,624)	(297,832)
Non subordinated debt securities issued	(16,014)	(17,513)
Subordinated debt	(70,154)	(61,629)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(771)	(3,628)
Financial liabilities at fair value through profit or loss		
Resources from customers	(3,058)	(3,512)
Non subordinated debt securities issued	(1,937)	(3,783)
Interest on hedging derivatives	(20,558)	(28,289)
Interest on leasing	(5,785)	(6,365)
Interest on other liabilities	(2,502)	(1,621)
	(272,408)	(442,917)
	1,533,175	1,548,528

In 2020, the balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 29,766,000 (2019: Euros 39,044,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3. The balance also includes the amount of Euros 69,030,000 (2019: Euros 74,330,000) related to interests income arising from customers classified in stage 3.

The balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 34,335,000 (2019: Euros 51,504,000), as referred in note 21 and Euros 54,000 (2019: Euros 120,000), as referred in note 22, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

In 2020, the balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 3,563,000 and Euros 7,077,000, respectively (2019: Euros 5,513,000 and Euros 12,318,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

According to note 32, the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded in 2020 a negative cost of Euros 40,057,000 associated with the TLTRO III operation.

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

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Dividends from financial assets held for trading	4	6
Dividends from financial assets through other comprehensive income	4,771	792
	4,775	798

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

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Fees and commissions received		
Banking services provided	415,643	442,444
Management and maintenance of accounts	135,508	118,954
Bancassurance	122,017	118,293
Securities operations	85,607	77,075
Guarantees granted	47,620	53,353
Commitments to third parties	4,463	4,334
Insurance activity commissions	900	1,015
Fiduciary and trust activities	467	684
Other commissions	43,305	48,204
	855,530	864,356
Fees and commissions paid		
Banking services provided by third parties	(112,093)	(128,294)
Securities operations	(12,288)	(11,413)
Guarantees received	(3,550)	(4,600)
Insurance activity commissions	(917)	(1,167)
Other commissions	(24,026)	(15,385)
	(152,874)	(160,859)
	702,656	703,497

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	52,080	185,794
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(62,528)	(13,509)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	887	(167,448)
	(9,561)	4,837
Net gains / (losses) from foreign exchange	92,144	69,391
Net gains / (losses) from hedge accounting	(2,322)	(5,682)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(27,551)	(24,909)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	100,063	99,676
	152,773	143,313

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

(Thousands of euros)

	2020	2019
Net gains / (losses) from financial assets held for trading		
Gains		
Debt securities portfolio	16,948	5,771
Equity instruments	700	2,183
Derivative financial instruments	387,414	464,136
Other operations	1,881	1,068
	406,943	473,158
Losses		
Debt securities portfolio	(9,650)	(9,215)
Equity instruments	(2,279)	(139)
Derivative financial instruments	(341,920)	(277,462)
Other operations	(1,014)	(548)
	(354,863)	(287,364)
	52,080	185,794
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	28,791	24,592
Debt securities portfolio	7,365	36,487
Equity instruments	30,101	10,476
	66,257	71,555
Losses		
Loans and advances to customers	(38,421)	(30,040)
Debt securities portfolio	(90,364)	(55,024)
	(128,785)	(85,064)
	(62,528)	(13,509)

(continues)

(continuation)

(Thousands of euros)

	2020	2019
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	747	46
Debt securities issued		
Certificates and structured securities issued	68,289	37,749
Other debt securities issued	612	1,802
	69,648	39,597
Losses		
Debt securities portfolio	(874)	(1,897)
Resources from customers	(114)	(1,456)
Debt securities issued		
Certificates and structured securities issued	(66,977)	(197,518)
Other debt securities issued	(796)	(6,174)
	(68,761)	(207,045)
	887	(167,448)

In the balances Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss - Profits/(Losses) - Certificates and structured securities issued are recorded the valuations and devaluations of certificates issued by the Bank. These liabilities are covered by futures, which valuation and devaluation are recorded in Net gains / (losses) from financial assets held for trading - Profits/(Losses) - Derivative financial instruments.

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

(Thousands of euros)

	2020	2019
Net gains / (losses) from foreign exchange		
Gains	2,108,810	1,147,877
Losses	(2,016,666)	(1,078,486)
	92,144	69,391
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	24,458	34,316
Hedged items	67,547	117,842
	92,005	152,158
Losses		
Hedging derivatives	(82,137)	(147,191)
Hedged items	(12,190)	(10,649)
	(94,327)	(157,840)
	(2,322)	(5,682)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	6,632	7,500
Debt securities portfolio	–	1,316
Debt securities issued	3,470	6,548
Others	267	4,143
	10,369	19,507
Losses		
Credit sales	(34,335)	(36,370)
Debt securities issued	(2,622)	(7,089)
Others	(963)	(957)
	(37,920)	(44,416)
	(27,551)	(24,909)

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

(Thousands of euros)

	2020	2019
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	135,055	101,056
Losses		
Debt securities portfolio	(34,992)	(1,380)
	100,063	99,676

In 2020, the balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 88,835,000 (2019: Euros 70,474,000) related to gains resulting from the sale of Portuguese Treasury bonds.

In 2020, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 5,266,000 (2019: Euros 89,174,000) as a result of the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, which are offset in the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income.

6. Other operating income / (losses)

The amount of this account is comprised of

(Thousands of euros)

	2020	2019
Operating income		
Gains on leasing operations	3,489	3,949
Income from services provided	23,343	24,091
Rents	3,752	4,915
Sales of cheques and others	9,287	11,386
Other operating income	31,773	21,848
	71,644	66,189
Operating costs		
Donations and contributions	(4,517)	(4,276)
Contribution over the banking sector	(35,416)	(31,818)
Contributions for Resolution Funds	(28,207)	(33,030)
Contribution for the Single Resolution Fund	(19,394)	(18,747)
Contributions to Deposit Guarantee Fund	(24,585)	(11,952)
Tax for the Polish banking sector	(62,630)	(57,734)
Taxes	(18,388)	(22,403)
Losses on financial leasing operations	(371)	(80)
Other operating costs	(37,956)	(30,549)
	(231,464)	(210,589)
	(159,820)	(144,400)

The balance Contribution over the banking sector in Portugal is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

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

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

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

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

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) No 2015/63 and European Parliament and of the Council Regulation (EU) No 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

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

The Group delivered in 2020 the amount of Euros 19,394,000 (2019: Euros 18,747,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 22,808,000 (2019: Euros 21,918,000) and the Group opted to constitute an irrevocable commitment, through the constitution of a bailment for this purpose, in the amount of Euros 3,414,000 (2019: Euros 3,171,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014. As at 31 December 2020, the total amount of irrevocable commitments constituted is Euros 17,276,000 (2019: Euros 13,860,000), registered in Other assets - Deposit account applications (note 31).

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Remunerations	503,139	519,888
Mandatory social security charges		
Post-employment benefits (note 50)		
Service cost	(15,235)	(15,372)
Net interest cost / (income) in the liability coverage balance	6,299	4,524
Cost with early retirement programs	11,799	18,375
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(683)
	2,437	6,844
Other mandatory social security charges	112,048	114,177
	114,485	121,021
Voluntary social security charges	11,989	12,416
Other staff costs	17,087	14,907
	646,700	668,232

The balance Remuneration includes, in 2020, the amount of Euros 5,281,000 (2019: Euros 12,587,000) related to the distribution of profits to Bank's employees, as described in note 48.

In 2020, under the scope of the salary increases recorded in September 2020, with retroactive effect since 1 January 2020, agreed between the Bank and the Unions, the Group recorded the impact of Euros 1,429,000 in Staff costs, including mandatory social charges.

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

In 2020, the balance Other staff costs includes severance payments in the amount of Euros 19,992,000 (2019: Euros 9,737,000), of which the highest amounts to Euros 504,000 (2019: Euros 1,313,000).

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

	2020	2019
Portugal		
Top Management	963	996
Intermediary Management	1,596	1,644
Specific/Technical functions	3,059	3,008
Other functions	1,535	1,608
	7,153	7,256
Abroad	10,775	10,272
	17,928	17,528

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Water, electricity and fuel	14,083	16,543
Credit cards and mortgage	8,231	7,650
Communications	26,773	26,144
Maintenance and related services	17,562	20,659
Legal expenses	3,396	5,260
Travel, hotel and representation costs	3,954	9,947
Advisory services	22,185	31,338
Training costs	1,404	2,787
Information technology services	46,309	53,609
Consumables	3,827	5,543
Outsourcing and independent labour	75,423	76,980
Advertising	23,310	31,092
Rents and leases	24,993	23,170
Insurance	3,375	3,811
Transportation	8,855	9,921
Other specialised services	26,960	29,083
Other supplies and services	24,855	22,918
	335,495	376,455

The balance Rents and leases includes, in 2020, the amount of Euros 2,077,000 (2019: Euros 4,551,000) related to short-term lease contracts and the amount of Euros 2,504,000 (2019: Euros 2,118,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H and note 59.

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

(Thousands of euros)

	2020	2019
Auditing services		
Legal certification	2,880	3,207
Other assurance services	1,124	1,253
Other services	129	244
	4,133	4,704

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Amortisations of intangible assets (note 29):		
Software	29,100	21,525
Other intangible assets	3,236	2,076
	32,336	23,601
Depreciations of other tangible assets (note 28):		
Properties	16,103	17,859
Equipment		
Computers	17,642	15,441
Security equipment	983	1,191
Installations	2,708	2,641
Machinery	1,238	948
Furniture	2,936	2,609
Motor vehicles	4,644	5,178
Other equipment	1,478	1,720
Right-of-use		
Real estate	56,761	53,236
Vehicles and equipment	320	361
	104,813	101,184
	137,149	124,785

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Loans and advances to credit institutions (note 20)		
Charge for the year	1	55
Reversals for the year	(65)	(867)
	(64)	(812)
Loans and advances to customers (note 21)		
Charge for the year	1,102,843	924,248
Reversals for the year	(576,588)	(510,585)
Recoveries of loans and interest charged-off	(22,680)	(24,268)
	503,575	389,395
Debt securities (note 22)		
Associated to credit operations		
Charge for the year	6,292	1,717
Reversals for the year	–	(907)
	6,292	810
Not associated to credit operations		
Charge for the year	4,089	1,161
Reversals for the year	(480)	(246)
	3,609	915
	9,901	1,725
	513,412	390,308

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

The detail of these balances is comprised of:

(Thousands of euros)

	2020	2019
Impairment for financial assets at fair value through other comprehensive income (note 23)		
Charge for the year	11,485	538
Reversals for the year	(1,125)	(2,718)
	10,360	(2,180)

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Impairment for investments in associated companies (note 25)		
Charge for the year	4,735	4,550
Impairment for non-current assets held for sale (note 26)		
Charge for the year	77,769	98,080
Reversals for the year	(11,059)	(13,656)
	66,710	84,424
Impairment for goodwill of subsidiaries (note 29)		
Charge for the year	180	559
Impairment for other assets (note 31)		
Charge for the year	17,184	14,107
Reversals for the year	(9,636)	(7,606)
	7,548	6,501
	79,173	96,034

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	2020	2019
Provision for guarantees and other commitments (note 38)		
Charge for the year	43,204	36,230
Reversals for the year	(39,986)	(40,618)
	3,218	(4,388)
Other provisions for liabilities and charges (note 38)		
Charge for the year	238,181	65,239
Reversals for the year	(3,107)	(3,367)
	235,074	61,872
	238,292	57,484

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

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

(Thousands of euros)

	2020	2019
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current year	7,300	16,923
Appropriation relating to the previous year	(27)	—
Annulment of the gains arising from properties sold to Group entities	6,067	(8,680)
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(3,943)	(5,725)
	9,397	2,518
Banque BCP, S.A.S.	2,529	4,095
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	44,344	28,430
SIBS, S.G.P.S, S.A.	5,156	5,871
Unicre - Instituição Financeira de Crédito, S.A.	6,218	3,491
Other companies	51	(1,416)
	58,298	40,471
	67,695	42,989

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

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

This balance is comprised of:

(Thousands of euros)

	2020	2019
Gains arising on sale of associated company Mundotêxtil - Indústrias Têxteis, S.A.	—	147
Gains arising on settlement of MB Finance	—	9
Losses arising on sale of Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	—	(276)
Losses arising on liquidation of Imábida - Imobiliária da Arrábida, S.A..	—	(96)
Losses arising on sale of 23.89% of Projeposka, S.A.	(3)	—
Other assets	(6,185)	32,123
	(6,188)	31,907

The balance Other assets includes gains arising from the sale of assets held by the Group and classified as non-current assets held for sale, which, in 2020, corresponds to a gain of Euros 3,458,000 (2019: gain of Euros 29,263,000).

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

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Gain arising on sale of Planfipsa Group	–	13,454
Gains/(losses) arising from the sale of Millennium bcp Gestão de Activos -Sociedade Gestora de Fundos de Investimento,S.A.	–	(42)
	–	13,412

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

The disposal of 51% held in Planfipsa S.G.P.S. S.A. and of a set of loans granted by Banco Comercial Português, S.A. to the entity, originated a gain in 2019 of Euros 13,454,000 (gain of Euros 18,186,000, before taxes and a tax cost of Euros 4,732,000).

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2020	2019
Continuing operations		
Net income after income taxes from continuing operations	208,365	387,988
Non-controlling interests	(25,353)	(99,397)
Appropriated net income	183,012	288,591
Dividends from other equity instruments	–	(148)
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	(37,000)	(27,750)
Adjusted net income	146,012	260,693
Discontinued or discontinuing operations (note 16)		
Appropriated net income	–	13,412
Adjusted net income	146,012	274,105
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.010	0.017
from discontinued or discontinuing operations	0.000	0.001
	0.010	0.018
Diluted earnings per share (Euros):		
from continuing operations	0.010	0.017
from discontinued or discontinuing operations	0.000	0.001
	0.010	0.018

The Bank's share capital, as at 31 December 2020, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

There were not identified another dilution effects of the earnings per share as at 31 December 2020 and 2019, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Cash	579,997	636,048
Central Banks		
Bank of Portugal	4,296,161	3,658,202
Central Banks abroad	427,706	872,301
	5,303,864	5,166,551

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

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

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Credit institutions in Portugal	10,288	9,427
Credit institutions abroad	182,976	220,718
Amounts due for collection	69,131	90,712
	262,395	320,857

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

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Loans and advances to Central Banks abroad	291,669	—
Loans and advances to credit institutions in Portugal		
Loans	30,942	36,655
Term deposits to collateralise CIRS and IRS operations (*)	2,850	—
Other	811	6,028
	34,603	42,683
Loans and advances to credit institutions abroad		
Very short-term deposits	—	342,090
Term deposits	383,874	220,426
Loans	95	—
Term deposits to collateralise CIRS and IRS operations (*)	276,722	252,584
Other	28,426	35,580
	689,117	850,680
	1,015,389	893,363
Overdue loans - Over 90 days	2	—
	1,015,391	893,363
Impairment for loans and advances to credit institutions	(304)	(368)
	1,015,087	892,995

(*) Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), these deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Group.

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

(Thousands of euros)

	2020	2019
Up to 3 months	987,553	875,286
3 to 6 months	10,734	—
6 to 12 months	3,317	8,077
1 to 5 years	13,787	10,000
	1,015,391	893,363

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

(Thousands of euros)

	2020	2019
Balance on 1 January	368	1,853
Impairment charge for the year (note 10)	1	55
Reversals for the year (note 10)	(65)	(867)
Loans charged-off	—	(673)
Balance at the end of the year	304	368

21. Loans and advances to customers

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

(Thousands of euros)

	2020	2019
Mortgage loans	26,827,615	25,968,814
Loans	17,113,707	14,783,169
Finance leases	3,921,747	4,144,376
Factoring operations	2,566,220	2,566,627
Current account credits	1,255,304	1,734,948
Overdrafts	885,449	1,215,941
Discounted bills	189,259	265,385
	52,759,301	50,679,260
Overdue loans - less than 90 days	118,767	115,707
Overdue loans - Over 90 days	1,279,269	1,469,884
	54,157,337	52,264,851
Impairment for credit risk	(2,036,522)	(2,417,022)
	52,120,815	49,847,829

In the evolution of the balance Loans and advances to customers, is to highlight in 2020, the weight of the financing granted under the COVID-19 lines, which benefit from the guarantee of the Portuguese State, as detailed in note 61.

The balance Loans and advances to customers, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	532,580	1	532,581	(1,939)	530,642
Asset-backed loans	30,389,932	607,836	30,997,768	(969,019)	30,028,749
Other guaranteed loans	5,527,794	149,256	5,677,050	(250,277)	5,426,773
Unsecured loans	7,317,673	405,931	7,723,604	(487,609)	7,235,995
Foreign loans	2,503,355	125,743	2,629,098	(127,900)	2,501,198
Factoring operations	2,566,220	22,587	2,588,807	(53,145)	2,535,662
Finance leases	3,921,747	86,682	4,008,429	(146,633)	3,861,796
	52,759,301	1,398,036	54,157,337	(2,036,522)	52,120,815

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

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);
- Credit with other guarantees: First-demand guarantees issued by banks or other entities and personal guarantees.

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

(Thousands of euros)

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

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	78,126	46,137	408,317	532,580	1	532,581
Asset-backed loans	1,568,727	3,714,927	25,106,278	30,389,932	607,836	30,997,768
Other guaranteed loans	925,200	1,974,560	2,628,034	5,527,794	149,256	5,677,050
Unsecured loans	2,174,203	3,258,860	1,884,610	7,317,673	405,931	7,723,604
Foreign loans	588,707	363,724	1,550,924	2,503,355	125,743	2,629,098
Factoring operations	1,991,345	574,372	503	2,566,220	22,587	2,588,807
Finance leases	539,435	1,352,680	2,029,632	3,921,747	86,682	4,008,429
	7,865,743	11,285,260	33,608,298	52,759,301	1,398,036	54,157,337

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

(Thousands of euros)

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

As at 31 December 2020, the balance Loans and advances to customers includes the amount of Euros 11,692,831,000 (31 December 2019: Euros 11,674,854,000) regarding mortgage loans assigned to the cover pool backing the Group's covered bond programme issuances.

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

As referred in note 51, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital identified in the Board of Directors report and in note 40.

As at 31 December 2020, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 79,993,000 (31 December 2019: Euros 105,542,000), as referred in note 51 a). The amount of impairment recognised for these contracts amounts to Euros 526,000 (31 December 2019: Euros 288,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

As at 31 December 2020, the item Finance leases includes the amount of Euros 8,087,000 (31 December 2019: Euros 9,278,000) relative to sublease operations, as referred in accounting policy 1 H and in note 59.

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

(Thousands of euros)

	2020	2019
Amount of future minimum payments		
Up to 1 year	897,064	1,069,860
1 to 5 years	1,911,517	1,978,977
Over 5 years	1,632,350	1,600,732
	4,440,931	4,649,569
Interest not yet due	(519,184)	(505,193)
Present value	3,921,747	4,144,376

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

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

(Thousands of euros)

	2020	2019
Individuals		
Home	51,474	56,371
Consumer	31,597	33,290
Others	89,029	92,316
	172,100	181,977
Companies		
Equipment	1,760,496	1,915,011
Real estate	1,989,151	2,047,388
	3,749,647	3,962,399
	3,921,747	4,144,376

The analysis of loans and advances to customers, as at 31 December 2020, by sector of activity, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	400,801	10,745	411,546	(10,026)	401,520	0.76%
Fisheries	32,684	37	32,721	(471)	32,250	0.06%
Mining	67,358	3,183	70,541	(2,347)	68,194	0.13%
Food, beverage and tobacco	802,531	11,533	814,064	(25,204)	788,860	1.50%
Textiles	464,250	11,553	475,803	(25,476)	450,327	0.88%
Wood and cork	254,338	7,064	261,402	(10,152)	251,250	0.48%
Paper, printing and publishing	188,993	1,290	190,283	(14,802)	175,481	0.35%
Chemicals	757,863	26,590	784,453	(36,147)	748,306	1.45%
Machinery, equipment and basic metallurgical	1,353,637	37,250	1,390,887	(52,218)	1,338,669	2.57%
Electricity and gas	315,464	218	315,682	(1,899)	313,783	0.58%
Water	229,535	590	230,125	(17,167)	212,958	0.43%
Construction	1,688,915	89,560	1,778,475	(139,292)	1,639,183	3.28%
Retail business	1,698,861	35,419	1,734,280	(50,156)	1,684,124	3.20%
Wholesale business	2,123,122	52,981	2,176,103	(99,976)	2,076,127	4.02%
Restaurants and hotels	1,367,548	41,264	1,408,812	(72,474)	1,336,338	2.60%
Transports	1,188,061	29,432	1,217,493	(46,022)	1,171,471	2.25%
Post offices	20,311	338	20,649	(490)	20,159	0.04%
Telecommunications	485,910	4,710	490,620	(20,206)	470,414	0.91%
Services						
Financial intermediation	1,643,196	86,865	1,730,061	(192,376)	1,537,685	3.20%
Real estate activities	1,829,513	18,684	1,848,197	(85,187)	1,763,010	3.41%
Consulting, scientific and technical activities	937,548	36,415	973,963	(81,482)	892,481	1.80%
Administrative and support services activities	599,543	13,112	612,655	(72,693)	539,962	1.13%
Public sector	994,296	1	994,297	(3,643)	990,654	1.84%
Education	142,028	1,718	143,746	(7,016)	136,730	0.27%
Health and collective service activities	365,092	1,215	366,307	(9,643)	356,664	0.68%
Artistic, sports and recreational activities	365,929	11,030	376,959	(102,056)	274,903	0.70%
Other services	226,772	243,426	470,198	(180,430)	289,768	0.87%
Consumer loans	5,075,357	336,475	5,411,832	(368,720)	5,043,112	9.99%
Mortgage credit	26,287,616	173,835	26,461,451	(188,524)	26,272,927	48.86%
Other domestic activities	1,020	620	1,640	(21,211)	(19,571)	0.00%
Other international activities	851,209	110,883	962,092	(99,016)	863,076	1.78%
	52,759,301	1,398,036	54,157,337	(2,036,522)	52,120,815	100%

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

(Thousands of euros)

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

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	102,280	102,792	195,729	400,801	10,745	411,546
Fisheries	3,750	5,678	23,256	32,684	37	32,721
Mining	24,192	23,571	19,595	67,358	3,183	70,541
Food, beverage and tobacco	383,195	221,961	197,375	802,531	11,533	814,064
Textiles	129,444	162,194	172,612	464,250	11,553	475,803
Wood and cork	101,500	89,136	63,702	254,338	7,064	261,402
Paper, printing and publishing	69,584	56,740	62,669	188,993	1,290	190,283
Chemicals	236,584	300,728	220,551	757,863	26,590	784,453
Machinery, equipment and basic metallurgical	466,527	458,216	428,894	1,353,637	37,250	1,390,887
Electricity and gas	56,373	142,510	116,581	315,464	218	315,682
Water	35,318	29,729	164,488	229,535	590	230,125
Construction	478,578	553,152	657,185	1,688,915	89,560	1,778,475
Retail business	658,271	466,276	574,314	1,698,861	35,419	1,734,280
Wholesale business	848,179	710,687	564,256	2,123,122	52,981	2,176,103
Restaurants and hotels	92,367	333,227	941,954	1,367,548	41,264	1,408,812
Transports	282,494	473,937	431,630	1,188,061	29,432	1,217,493
Post offices	13,600	3,939	2,772	20,311	338	20,649
Telecommunications	92,905	287,971	105,034	485,910	4,710	490,620
Services						
Financial intermediation	222,365	419,815	1,001,016	1,643,196	86,865	1,730,061
Real estate activities	296,627	689,530	843,356	1,829,513	18,684	1,848,197
Consulting, scientific and technical activities	174,517	254,820	508,211	937,548	36,415	973,963
Administrative and support services activities	165,749	240,197	193,597	599,543	13,112	612,655
Public sector	126,479	466,052	401,765	994,296	1	994,297
Education	27,503	30,729	83,796	142,028	1,718	143,746
Health and collective service activities	110,963	97,641	156,488	365,092	1,215	366,307
Artistic, sports and recreational activities	36,481	49,020	280,428	365,929	11,030	376,959
Other services	89,985	58,903	77,884	226,772	243,426	470,198
Consumer loans	1,421,642	2,510,015	1,143,700	5,075,357	336,475	5,411,832
Mortgage credit	507,696	1,896,305	23,883,615	26,287,616	173,835	26,461,451
Other domestic activities	147	397	476	1,020	620	1,640
Other international activities	610,448	149,392	91,369	851,209	110,883	962,092
	7,865,743	11,285,260	33,608,298	52,759,301	1,398,036	54,157,337

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

(Thousands of euros)

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

The item total credit portfolio, which includes further than loans and advances to customers, the guarantees granted, split by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	2020	2019
Total credit	58,561,359	56,991,658
Stage 1		
Gross amount	46,907,124	44,374,375
Impairment	(171,091)	(110,509)
	46,736,033	44,263,866
Stage 2		
Gross amount	8,016,640	8,149,861
Impairment	(240,207)	(191,810)
	7,776,433	7,958,051
Stage 3		
Gross amount	3,637,595	4,467,422
Impairment	(1,704,124)	(2,212,693)
	1,933,471	2,254,729
	56,445,937	54,476,646

The total credit portfolio includes, as at 31 December 2020, loans and advances to customers in the amount of Euros 54,157,337,000 (31 December 2019: Euros 52,264,851,000) and guarantees granted and commitments to third parties (note 45) in the amount of Euros 4,404,022,000 (31 December 2019: Euros 4,726,807,000).

The items of Impairment were determined in accordance with the accounting policy described in note 1 C1.5, including the provision for Guarantees and other commitments to third parties (note 38), associated with guarantees granted, in the amount of Euros 78,900,000 (31 December 2019: Euros 97,990,000).

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

(Thousands of euros)

	2020	2019
Stage 1		
Securities and other financial assets	1,433,956	1,904,675
Residential real estate	21,495,826	21,165,962
Other real estate	3,374,091	2,943,688
Other guarantees	6,235,972	4,571,961
	32,539,845	30,586,286
Stage 2		
Securities and other financial assets	243,411	293,565
Residential real estate	2,484,267	2,759,766
Other real estate	1,207,376	1,237,569
Other guarantees	1,464,912	868,877
	5,399,966	5,159,777
Stage 3		
Securities and other financial assets	117,829	301,745
Residential real estate	667,030	800,650
Other real estate	566,166	610,792
Other guarantees	405,359	579,905
	1,756,384	2,293,092
	39,696,195	38,039,155

The balance Other guarantees include first-demand guarantees issued by the Bank and other entities, with an internal risk rating of 7 or better; personal guarantees, when the guarantors are classified with internal risk grade 7 or better. This item also includes pledges, assets subject to financial leasing operations and personal guarantees, among others. As detailed in note 61, the increase in this balance in 2020 is largely due to the weight of the financing granted under the COVD-19 lines, which benefit from a guarantee from the Portuguese State.

Considering the policy of risk management of the Group (note 54), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

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

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and/or in interest rate. The analysis of the outstanding restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	2020			2019		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	20,927	(4,045)	16,882	14,391	(3,012)	11,379
Fisheries	123	(41)	82	6,134	(454)	5,680
Mining	2,149	(337)	1,812	5,558	(3,317)	2,241
Food, beverage and tobacco	26,403	(8,238)	18,165	25,290	(7,448)	17,842
Textiles	16,297	(6,333)	9,964	14,010	(4,287)	9,723
Wood and cork	6,732	(1,412)	5,320	7,978	(1,694)	6,284
Paper, printing and publishing	16,006	(12,296)	3,710	16,449	(12,222)	4,227
Chemicals	21,960	(8,843)	13,117	23,386	(5,095)	18,291
Machinery, equipment and basic metallurgical	60,584	(12,710)	47,874	54,949	(11,038)	43,911
Electricity and gas	396	(31)	365	454	(32)	422
Water	49,711	(13,689)	36,022	51,694	(7,116)	44,578
Construction	237,988	(83,589)	154,399	245,348	(148,041)	97,307
Retail business	46,592	(16,983)	29,609	61,569	(23,761)	37,808
Wholesale business	91,949	(18,459)	73,490	105,965	(13,463)	92,502
Restaurants and hotels	76,538	(13,968)	62,570	101,525	(20,402)	81,123
Transports	13,327	(3,109)	10,218	13,118	(2,691)	10,427
Post offices	198	(97)	101	236	(61)	175
Telecommunications	15,406	(11,071)	4,335	18,059	(1,219)	16,840
Services						
Financial intermediation	156,677	(85,960)	70,717	533,238	(340,993)	192,245
Real estate activities	125,807	(44,921)	80,886	157,808	(43,027)	114,781
Consulting, scientific and technical activities	264,177	(63,332)	200,845	166,498	(93,427)	73,071
Administrative and support services activities	86,532	(59,016)	27,516	83,319	(61,457)	21,862
Public sector	50,120	(1,113)	49,007	67,157	(1,309)	65,848
Education	19,825	(4,775)	15,050	20,057	(4,724)	15,333
Health and collective service activities	25,388	(4,970)	20,418	10,537	(1,156)	9,381
Artistic, sports and recreational activities	152,110	(73,126)	78,984	90,159	(40,616)	49,543
Other services	255,108	(176,808)	78,300	245,150	(177,061)	68,089
Consumer loans	274,548	(82,768)	191,780	301,820	(76,808)	225,012
Mortgage credit	518,666	(54,732)	463,934	604,597	(45,234)	559,363
Other domestic activities	23	(1)	22	22	(1)	6
Other international activities	32,677	(26,061)	6,616	36,531	(24,491)	12,040
	2,664,944	(892,834)	1,772,110	3,083,006	(1,175,657)	1,907,334

The breakdown of the restructured loans as at 31 December 2020, by restructuring measure, is as follows:

(Thousands of euros)

	2020					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	42,480	516,649	84,849	601,498	(132,947)	468,551
Introduction of the grace period for capital and / or interest	5,896	523,953	361,783	885,736	(432,888)	452,848
Interest rate reduction	5,442	289,493	16,990	306,483	(121,153)	185,330
Payment plan change	7,030	153,126	16,064	169,190	(26,245)	142,945
Debt relief	312	3,016	6,821	9,837	(5,657)	4,180
Debt-asset swaps	15	26,032	26,242	52,274	(18,963)	33,311
Other restructured loans	14,778	512,373	127,553	639,926	(154,981)	484,945
	75,953	2,024,642	640,302	2,664,944	(892,834)	1,772,110

The breakdown of the restructured loans as at 31 December 2019, by restructuring measure, is as follows:

(Thousands of euros)

	2019					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Extension of the repayment term	43,411	287,816	122,218	410,034	(110,040)	299,994
Introduction of the grace period for capital and / or interest	5,998	321,248	32,086	353,334	(99,408)	253,926
Interest rate reduction	6,244	86,336	9,320	95,656	(10,168)	85,488
Payment plan change	7,830	117,950	15,301	133,251	(17,971)	115,280
Debt relief	155	3,475	1,968	5,443	(1,498)	3,945
Debt-asset swaps	14	88,356	7,848	96,204	(68,177)	28,027
Other restructured loans	18,901	1,453,491	535,593	1,989,084	(868,395)	1,120,689
	82,553	2,358,672	724,334	3,083,006	(1,175,657)	1,907,349

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

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

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

- there are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);
- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as Non Performing Exposure (NPE), this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non-Performing Loans for more than 90 days (NPL > 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 31 December 2020, the amount calculated is Euros 1,766,328,000 (31 December 2019: Euros 2,259,598,000).

All customers who check at least one of the following conditions are marked in default and therefore in Non Performing Exposure (NPE):

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent:

a) More than 100 euros (retail) or more than 500 euros (non-retail); and
b) More than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value;
b) Delay after restructuring due to financial difficulties;
c) Recurrence of restructuring due to financial difficulties;
d) Credit with signs of impairment (or Stage 3 of IFRS 9);
e) Insolvency or equivalent process;
f) Litigation;
g) Guarantees of operations in default;
h) Loss of credit sales;
i) Credit fraud;
j) Unpaid credit status;
k) Breach of covenants in a credit agreement;
l) Contagion of default in an economic group;
m) Cross default in the BCP Group.

As at 31 December 2020, the NPE amounts to Euros 3,939,109,000 (31 December 2019: Euros 4,206,158,000).

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

(Thousands of euros)

	2020	2019
Balance on 1 January	2,417,022	2,851,906
Charge for the year in net income interest (note 2)	34,335	51,504
Other transfers	7,097	72,421
Impairment charge for the year (note 10)	1,102,843	924,248
Reversals for the year (note 10)	(576,588)	(510,585)
Loans charged-off	(899,133)	(979,451)
Exchange rate differences	(49,054)	6,979
Balance at the end of the year	2,036,522	2,417,022

As at 31 December 2020, the balance Transfers includes the amount of Euros 14,885,000 (31 December 2019: Euros 64,588,000) related to provisions for guarantees and other commitments, which were transferred to impairment for credit risks due to the fact that the guarantees granted were converted into loans and advances to customers.

This balance also includes the transfer of impairments from credit to other assets, in the amount of Euros 16,858,000.

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

(Thousands of euros)

	2020	2019
Agriculture and forestry	443	4,360
Fisheries	359	4
Mining	111	4,414
Food, beverage and tobacco	9,097	14,190
Textiles	10,937	7,418
Wood and cork	146	3,304
Paper, printing and publishing	229	6,823
Chemicals	1,665	30,947
Machinery, equipment and basic metallurgical	3,718	25,843
Electricity and gas	23	506
Water	605	619
Construction	144,292	282,889
Retail business	15,287	75,990
Wholesale business	33,585	37,281
Restaurants and hotels	53,213	13,128
Transports	4,706	11,546
Post offices	94	243
Telecommunications	564	17,956
Services		
Financial intermediation	315,038	21,154
Real estate activities	43,068	62,175
Consulting, scientific and technical activities	120,673	178,745
Administrative and support services activities	9,771	6,353
Education	122	603
Health and collective service activities	466	1,215
Artistic, sports and recreational activities	(3,159)	3,651
Other services	63,213	4,833
Consumer loans	55,934	149,500
Mortgage credit	4,576	9,059
Other domestic activities	5,740	2,561
Other international activities	4,617	2,141
	899,133	979,451

According with the accounting policy described in note 1 C1.3, loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of euros)

	2020	2019
Asset-backed loans	6,011	14,896
Other guaranteed loans	71,337	37,499
Unsecured loans	782,430	894,640
Factoring operations	726	10,312
Finance leases	38,629	22,104
	899,133	979,451

The analysis of recovered loans and interest occurred during 2020 and 2019, by sector of activity, is as follows:

(Thousands of euros)

	2020	2019
Agriculture and forestry	274	73
Mining	26	—
Food, beverage and tobacco	51	211
Textiles	36	1,340
Wood and cork	6	41
Paper, printing and publishing	—	292
Chemicals	435	535
Machinery, equipment and basic metallurgical	50	139
Electricity and gas	—	8
Water	1	3
Construction	2,322	1,617
Retail business	647	1,486
Wholesale business	529	827
Restaurants and hotels	175	599
Transports	451	2,905
Post offices	13	11
Telecommunications	4	10
Services		
Financial intermediation	1,096	754
Real estate activities	63	1,227
Consulting, scientific and technical activities	1,372	13
Administrative and support services activities	23	176
Education	35	—
Health and collective service activities	1	2
Artistic, sports and recreational activities	12	257
Other services	212	563
Consumer loans	14,519	10,818
Mortgage credit	278	139
Other domestic activities	14	199
Other international activities	35	23
	22,680	24,268

The analysis of recovered loans and interest occurred during 2020 and 2019, by type of credit, is as follows:

(Thousands of euros)

	2020	2019
Asset-backed loans	322	154
Other guaranteed loans	4,020	6,236
Unsecured loans	16,781	17,319
Foreign loans	919	9
Factoring operations	44	—
Finance leases	594	550
	22,680	24,268

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

Traditional securitizations

Securitization transactions engaged by the Group and still ongoing, refer to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As at 31 December 2020, the loans and advances referred to these operations amounts to Euros 242,670,000 (31 December 2019: Euros 269,668,000). As referred in accounting policy 1 B, when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, those are consolidated by the full method.

Magellan Mortgages No. 2

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

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE “Magellan Mortgages No. 3 PLC”. Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 B. As at 31 December 2020, the SPE's credit portfolio associated with this operation amounts to Euros 242,670,000, and bonds issued with different subordination levels amount to Euros 180,841,000 (this amount excludes bonds hold by the Group in the amount of Euros 81,390,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

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

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by Bank, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 547,549,000 as at 31 December 2020. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 198,005,000 and the registered cost in 2020 amounts to Euros 4,051,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The legal maturity date is 21 September of 2043 and, as at 31 December 2020, the operation amounts to Euros 731,733,000. The fair value of the relative CDS is recorded as a positive amount of Euros 63,659,000 and their registered cost in 2020 amounts to Euros 370,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The total of mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). In both structures, the correspondent product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Bank under the CDS context.

These operations involve the Bank's to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note 1 C1.3.

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2020	2019
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	214,421	155,567
Commercial paper	1,334,236	1,871,985
Foreign issuers		
Bonds	30,398	32,356
Commercial paper	28,160	25,233
	1,607,215	2,085,141
Overdue securities - over 90 days	1,761	1,799
	1,608,976	2,086,940
Impairment	(11,021)	(12,431)
	1,597,955	2,074,509
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,758,016	137,330
Foreign issuers	378,285	301,988
Bonds issued by other entities		
Portuguese issuers	178,405	178,069
Foreign issuers	100,833	50,854
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	226,383	445,226
	4,641,922	1,113,467
Impairment	(5,332)	(2,100)
	4,636,590	1,111,367
	6,234,545	3,185,876

(*) Includes the amount of Euros 28,794,000 (31 December 2019: Euros 856,000) related to adjustments resulting from the application of fair value hedge accounting.

In 2020, under the terms of IFRS 9, the Bank took the decision to establish, the balance Debt securities held not associated with credit operations - Bonds issued by Portuguese public issuers, a portfolio of securities whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 31 December 2020 amounts to Euros 3,544,918,000.

As at 31 December 2020, the item Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 139,085,000 (31 December 2019: Euros 138,752,000) related to public sector companies.

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	7,069	207,352	–	214,421
Commercial paper	970,522	362,714	1,000	–	1,761	1,335,997
Foreign issuers						
Bonds	–	10,222	–	20,176	–	30,398
Commercial paper	19,532	8,628	–	–	–	28,160
	990,054	381,564	8,069	227,528	1,761	1,608,976
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	873,998	2,884,018	–	3,758,016
Foreign issuers	6,950	52,927	231,061	87,347	–	378,285
Other entities						
Portuguese issuers	25,628	–	113,351	39,426	–	178,405
Foreign issuers	–	–	59,595	41,238	–	100,833
Treasury bills (Public Issuers and Central Banks)						
Foreign issuers	136,266	90,117	–	–	–	226,383
	168,844	143,044	1,278,005	3,052,029	–	4,641,922
	1,158,898	524,608	1,286,074	3,279,557	1,761	6,250,898

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

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	–	155,567	–	155,567
Commercial paper	1,342,583	529,402	–	–	1,799	1,873,784
Foreign issuers						
Bonds	–	–	10,881	21,475	–	32,356
Commercial paper	15,201	10,032	–	–	–	25,233
	1,357,784	539,434	10,881	177,042	1,799	2,086,940
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	–	137,330	–	137,330
Foreign issuers	11,232	30,500	144,723	115,533	–	301,988
Other entities						
Portuguese issuers	–	–	138,738	39,331	–	178,069
Foreign issuers	–	–	–	50,854	–	50,854
Treasury bills (Public Issuers and Central Banks)						
Foreign issuers	173,242	271,984	–	–	–	445,226
	184,474	302,484	283,461	343,048	–	1,113,467
	1,542,258	841,918	294,342	520,090	1,799	3,200,407

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

(Thousands of euros)

	2020	2019
Debt securities held associated with credit operations		
Agriculture and forestry	4,877	—
Mining	27,646	17,493
Food, beverage and tobacco	85,174	83,063
Textiles	61,725	67,201
Wood and cork	6,438	8,017
Paper, printing and publishing	9,295	10,305
Chemicals	105,146	151,612
Machinery, equipment and basic metallurgical	54,108	76,345
Electricity and gas	198,291	184,911
Water	12,417	14,956
Construction	16,650	12,135
Retail business	48,377	73,243
Wholesale business	70,625	70,554
Restaurants and hotels	9,394	7,506
Transports	62,811	35,948
Telecommunications	5,572	6,444
Services		
Financial intermediation	88,292	222,846
Real estate activities	28,139	23,919
Consulting, scientific and technical activities	616,512	923,513
Administrative and support services activities	10,754	16,924
Health and collective service activities	—	4,999
Artistic, sports and recreational activities	12,455	—
Other services	5,055	5,084
Other international activities	58,202	57,491
	1,597,955	2,074,509
Debt securities held not associated with credit operations		
Chemicals	25,578	25,609
Electricity and Gas	3,589	—
Water	39,394	39,324
Retailing	5,566	—
Transports (*)	99,504	99,402
Services		
Financial intermediation	317,847	495,666
Consulting, scientific and technical activities	13,483	13,550
	504,961	673,551
Government and Public securities	4,131,629	437,816
	4,636,590	1,111,367
	6,234,545	3,185,876

(*) Corresponds to securities from public sector companies

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

(Thousands of euros)

	2020	2019
Debt securities held associated with credit operations		
Balance on 1 January	12,431	39,921
Charge for the year in net income interest (note 2)	54	120
Transfers	(7,756)	–
Charge for the year (note 10)	6,292	1,717
Reversals for the year (note 10)	–	(907)
Loans charged-off	–	(28,420)
Balance at the end of the year	11,021	12,431
Debt securities held not associated with credit operations		
Balance on 1 January	2,100	1,788
Transfers	(57)	–
Charge for the year (note 10)	4,089	1,161
Reversals for the year (note 10)	(480)	(246)
Loans charged-off	–	(620)
Exchange rate differences	(320)	17
Balance at the end of the year	5,332	2,100

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

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

(Thousands of euros)

	2020	2019
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	486,276	255,313
Equity instruments	1,318	3,109
Trading derivatives	543,607	619,912
	1,031,201	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	354,309	352,367
Debt instruments	917,132	1,037,480
Equity instruments	44,026	15,666
	1,315,467	1,405,513
Financial assets designated at fair value through profit or loss		
Debt instruments	–	31,496
Financial assets at fair value through other comprehensive income		
Debt instruments	12,107,431	13,179,281
Equity instruments	32,961	37,420
	12,140,392	13,216,701
	14,487,060	15,532,044

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	101	—	—	3,602,910	3,603,011
Foreign issuers	59,078	—	—	6,893,507	6,952,585
Bonds issued by other entities					
Portuguese issuers	6,539	16,778	—	900,019	923,336
Foreign issuers	42,609	—	—	654,981	697,590
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	377,949	—	—	6,014	383,963
Foreign issuers	—	—	—	50,000	50,000
Shares of foreign companies (a)	—	17,952	—	—	17,952
Investment fund units (b)	—	882,402	—	—	882,402
	486,276	917,132	—	12,107,431	13,510,839
Equity instruments					
Shares					
Portuguese companies	438	—	—	16,522	16,960
Foreign companies	54	44,026	—	16,437	60,517
Investment fund units	—	—	—	2	2
Other securities	826	—	—	—	826
	1,318	44,026	—	32,961	78,305
Trading derivatives	543,607	—	—	—	543,607
	1,031,201	961,158	—	12,140,392	14,132,751
Level 1	481,107	—	—	11,764,197	12,245,304
Level 2	258,821	—	—	215,818	474,639
Level 3	291,273	961,158	—	160,377	1,412,808

(a) Under IFRS 9 these shares were considered as debt instruments because they do not fall within the definition of SPPI.

(b) Under IFRS 9 these participation units were considered as debt instruments because they do not fall within the definition of equity instruments.

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

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

As at 31 December 2020, the balances Financial assets at fair value through other comprehensive income and Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 4, referred in note 1 D, in the amount of Euros 96,000 (31 December 2019: Euros 105,00). As at 31 December 2019, the Financial assets at fair value through of other comprehensive income included the amount of Euros 184,000 relating to the traditional securitization transaction Magellan Mortgages No. 1.

The Group, as part of the management process of the liquidity risk (note 54), hold, in 2019, a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes debt instruments. As at 31 December 2019, the balances Financial assets at fair value through other comprehensive income and Financial designated at fair value through profit or loss, included the amounts Euros 8,776,000 and Euros 29,603,000, respectively, of securities included in the ECB's monetary policy pool.

As at 31 December 2020, the balance Financial assets at fair value through other comprehensive income - Bonds issued by other entities includes the amount of Euros 318,856,000 (31 December 2019: Euros 297,243,000) related to public sector companies.

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2019, is analysed as follows:

(Thousands of euros)

	2019				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,180	–	31,496	4,425,302	4,459,978
Foreign issuers	205,805	–	–	5,398,404	5,604,209
Bonds issued by other entities					
Portuguese issuers	3,043	16,778	–	802,268	822,089
Foreign issuers	43,285	–	–	314,991	358,276
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	–	–	–	1,922,991	1,922,991
Foreign issuers	–	–	–	315,325	315,325
Shares of foreign companies (a)	–	37,375	–	–	37,375
Investment fund units (b)	–	983,327	–	–	983,327
	255,313	1,037,480	31,496	13,179,281	14,503,570
Equity instruments					
Shares					
Portuguese companies	2,515	–	–	19,163	21,678
Foreign companies	49	15,666	–	18,254	33,969
Investment fund units	–	–	–	3	3
Other securities	545	–	–	–	545
	3,109	15,666	–	37,420	56,195
Trading derivatives	619,912	–	–	–	619,912
	878,334	1,053,146	31,496	13,216,701	15,179,677
Level 1	252,683	–	31,496	12,643,402	12,927,581
Level 2	317,689	–	–	464,728	782,417
Level 3	307,962	1,053,146	–	108,571	1,469,679

(a) Under IFRS 9, these shares were considered as debt instruments because they do not fall within the definition of SPPI.

(b) Under IFRS 9, these participation units were considered as debt instruments because they do not fall within the definition of equity instruments.

The impairment movements, on balance sheet, of the financial assets at fair value through other comprehensive, that occurred during the period, are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	1,177	4,887
Transfers to fair value changes (note 43)	(10,360)	2,180
Transfers	–	(3,716)
Impairment through profit and loss (note 11)	11,485	538
Reversals through profit and loss (note 11)	(1,125)	(2,718)
Amounts charged-off	–	(6)
Exchange rate differences	(80)	12
Balance at the end of the year	1,097	1,177

As at 31 December 2020, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 13,823,000 and is recognised against the item Fair value reserves (31 December 2019: Euros 3,157,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,498,321	13,982	90,607	3,602,910
Foreign issuers	6,809,372	1,558	82,577	6,893,507
Bonds issued by other entities				
Portuguese issuers	860,370	20,130	19,519	900,019
Foreign issuers	626,990	15,179	12,812	654,981
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	6,010	–	4	6,014
Foreign issuers	49,927	–	73	50,000
	11,850,990	50,849	205,592	12,107,431
Equity instruments				
Shares				
Portuguese companies	43,407	–	(26,885)	16,522
Foreign companies	27,919	–	(11,482)	16,437
Investment fund units	1	–	1	2
	71,327	–	(38,366)	32,961
	11,922,317	50,849	167,226	12,140,392

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

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

(Thousands of euros)

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

(a) Include interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive, net of impairment, as at 31 December 2020, by valuation levels, is analysed as follows:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,519,244	83,767	–	3,603,011
Foreign issuers	6,944,659	–	7,926	6,952,585
Bonds issued by other entities				
Portuguese issuers	738,576	82,151	102,609	923,336
Foreign issuers	654,754	–	42,836	697,590
Treasury bills and other Government bonds				
Portuguese issuers	383,963	–	–	383,963
Foreign issuers	–	50,000	–	50,000
Shares of foreign companies	–	–	17,952	17,952
Investment fund units	–	–	885,422	885,422
	12,241,196	215,918	1,056,745	13,513,859
Equity instruments				
Shares				
Portuguese companies	3,476	–	13,484	16,960
Foreign companies	54	–	60,463	60,517
Investment fund units	–	–	2	2
Other securities	357	–	469	826
	3,887	–	74,418	78,305
Trading derivatives	221	258,721	284,665	543,607
	12,245,304	474,639	1,415,828	14,135,771

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive, net of impairment, as at 31 December 2019, by valuation levels, is analysed as follows:

(Thousands of euros)

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

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

The item Investment fund units classified as level 3 includes units in restructuring funds (note 47) in the amount of Euros 827,976,000 (31 December 2019: Euros 924,489,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2020, corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

In 2020, the instruments classified as level 3 have associated net losses not performed in the amount of Euros 16,895,000 (2019: Euros 1,555,000) recorded in Other comprehensive income. The amount of impairment created for these securities amounts to Euros 1,097,000 (2019: Euros 1,177,000).

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, by residual maturity, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	–	19,395	497,250	3,086,366	–	3,603,011
Foreign issuers	4,258	253,699	5,161,999	1,532,629	–	6,952,585
Bonds issued by other entities						
Portuguese issuers	54,305	35,736	416,845	416,450	–	923,336
Foreign issuers	44,345	59,434	178,215	415,596	–	697,590
Treasury bills and other Government bonds						
Portuguese issuers	166,330	217,633	–	–	–	383,963
Foreign issuers	15,775	34,225	–	–	–	50,000
Shares of foreign companies	–	–	–	–	17,952	17,952
Investment fund units	1,160	–	127,236	747,692	6,314	882,402
	286,173	620,122	6,381,545	6,198,733	24,266	13,510,839
Equity instruments						
Companies' shares						
Portuguese companies	–	–	–	–	16,960	16,960
Foreign companies	–	–	–	–	60,517	60,517
Investment fund units	–	–	–	–	2	2
Other securities	–	–	–	–	826	826
	–	–	–	–	78,305	78,305
	286,173	620,122	6,381,545	6,198,733	102,571	13,589,144

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

(Thousands of euros)

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

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

(Thousands of euros)

	2020	2019
Public sector	25	27
Asset-backed loans	—	8
Unsecured loans	347,188	346,558
	347,213	346,593
Overdue loans - less than 90 days	2,133	1,717
Overdue loans - Over 90 days	4,963	4,057
	354,309	352,367

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

(Thousands of euros)

	2020	2019
Up to 3 months	45,479	37,178
3 to 6 months	152,197	139,124
6 to 12 months	149,533	170,289
1 to 5 periods	4	2
Over 5 years	7,096	5,774
	354,309	352,367

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Fisheries	1,639	—	—	1,639
Mining	—	10	—	10
Paper, printing and publishing	54,207	2	—	54,209
Chemicals	—	4	—	4
Machinery, equipment and basic metallurgical	4,062	448	—	4,510
Electricity and gas	16,239	—	—	16,239
Water	7,136	—	—	7,136
Construction	17,730	5	18,865	36,600
Retail business	—	2	—	2
Wholesale business	53,355	—	—	53,355
Restaurants and hotels	—	871	—	871
Transports	222,982	—	—	222,982
Telecommunications	—	2,771	—	2,771
Services				
Financial intermediation (*)	777,184	75,167	842,279	1,694,630
Real estate activities	—	—	15,528	15,528
Consulting, scientific and technical activities	446,502	138	—	446,640
Administrative and support services activities	10,370	9,404	—	19,774
Public sector	42,836	—	469	43,305
Artistic, sports and recreational activities	16,683	—	—	16,683
Other services	1	6,607	6,089	12,697
	1,670,926	95,429	883,230	2,649,585
Government and Public securities	10,939,559	—	—	10,939,559
	12,610,485	95,429	883,230	13,589,144

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 827,976,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 47.

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

(Thousands of euros)

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

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 924,489,000, which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 47.

The analysis of trading derivatives, by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate derivatives:						
OTC Market:						
Forward rate agreement	–	175,427	–	175,427	29	–
Interest rate swaps	480,392	1,272,413	4,862,575	6,615,380	225,530	235,325
Interest rate options (purchase)	2,959	92,213	201,003	296,175	28	–
Interest rate options (sale)	–	8,796	200,939	209,735	–	58
	483,351	1,548,849	5,264,517	7,296,717	225,587	235,383
Stock Exchange transactions:						
Interest rate futures	6,375	–	1,360,300	1,366,675	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	273,786	312,557	48,039	634,382	10,202	6,078
Currency swaps	2,110,964	405,011	23,614	2,539,589	22,341	18,096
	2,384,750	717,568	71,653	3,173,971	32,543	24,174
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	115,135	204,134	680,815	1,000,084	2,691	562
Shares/indexes options (sale)	299,859	–	18,401	318,260	–	–
Others shares/indexes options (purchase)	16,864	–	–	16,864	16,589	–
Others shares/indexes options (sale)	16,864	–	–	16,864	–	–
	448,722	204,134	699,216	1,352,072	19,280	562
Stock exchange transactions:						
Shares futures	–	–	667,738	667,738	–	–
Shares/indexes options (purchase)	90,378	157,188	107,114	354,680	4,467	–
Shares/indexes options (sale)	11,096	17,040	8,541	36,677	–	101
	101,474	174,228	783,393	1,059,095	4,467	101
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	275,720	275,720	261,730	–
Other credit derivatives (sale)	81,523	–	–	81,523	–	–
	81,523	–	275,720	357,243	261,730	–
Total derivatives traded in:						
OTC Market	3,398,346	2,470,551	6,311,106	12,180,003	539,140	260,119
Stock Exchange	107,849	174,228	2,143,694	2,425,771	4,467	101
Embedded derivatives					–	4,426
	3,506,195	2,644,779	8,454,800	14,605,774	543,607	264,646

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

(Thousands of euros)

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

24. Hedging derivatives

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

(Thousands of euros)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Swaps	91,249	285,766	45,141	229,923

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

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During 2020, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 1,732,000 (31 December 2019: positive amount of Euros 2,259,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a positive amount of Euros 2,016,000 (31 December 2019: negative amount of Euros 4,514,000).

During 2020, there were made reclassifications from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 72,606,000 (31 December 2019: positive amount of Euros 44,882,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 54.

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2020, is as follows:

(Thousands of euros)

	2020					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	196,734	608,023	5,598,796	6,403,553	5,396	97,342
Stock Exchange transactions						
Interest rate Futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts (CIRS)	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 swaps	274,584	–	–	274,584	–	6,385
Other currency contracts (CIRS)	442,564	610,622	2,225,527	3,278,713	4,779	143,465
	717,148	610,622	2,225,527	3,553,297	4,779	149,850
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 transactions	–	–	197,400	197,400	–	–

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

(Thousands of euros)

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

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Portuguese credit institutions	40,114	37,959
Foreign credit institutions	139,095	172,432
Other Portuguese companies	287,285	228,897
Other foreign companies	21,024	21,876
	487,518	461,164
Impairment	(52,559)	(60,773)
	434,959	400,391

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

(Thousands of euros)

	2020	2019
Balance on 1 January	60,773	78,012
Transfers	–	2,853
Impairment charge for the year (note 12)	4,735	4,550
Loans charged-off	–	(3,756)
Exchange rate differences	(12,949)	(20,886)
Balance at the end of the year	52,559	60,773

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	2020				2019
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	228,956	–	–	228,956	174,348
Banco Millennium Atlântico, S.A.	53,257	43,255	(29,991)	66,521	93,044
Banque BCP, S.A.S.	42,583	–	–	42,583	40,274
Cold River's Homestead, S.A.	19,087	–	(4,557)	14,530	15,522
SIBS, S.G.P.S, S.A.	38,881	–	–	38,881	34,815
Unicre - Instituição Financeira de Crédito, S.A.	32,679	7,435	–	40,114	37,959
Webspectator Corporation	86	18,011	(18,011)	86	94
Others	3,288	–	–	3,288	4,335
	418,817	68,701	(52,559)	434,959	400,391

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

The Group's companies included in the consolidation perimeter are presented in note 62.

The main indicators of the principal associated companies, as at 31 December 2020, are analysed as follows:

(Thousands of euros)

	2020 (a)					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,352,484	10,589,925	460,420	81,248
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	2,218,339	1,988,094	283,529	32,107
Banque BCP, S.A.S.	France	19.8	4,454,861	4,239,715	121,729	12,792
SIBS, S.G.P.S, S.A. (**)	Portugal	23.3	282,800	120,800	113,476	18,800
Unicre - Instituição Financeira de Crédito, S.A. (**)	Portugal	32.0	344,971	260,667	115,978	3,532

(a) Non audited accounts

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

(**) Provisional values.

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

(Thousands of euros)

	2019					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,813,053	11,152,606	1,035,785	47,677
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	3,027,719	2,725,875	359,375	74,094
Banque BCP, S.A.S.	France	19.8	4,147,954	3,944,835	123,119	20,624
SIBS, S.G.P.S, S.A.	Portugal	23.3	284,879	123,561	226,952	31,082
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	32.0	375,736	279,017	170,568	16,225

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

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

(Thousands of euros)

	2020	2019
Ownership held by BCP on equity of the associated company as at 1 January	93,044	141,188
Application of IAS 29 for the year:		
Net non-monetary assets of the BMA		
Effect of exchange rate variations (note 43)	(7,676)	(14,733)
Amortization of the effect of IAS 29 application calculated as at 31 December 2018 (note 14)	(3,944)	(5,725)
Goodwill of the merger operation of the BMA		
Effect of exchange rate variations (note 43)	(6,476)	(10,682)
Impairment for investments in associated companies	(3,826)	—
Appropriation of the net income of the associated companies (note 14)	7,300	16,923
Appropriation of the net income of previous years (note 14)	(27)	—
Annulment of the gains arising from properties sold to Group entities (note 14)	6,067	(8,680)
Other comprehensive income attributable to BCP	(114)	(1,735)
Exchange differences		
Effect on BMA's equity	(23,436)	(33,779)
Goodwill associated with investment in BMA	(7,881)	(12,999)
Impairment for investments in associated companies (note 43)	12,950	20,886
Annulment of the gains arising from the sale of properties to Group entities	540	2,073
Others	—	307
Investment held at the end of the year	66,521	93,044

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

(Thousands of euros)

	2020	2019
Income	283,529	359,375
Net profit for the year	32,107	74,094
Comprehensive income	(501)	(7,633)
Total comprehensive income attributable to Shareholders of the associated company	31,606	66,461
Application of IAS 29 (*)	(17,346)	(25,181)
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	14,260	41,280
Attributable to the BCP Group	3,242	9,385
Balance sheet		
Financial assets	1,918,456	2,455,612
Non-financial assets	299,883	572,107
Financial liabilities	(1,951,208)	(2,657,420)
Non-financial liabilities	(36,886)	(68,455)
Attributable to Shareholders of the associated companies	230,245	301,844
Application of IAS 29 (*)	62,351	113,459
Reverse of the gain from the sale of buildings to entities of the Group	—	(29,064)
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	292,596	386,239
Attributable to the BCP Group	66,521	87,810
Goodwill of the merge	29,991	44,349
Impairment for investments in associated companies	(29,991)	(39,115)
Attributable to the BCP Group adjusted of consolidation items	66,521	93,044

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

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

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

(Thousands of euros)

	2020	2019
Ownership held by BCP on equity of the associated company as at 1 January	174,348	138,460
Appropriation of the net income of the associated company (note 14) (*)	44,344	28,430
Other comprehensive income attributable to BCP	10,264	7,458
Investment held at the end of the year	228,956	174,348

(*) Includes adjustments according to BCP GAAP.

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

(Thousands of euros)

	2020	2019
Income	460,420	1,035,785
Net profit for the year	81,248	47,677
Comprehensive income	20,947	15,220
Total comprehensive income attributable to Shareholders of the associated company	102,195	62,897
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	9,250	10,343
Attributable to Shareholders of the associated company adjusted to BCP GAAP	111,445	73,240
Attributable to the BCP Group	54,608	35,888
Balance sheet		
Financial assets	10,928,566	11,374,831
Non-financial assets	423,918	438,222
Financial liabilities	(10,466,340)	(11,060,565)
Non-financial liabilities	(123,585)	(92,041)
Total equity	762,559	660,447
Attributable to non-controlling interests	11,567	11,649
Attributable to Shareholders of the associated companies	750,992	648,798
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	347,167	337,917
Attributable to Shareholders of the associated company adjusted to BCP GAAP	1,098,159	986,715
Attributable to the BCP Group	538,098	483,490
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)
Attributable to the BCP Group adjusted of consolidation items	228,956	174,348

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

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

According to IFRS 4, there is the possibility to differ the application of IFRS 9 to insurance entities, i.e. although IFRS 9 is in force on 1 January 2018, the insurance companies can choose for the temporary exemption until 31 December 2022.

The Group chose for the temporary exemption until 31 December 2022, following the approach of Mbcp Ageas, and as far it fulfils the requirements to be accomplish with the temporary exemption until 31 December 2022 which are:

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

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

Regarding to the evaluation of the impacts arising from the adoption of IFRS 9, the Ageas Group Portugal has a project in progress to determine the impacts of adopting IFRS 9. Based on the evaluation made on this date, the total impact of IFRS 9, as at 31 December 2020, net of Participation of Benefits (PB) and net of Tax (29%) in consolidation in BCP Group is a positive amount of Euros 461,000 (2019: positive amount of Euros 513,000).

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2020			2019		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	848,277	(146,372)	701,905	1,072,391	(191,105)	881,286
Assets belong to investments funds and real estate companies	309,547	(52,465)	257,082	371,417	(54,579)	316,838
Assets for own use (closed branches)	26,122	(6,654)	19,468	30,778	(7,333)	23,445
Equipment and other	38,131	(10,158)	27,973	45,113	(10,874)	34,239
Other assets	20,053	—	20,053	24,033	—	24,033
	1,242,130	(215,649)	1,026,481	1,543,732	(263,891)	1,279,841

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

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 54.

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

The referred balance includes real estate for which the Group has already established contracts for the sale in the amount of Euros 27,367,000 (31 December 2019: Euros 36,111,000), of which Euros 167,000 (31 December 2019: Euros 2,092,000) relate to properties held by investment funds. The impairment associated with all the established contracts is Euros 10,140,000 (31 December 2019: Euros 10,618,000), of which Euros 52,000 (31 December 2019: Euros 479,000) relate to properties held by investment funds which was calculated considering the value of the respective contracts.

In 2019, the Group established a contract for the sale of a real estate assets portfolio in the total amount of Euros 122,029,000, which generated in that year a gain of Euros 2,000,000. Under the same contract in 2020, additional real estate assets were sold in the total amount of Euros 5,549,000, which generated a loss of Euros 747,000.

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

(Thousands of euros)

	2020	2019
Balance on 1 January	263,891	296,699
Transfers resulting from changes in the Group's structure (a)	–	(5,707)
Transfers	779	2,937
Charge for the year (note 12)	78,355	98,080
Reversals for the year (note 12)	(11,645)	(13,656)
Amounts charged-off	(113,941)	(114,462)
Exchange rate differences	(1,790)	–
Balance at the end of the year	215,649	263,891

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

27. Investment property

As at 31 December 2020, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N), based on independent assessments and compliance with legal requirements.

The rents received related to these assets amounted to Euros 391,000 (31 December 2019: Euros 484,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 188,000 (31 December 2019: Euros 323,000).

The changes occurred in this balance are analysed as follows:

(Thousands of euros)

	2020	2019
Balance on 1 January	13,291	11,058
Transfers from / to non-current assets held for sale	(1,225)	1,267
Revaluations	115	2,092
Disposals	(4,272)	(1,126)
Balance at the end of the year	7,909	13,291

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Real estate	725,639	762,085
Equipment:		
Computer equipment	330,853	330,524
Security equipment	69,812	71,268
Interior installations	144,693	145,298
Machinery	49,452	48,466
Furniture	84,962	85,951
Motor vehicles	29,448	31,820
Other equipment	30,886	32,072
Right of use		
Real estate	334,608	329,604
Vehicles and equipment	929	958
Work in progress	18,021	20,833
Other tangible assets	248	296
	1,819,551	1,859,175
Accumulated depreciation		
Relative to the current year (note 9)	(104,813)	(101,184)
Relative to the previous years	(1,073,913)	(1,028,549)
	(1,178,726)	(1,129,733)
	640,825	729,442

As at 31 December 2020, the balance Real Estate includes the amount of Euros 118,532,000 (31 December 2019: Euros 120,395,000) related to real estate held by the Group's real estate investment funds.

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

The changes occurred in Other tangible assets during 2020 are analysed as follows:

(Thousands of euros)

	2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	762,085	2,442	(18,257)	2,415	(23,046)	725,639
Equipment:						
Computer equipment	330,524	11,871	(7,096)	5,331	(9,777)	330,853
Security equipment	71,268	294	(686)	–	(1,064)	69,812
Interior installations	145,298	929	(1,449)	2,767	(2,852)	144,693
Machinery	48,466	706	(465)	2,803	(2,058)	49,452
Furniture	85,951	898	(747)	195	(1,335)	84,962
Motor vehicles	31,820	3,036	(2,978)	–	(2,430)	29,448
Other equipment	32,072	9	(386)	1,255	(2,064)	30,886
Right of use						
Real estate	329,604	26,418	(10,127)	118	(11,405)	334,608
Vehicles and equipment	958	1	–	–	(30)	929
Work in progress	20,833	14,032	(37)	(14,938)	(1,869)	18,021
Other tangible assets	296	17	(1)	–	(64)	248
	1,859,175	60,653	(42,229)	(54)	(57,994)	1,819,551
Accumulated depreciation						
Real estate	(434,959)	(16,103)	10,719	78	8,953	(431,312)
Equipment:						
Computer equipment	(287,185)	(17,642)	6,468	(51)	6,996	(291,414)
Security equipment	(66,236)	(983)	686	–	871	(65,662)
Interior installations	(129,157)	(2,708)	1,275	–	1,726	(128,864)
Machinery	(41,233)	(1,238)	303	(781)	1,616	(41,333)
Furniture	(76,517)	(2,936)	676	774	841	(77,162)
Motor vehicles	(16,616)	(4,644)	2,575	(8)	1,478	(17,215)
Other equipment	(24,001)	(1,478)	359	(10)	1,544	(23,586)
Right of use						
Real estate	(53,428)	(56,761)	5,812	(14)	2,916	(101,475)
Vehicles and equipment	(365)	(320)	–	–	17	(668)
Other tangible assets	(36)	–	1	–	–	(35)
	(1,129,733)	(104,813)	28,874	(12)	26,958	(1,178,726)
	729,442	(44,160)	(13,355)	(66)	(31,036)	640,825

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

(Thousands of euros)

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

(*) The balance on 1 January of the item Right-of-use corresponds to the IFRS 16 adjustment (note 59).

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	105,385	113,032
Euro Bank, S.A. (Poland) (*)	42,130	38,280
Others	14,260	14,592
	161,775	165,904
Impairment		
Others	(13,573)	(13,837)
	148,202	152,067
Intangible assets		
Software	201,918	189,031
Other intangible assets	67,777	67,214
	269,695	256,245
Accumulated amortisation		
Charge for the year (note 9)	(32,336)	(23,601)
Charge for the previous years	(139,607)	(142,081)
	(171,943)	(165,682)
	97,752	90,563
	245,954	242,630

(*) Euro Bank, S.A was merged into Bank Millennium, S.A. in November 2019 (note 60).

According to the accounting policy described in note 1 B), the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2020, valuations of their investments for which there is goodwill recognised considering among other factors:

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

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

During 2020, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill, nor to the improvement of the value of those financial participations that could lead to a reversion of previously booked impairments to the goodwill.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved at the end of 2020 by the Executive Committee up to 2025. After that date, a perpetuity was considered based on the average long-term expected adjusted rate of return for this activity in the Polish market. Additionally, the market performance of Bank Millennium, S.A. in the Polish capital market was taken into consideration and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded that there is no need for impairment charges related to the goodwill of this participation.

The above mentioned business plan of Bank Millennium, S.A. comprises a five-year period, from 2021 to 2025, considering, along this period, a compound annual growth rate of 6.2% for Total Assets and of 8.4% for Total Equity, while considering a ROE evolution from 2.9% by the end of 2021 to 9.2% by the end of 2025 and 11.0% in perpetuity. The exchange rate EUR/PLN considered was 4.5603 as at 31 December 2020. The Cost of Equity considered was 8.875% for the period 2021 to 2025 and in perpetuity. The annual growth rate in perpetuity (g) was 2.37%.

The changes occurred in Goodwill and intangible assets, during 2020, are analysed as follows:

(Thousands of euros)

	2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	165,904	180	(444)	–	(3,865)	161,775
Impairment for goodwill	(13,837)	(180)	444	–	–	(13,573)
	152,067	–	–	–	(3,865)	148,202
Intangible assets						
Software	189,031	44,505	(15,102)	(5,362)	(11,154)	201,918
Other intangible assets	67,214	–	–	5,226	(4,663)	67,777
	256,245	44,505	(15,102)	(136)	(15,817)	269,695
Accumulated depreciation						
Software	(108,690)	(29,100)	14,951	221	7,203	(115,415)
Other intangible assets	(56,992)	(3,236)	–	(221)	3,921	(56,528)
	(165,682)	(32,336)	14,951	–	11,124	(171,943)
	90,563	12,169	(151)	(136)	(4,693)	97,752
	242,630	12,169	(151)	(136)	(8,558)	245,954

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

(Thousands of euros)

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

30. Income tax

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

(Thousands of euros)

	2020			2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177		983,177	983,177	–	983,177
Employee benefits	836,909		836,909	836,911	–	836,911
	1,820,086	–	1,820,086	1,820,088	–	1,820,088
Deferred taxes depending on the future profits						
Impairment losses (b)	723,864	(50,303)	673,561	822,822	(50,303)	772,519
Tax losses carried forward	176,885	–	176,885	120,295	–	120,295
Employee benefits	55,268	(542)	54,726	47,919	(811)	47,108
Financial assets at fair value through other comprehensive income	38,000	(189,359)	(151,359)	59,379	(140,103)	(80,724)
Derivatives	–	(4,451)	(4,451)	–	(5,640)	(5,640)
Intangible assets	49	–	49	49	(663)	(614)
Other tangible assets	10,992	(4,081)	6,911	11,199	(4,171)	7,028
Others	68,885	(18,745)	50,140	46,711	(17,192)	29,519
	1,073,943	(267,481)	806,462	1,108,374	(218,883)	889,491
Total deferred taxes	2,894,029	(267,481)	2,626,548	2,928,462	(218,883)	2,709,579
Offset between deferred tax assets and deferred tax liabilities	(260,239)	260,239	–	(207,814)	207,814	–
Net deferred taxes	2,633,790	(7,242)	2,626,548	2,720,648	(11,069)	2,709,579

(a) Special Regime applicable to deferred tax assets

(b) The amounts of 2020 and 2019 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 31 December 2020, the balance deferred tax assets amounts to Euros 2,633,790,000, of which Euros 2,469,190,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 649,137,000 that depends of the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:

- Euros 549,477,000 related to impairment losses; and

- Euros 147,819,000 resulting from tax losses carried forward from 2016 and 2020 , which, taking into account the changes established in Law no. 27-A/2020, of July 24, within the scope of the Supplementary Budget for 2020, may be used until 2030 and 2032, respectively.

Special regime applicable to deferred tax assets

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

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

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

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,471,614,000 (31 December 2019: Euros 1,391,083,000).

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

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing entity shall deposit in favour of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other and when the deferred taxes are related to the same tax.

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

	2020	2019
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000	9%	9%

The deferred tax rate related to the Bank's tax losses is 21% (31 December 2019: 21%).

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.30% (31 December 2019: 31.30%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique, 0% (exemption) in the Cayman Islands and 14% in Switzerland.

In accordance with the amendments provided for in Law No. 27-A/2020, of 24 July, under the Supplementary Budget for 2020, the reporting period for tax losses in Portugal, is now 14 years for the losses of 2014, 2015 and 2016 and 7 years for the tax losses of 2017, 2018 and 2019. The tax losses calculated in 2020 and 2021 have a reporting period of 12 years, which may be deducted until 2032 and 2033 respectively. The limit for the deduction of tax losses is increased from 70% to 80%, when the difference results from the deduction of tax losses determined in the tax periods of 2020 and 2021.

In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 years.

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

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

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

(Thousands of euros)

Expiry date	2020	2019
2020-2025	29,043	10,306
2028-2029	—	109,989
2030-2032	147,842	—
	176,885	120,295

Following the publication of the Notice of Bank of Portugal No. 5/2015, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA), since 1 January 2016 began to apply the International Financial Reporting Standards as adopted in the European Union, including, among others, the Bank's individual financial statements.

As a result of this change, in the Bank's individual financial statements, the loans portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses calculated in accordance with the requirements of International Accounting Standards (IAS 39 until 31 December 2017 and IFRS 9 since 1 January 2018), replacing the registration of provisions for specific risk, for general credit risks and for country risk, in accordance with Bank of Portugal's Notice No. 3/95.

The Regulatory Decrees No. 5/2016, of 18 November, No. 11/2017, of 28 December, and No. 13/2018, of 28 December, established the maximum limits of impairment losses and other corrections of value for specific credit risk that are deductible for the purpose of calculating the taxable profit under IRC in 2016, 2017 and 2018, respectively. These Decrees declare that Bank of Portugal Notice No. 3/95 (Notice that was relevant for determining provisions for credit in the financial statements presented on an NCA basis) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

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

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

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

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

In the calculation of the taxable income for the year 2019 and in the estimation of taxable income by reference to 31 December 2020 it was considered the maintenance of the tax rules in force until 2018, since the option for the application of the new regime was not exercised.

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

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Z.3) and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 2021 and adjusted according to the strategic plan approved by the elected governing bodies, considering the macroeconomic and competitive environment.

To estimate taxable net income for the periods of 2021 to 2033, the following main assumptions were considered:

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

a) non-deductible expenses related to increase of credit impairments for the years between 2021 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2020, compared to the amounts of net impairment increases recorded in these years;

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

c) impairment reversals not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2019-2021 submitted to the supervisory authority in March 2019, updated in June 2020 and also on the average reversal percentage observed in the last years of 2016 to 2020;

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

-The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- Reversals of impairment of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2020. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the basis of the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2020, compared to the amounts of reinforcements net of impairment recorded in those years.

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

The projections made reflect the effects of changes in the macroeconomic, competitive and legal/regulatory framework caused by the COVID-19 pandemic. The Group's strategic priorities remain unchanged, although the achievement of the projected financial results will necessarily suffer a time delay due, on the one hand, to the constraints on the development of activity imposed by the crisis and, on the other, to the impact that the same crisis will have on the credit and other asset portfolios, with immediate repercussions on profitability. To this extent, the projections assume, beyond the initial years of the crisis, a convergence towards medium/long-term metrics and trends consistent with commercial positioning and the ambitious capture of efficiency gains, to which the Group remains committed, with emphasis on:

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

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

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

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

The performed analyse allow the conclusion of total recoverability of the deferred tax assets recognized as at 31 December 2020.

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

(Thousands of euros)

Tax losses carried forward	2020	2019
2021-2025	119,413	182,872
2026	42,581	213,521
2027-2029	214,901	408,679
2030-2032	415,785	—
	792,680	805,072

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020		
	Net income for the year	Reserves	Exchange differences
Deferred taxes Deferred taxes not depending on the future profits			
Employee benefits	—	(2)	—
	—	(2)	—
Deferred taxes depending on the future profits			
Impairment losses	(91,910)	—	(7,048)
Tax losses carried forward (a)	42,207	18,198	(3,815)
Employee benefits	4,019	3,133	466
Financial assets at fair value through other comprehensive income	—	(73,369)	2,734
Derivatives	—	—	1,189
Intangible assets	631	—	32
Other tangible assets	(14)	—	(103)
Others	21,740	(10)	(1,109)
	(23,327)	(52,048)	(7,654)
	(23,327)	(52,050)	(7,654)
Current taxes			
Current year	(109,850)	476	—
Correction of previous years	(3,467)	—	—
	(113,317)	476	—
	(136,644)	(51,574)	(7,654)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations recorded in reserves that contribute to the calculation of taxable income.

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

(Thousands of euros)

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

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

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

(c) Refers to the sale of Planfipsa.

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

(Thousands of euros)

	2020	2019
Net income / (loss) before income taxes	345,009	627,266
Current tax rate (%)	31.5%	31.5%
Expected tax	(108,678)	(197,589)
Tax benefits	12,963	13,610
Correction of previous years	(787)	12,279
Interests on other equity instruments (a)	11,655	—
Effect of the difference between the tax rate and deferred tax (b)	(11,401)	38,690
Effect of recognition / derecognition net of deferred taxes (c)	(3,010)	(85,478)
Other corrections	(3,464)	1,900
Non-deductible impairment and provisions	(23,966)	(8,779)
Results of companies accounted by the equity method	21,324	13,542
Autonomous tax	(1,097)	(1,580)
Contribution to the banking sector	(30,183)	(25,873)
Total	(136,644)	(239,278)
Effective rate (%)	39.61%	38.15%

(a) Relates to the impact of the deduction, for the purpose of calculating the taxable income, of interests paid related with the perpetual bond, subordinated debt representative, issued on 31 January 2019.

(b) In 2019, includes the amount of Euros 15,486,000 related to the effect of the rate update of deferred tax assets on temporary differences transferred by the merger of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.

(c) In 2019, it includes the negative amount of Euros 69,584,000 related to Banco Comercial Português, S.A. and the effect of the derecognition of deferred tax assets related to tax losses resulting from the merger in the negative amount of Euros 9,889,000.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Deposit account applications	324,501	468,123
Associated companies	425	631
Subsidies receivables	9,750	9,429
Prepaid expenses	24,186	25,757
Debtors for futures and options transactions	281,991	98,965
Insurance activity	5,355	5,882
Debtors		
Residents		
Prosecution cases / agreements with the Bank	14,023	14,832
SIBS	4,832	6,183
Receivables from real estate, transfers of assets and other securities	105,003	40,361
Others	18,579	18,575
Non-residents	96,346	31,832
Dividends to receive	4,672	—
Interest and other amounts receivable	64,320	55,628
Amounts receivable on trading activity	498	7,256
Gold and other precious metals	3,743	3,769
Other financial investments	16,393	20,473
Other recoverable tax	28,817	28,818
Artistic patrimony	165	165
Reinsurance technical provision	21,071	16,604
Obligations with post-employment benefits	93,041	10,529
Capital supplies	239,735	238,449
Amounts due for collection	74,119	74,469
Amounts due from customers	21,278	225,073
Sundry assets	109,311	85,247
	1,562,154	1,487,050
Impairment for other assets	(265,342)	(247,916)
	1,296,812	1,239,134

As referred in note 47, as at 31 December 2020, the item Capital supplies includes the amount of Euros 232,421,000 (31 December 2019: Euros 231,136,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

As at 31 December 2020, the balance Deposit account applications includes the amount of Euros 286,315,000 (31 December 2019: Euros 431,226,000) on the Clearing houses / Clearing derivatives.

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

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is registered in the income statement.

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

(Thousands of euros)

	2020	2019
Balance on 1 January	247,916	285,141
Transfers	15,464	3,442
Charge for the year (note 12)	17,184	14,107
Reversals for the year (note 12)	(9,636)	(7,606)
Amounts charged-off	(5,381)	(47,173)
Exchange rate differences	(205)	5
Balance at the end of the year	265,342	247,916

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2020			2019		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	–	7,510,013	7,510,013	–	3,940,496	3,940,496
Central Banks abroad	–	94,713	94,713	–	109,508	109,508
	–	7,604,726	7,604,726	–	4,050,004	4,050,004
Resources from credit institutions in Portugal						
Sight deposits	97,151	–	97,151	112,244	–	112,244
Term Deposits	–	313,560	313,560	–	92,471	92,471
Loans obtained	–	–	–	–	1,771	1,771
CIRS and IRS operations collateralised by deposits (*)	–	120	120	–	1,060	1,060
Other resources	–	229	229	–	–	–
	97,151	313,909	411,060	112,244	95,302	207,546
Resources from credit institutions abroad						
Very short-term deposits	–	–	–	–	640	640
Sight deposits	110,625	–	110,625	109,004	–	109,004
Term Deposits	–	216,818	216,818	–	169,413	169,413
Loans obtained	–	467,353	467,353	–	1,784,671	1,784,671
CIRS and IRS operations collateralised by deposits (*)	25,211	–	25,211	18,484	–	18,484
Sales operations with repurchase agreement	–	54,507	54,507	–	21,335	21,335
Other resources	–	8,459	8,459	–	5,861	5,861
	135,836	747,137	882,973	127,488	1,981,920	2,109,408
	232,987	8,665,772	8,898,759	239,732	6,127,226	6,366,958

(*) Under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

Considering the characteristics of the financing and the nature of the respective lender, the Group accounts for the TLTRO III operation under IFRS9. The Group considers that the operation constitutes variable rate financing, indexed to variable rates administratively fixed by the ECB. Specifically for the period between 24 June 2020, the date of disbursement of financing funds in progress at 31 December 2020, and 23 June 2021, the Group considers that, with a high degree of probability, it will fulfil the conditions required for application to the financing an interest rate corresponding to the average Deposity Rate Facility in effect in the period minus 0.50%, with a maximum of -1%. As a consequence, it recognizes in the financial statements, for the referred interest counting period, the rate of -1%. As at 31 December 2020, the balance Resources and other financing from Central Banks – Bank of Portugal includes a financing associated with this program in the amount of Euros 7,550,070,000.

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

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

(Thousands of euros)

	2020	2019
Up to 3 months	622,107	836,401
3 to 6 months	162,304	3,535,288
6 to 12 months	100,178	628,022
1 to 5 periods	7,954,170	1,062,395
Over 5 years	60,000	304,852
	8,898,759	6,366,958

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2020			2019		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	42,712,179	382,188	43,094,367	36,658,120	425,247	37,083,367
Term deposits	–	14,186,698	14,186,698	–	17,329,381	17,329,381
Saving accounts	–	5,278,672	5,278,672	–	4,276,990	4,276,990
Treasury bills and other assets sold under repurchase agreement	–	15,890	15,890	–	21,963	21,963
Cheques and orders to pay	364,994	–	364,994	355,077	–	355,077
Other	–	60,208	60,208	–	60,227	60,227
	43,077,173	19,923,656	63,000,829	37,013,197	22,113,808	59,127,005

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

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

(Thousands of euros)

	2020	2019
Deposits repayable on demand	43,094,367	37,083,367
Term deposits and saving accounts		
Up to 3 months	10,044,353	11,357,567
3 to 6 months	5,743,715	5,713,727
6 to 12 months	3,175,837	3,979,916
1 to 5 years	501,248	554,915
Over 5 years	217	246
	19,465,370	21,606,371
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	15,890	21,963
Cheques and orders to pay		
Up to 3 months	364,994	355,077
Other		
Up to 3 months	208	227
Over 5 years	60,000	60,000
	60,208	60,227
	63,000,829	59,127,005

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Bonds	126,953	309,804
Covered bonds	997,765	995,976
Medium term notes (MTNs)	91,811	99,119
Securitisations	167,801	184,631
	1,384,330	1,589,530
Accruals	4,519	5,194
	1,388,849	1,594,724

The characteristics of the bonds issued by the Group, as at 31 December 2020 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
BCP Cln Brisa Fev 2023 Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	2,000
BCP 4.03 Maio 2021 Epvm Sr 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,542
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate 0,75%	1,000,000	997,765
Bcp Mill Cabaz 3 Ações Fev 2021 Smtn Sr 6	February, 2018	February, 2021	Indexed to portfolio of 3 shares	10,854	10,849
Tit Div Mill Cabaz 3 Ações Mar 2021 Smtn Sr 7	March, 2018	March, 2021	Indexed to portfolio of 3 shares	24,230	24,208
Bcp Part Euro Ações Valor Iii/18 Smtn Sr. 8	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	1,320	1,320
Bcp Tit Div Mill Cabaz 3 Ações Mai 2021 Smtn Sr 10	May, 2018	May, 2021	Indexed to portfolio of 3 shares	31,781	31,733
Bcp Perfor Cabaz Ponder 18/17.05.21 Smtn Sr.14	May, 2018	May, 2021	Indexed to portfolio of 3 shares	790	787
Bcp Rend Min Cb Multi Set Iii19 Eur Smtn Sr 36	March, 2019	March, 2022	Indexed to portfolio of 3 shares	3,000	3,000
Bcp Euro Sectores Retorno Garantido Iv Smtn 37	May, 2019	May, 2022	Indexed to portfolio of 3 indexes	3,960	3,960
Bcp Ações Euro Zona Ret Min V19 Smtn 39	May, 2019	May, 2022	Indexed to portfolio of 3 shares	2,480	2,480
Bcp Rend Min Euro Setores Vi Smtn Sr 41	June, 2019	June, 2022	Indexed to portfolio of 3 indexes	3,150	3,150
Bcp Eur Cabaz Ações Ret MinVii 19 Eur Smtn Sr 43	July, 2019	August, 2022	Indexed to portfolio of 3 shares	2,220	2,204
Bcp Cabaz Ações America Ret Min Out22 Smtn 45	October, 2019	October, 2022	Indexed to portfolio of 3 shares	1,610	1,610
Bcp Cabaz Ações Euro Retorno Min.Xii19 Smtn 46	December, 2019	December, 2022	Indexed to portfolio of 3 shares	6,210	6,210
BCP Finance Bank:					
BCP Fin.Bank - EUR 10 M	March, 2004	March, 2024	Fixed rate 5.01%	300	305
Magellan Mortgages n.º 3:					
Mbs Magellan Mortgages S 3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.26%	178,490	165,619
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.38%	921	855
Mbs Magellan Mortgages S. 3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.58%	1,430	1,327
Bank Millennium:					
EBK_011221C	December, 2017	December, 2021	Wibor 6m + 82 bp	54,821	54,819
Bank Millennium - BPW_2021/05	May, 2018	May, 2021	Indexed to Gold Fix Price	1,115	1,115
Bank Millennium - BPW_2021/06A	June, 2018	June, 2021	Indexed to Nasdaq 100 index	2,542	2,542

(continues)

(continuation)

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bank Millennium - BPW_2021/01	January, 2019	January, 2021	Indexed to Facebook shares	7,218	7,218
Bank Millennium - BPW_2021/03	February, 2019	March, 2021	Indexed to Gold Fix Price	4,525	4,525
Bank Millennium - BPW_2021/03A	February, 2019	March, 2021	Indexed to Apple shares	3,071	3,071
Millennium Leasing - G12	February, 2019	February, 2021	Wibor 3m + 80 bp	7,489	7,489
Bank Millennium - BPW_2021/03B	March, 2019	March, 2021	Indexed to DAX index	1,762	1,762
Bank Millennium - BPW_2021/03C	March, 2019	March, 2021	Indexed to Gold Fix Price	5,618	5,618
Bank Millennium - BPW_2021/04	April, 2019	April, 2021	Indexed to Volkswagen shares	1,615	1,615
Bank Millennium - BPW_2021/04A	April, 2019	April, 2021	Indexed to Gold Fix Price	6,164	6,164
Bank Millennium - BPW_2021/05A	May, 2019	May, 2021	Indexed to DAX index	2,038	2,038
Bank Millennium - BPW_2021/05B	May, 2019	May, 2021	Indexed to Gold Fix Price	5,427	5,427
Millennium Leasing - G13	May, 2019	May, 2022	Wibor 3m + 80 bp	8,695	8,695
Bank Millennium - BPW_2021/06	June, 2019	June, 2021	Indexed to NDX index	2,455	2,455
Bank Millennium - BPW_2021/06B	June, 2019	June, 2021	Indexed to NDX index	3,239	3,239
Bank Millennium - BPW_2021/07	July, 2019	July, 2021	Indexed to commodities	2,019	2,019
Bank Millennium - BPW_2021/07A	July, 2019	July, 2021	Indexed to SXAP index	2,600	2,600
					1,384,330
Accruals					4,519
					1,388,849

This balance as at 31 December 2020, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	29,683	27,137	59,438	10,695	–	126,953
Covered bonds	–	–	–	997,765	–	997,765
MTNs	36,377	32,520	–	22,914	–	91,811
Securitisations	–	–	–	–	167,801	167,801
	66,060	59,657	59,438	1,031,374	167,801	1,384,330

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

(Thousands of euros)

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

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Bonds		
Non-Perpetual	1,385,218	1,540,201
Perpetual	—	22,035
	1,385,218	1,562,236
Accruals	19,954	15,470
	1,405,172	1,577,706

As at 31 December 2020, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	5,573
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	3,241
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	2,158
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	300,000	299,016	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	449,688	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.79% +2.30%	153,499	153,499	59,160
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	182,006	182,005	70,147
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	92,268	87,866	4,517
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,385,218	894,796
Accruals					19,954	—
					1,405,172	894,796

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

References:

Interest rate

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5 year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

As at 31 December 2019, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non-Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	28,373
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	16,061
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	9,158
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,042	101
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,210	741
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	51,611	2,635
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,325	1,417
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,668	2,654
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (ii)	300,000	298,742	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (iii)	450,000	441,390	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1.79% +2.30%	164,636	164,636	55,948
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 1.79% + 2.30%	195,211	195,211	66,339
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	96,000	86,222	10,563
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	–
					1,540,201	943,990
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	–
					22,035	–
Accruals					15,470	–
					1,577,706	943,990

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

References:

Date of exercise of the next call option - Dates of the next call options are the dates provided in the Issues Terms and Conditions.

(i) June 2020

Interest rate

(ii) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (iii) Annual interest rate of 3.871%. during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5 year mid-swap rate, for the remaining 5 years, will be applied over the mid-swap rate in force at the beginning of that period).

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

(Thousands of euros)

	2020	2019
Up to 3 months	114,000	37,252
3 to 6 months	99,100	76,936
Up to 1 year	87,866	26,668
1 to 5 years	–	299,322
Over 5 years	1,084,252	1,100,023
Undetermined	–	22,035
	1,385,218	1,562,236
Accruals	19,954	15,470
	1,405,172	1,577,706

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Short selling securities	14,205	47,572
Trading derivatives (note 23):		
Swaps	253,983	274,506
Options	159	1,386
Embedded derivatives	4,426	14,983
Forwards	6,078	5,486
	264,646	296,361
	278,851	343,933
Level 1	218	67
Level 2	257,275	280,944
Level 3	21,358	62,922

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

The balance Financial liabilities held for trading includes, as at 31 December 2020, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 C.5. in the amount of Euros 4,426,000 (31 December 2019: Euros 14,983,000). This note should be analysed together with note 23.

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

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Deposits from customers	258,528	1,720,134
Debt securities at fair value through profit and loss		
Bonds	–	262
Medium term notes (MTNs)	662,016	734,722
	662,016	734,984
Accruals	1	801
	662,017	735,785
Certificates	678,860	745,390
	1,599,405	3,201,309

As at 31 December 2020, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
Bcp Euro Divid Cupão Memoria Iii18-Smtn Sr9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	1,933
Bcp Rend Multi Set Europa Autocallable Smtn11	April, 2018	April, 2021	Indexed to portfolio of 3 shares	1,230	1,225
Millennium Cabaz 3 Ações-Smtn Sr13	June, 2018	June, 2023	Indexed to portfolio of 3 shares	85,847	85,529
Bcp Rend Cabaz Sectorial Autocallable-Smtn Sr15	June, 2018	June, 2021	Indexed to portfolio of 3 shares	1,580	1,566
Bcp Inv Euro Ações Cupão Lock In-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50 index	2,130	2,088
Bcp Tit Div Millennium Cabaz 3 Ações-Smtn Sr17	July, 2018	July, 2023	Indexed to portfolio of 3 shares	15,066	15,315
Bcp Ret Sect Europa Autcallable Vii18-Smtn Sr18	July, 2018	July, 2021	Indexed to portfolio of 3 indexes	1,270	1,262
Bcp Tit Div Millenn Cabaz 3Acoes-Smtn Sr20	September, 2018	September, 2023	Indexed to portfolio of 3 shares	29,390	29,288
Bcp Rendimento Sectores Ix 18- Smtn 22	September, 2018	September, 2021	Indexed to portfolio of 3 indexes	1,070	1,066
Cabaz Multi Sect Europ Autocall Xi18-Smtn 23	October, 2018	October, 2021	Indexed to portfolio of 3 shares	3,910	3,913
Rembol Parc Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indexed to EuroStoxx Telecoms	312	297
Bcp Performance Euro Divid-Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,252
Bcp Tit Divida MillennCabaz 3 Ações-Smtn 25	December, 2018	December, 2023	Indexed to portfolio of 3 shares	95,875	95,914
Bcp Rend Ações Europ Cupão Min Autoc Smtn Sr 32	February, 2019	February, 2022	Indexed to portfolio of 3 shares	8,140	8,198
Bcp Cabaz 3 Ações Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to portfolio of 3 shares	75,288	75,648
Bcp Ações Europa Rend Min Aut Iii19 Smtn 34	March, 2019	March, 2022	Indexed to portfolio of 3 shares	5,650	5,711
Bcp Tit Div Mill Cabaz 3 Ações 8Abr24 Smtn Sr 35	April, 2019	April, 2024	Indexed to portfolio of 3 shares	68,592	68,688
Bcp Tit Div Mill Cabaz 4 Ações Smtn Sr 38	June, 2019	June, 2024	Indexed to portfolio of 4 shares	85,165	85,656
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 42	July, 2019	July, 2024	Indexed to portfolio of 5 shares	78,914	79,046
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 44	December, 2019	December, 2024	Indexed to portfolio of 5 shares	97,836	98,421
					662,016
Accruals					1
					662,017

As at 31 December 2020, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

	2020					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	96,517	158,123	2,660	1,228	–	258,528
Debt securities at fair value through profit and loss						
MTNs	1,933	4,879	7,790	647,414	–	662,016
Certificates	–	–	–	–	678,860	678,860
	98,450	163,002	10,450	648,642	678,860	1,599,404

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

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	318,903	433,281	734,858	233,092	–	1,720,134
Debt securities at fair value through profit and loss						
Bonds	262	–	–	–	–	262
MTNs	–	31,796	3,776	699,150	–	734,722
	262	31,796	3,776	699,150	–	734,984
Certificates	–	–	–	–	745,390	745,390
	319,165	465,077	738,634	932,242	745,390	3,200,508

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Provision for guarantees and other commitments (note 21)	103,830	116,560
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	5,774	7,346
Life insurance	2,020	3,400
For participation in profit and loss	104	216
Other technical provisions	25,921	26,853
Other provisions for liabilities and charges	306,150	190,937
	443,799	345,312

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

(Thousands of euros)

	2020	2019
Balance on 1 January	116,560	187,710
Transfers resulting from changes in the Group's structure (Euro Bank acquisition)	—	172
Other transfers (note 21)	(14,885)	(67,072)
Charge for the year (note 13)	43,204	36,230
Reversals for the year (note 13)	(39,986)	(40,618)
Exchange rate differences	(1,063)	138
Balance at the end of the year	103,830	116,560

As at 31 December 2020, the balance Other transfers included the amount of Euros 14,885,000 (31 December 2019: Euros 64,588,000) corresponding to provisions for guarantees and other commitments, which was transferred to impairment for credit risks due the conversion of guarantees granted into loans and advances to customers.

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

(Thousands of euros)

	2020	2019
Balance on 1 January	190,937	136,483
Transfers resulting from changes in the Group's structure	(50)	—
Transfers	41	2,447
Charge for the year (note 13)	238,181	65,239
Reversals for the year (note 13)	(3,107)	(3,367)
Amounts charged-off	(115,303)	(10,627)
Exchange rate differences	(4,549)	762
Balance at the end of the year	306,150	190,937

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

This balance includes provisions for contingencies in the sale of Millennium Bank (Greece) in the amount of Euros 23,507,000 and for lawsuits, frauds and tax contingencies. During 2020, the provisions constituted to cover tax contingencies totalled Euros 62,720,000 (31 December 2019: Euros 70,531,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

As at 31 December 2020, this balance also includes the amount of PLN 524,291,000 corresponding to Euros 114,969,000 (31 December 2019: PLN 223,134,000 corresponding to Euros 52,480,000) which refers to provisions for legal risk accounted for by Bank Millennium, related to FX-indexed mortgages, as described in note 57. Under this scope, Bank Millennium allocated to Loans and advances to customers portfolio the amount of PLN 435,755,000 corresponding to Euros 95,554,000, which is reflected in the balance Amounts charged-off in 2020. As at 31 December 2020, the Loans and advances to customers portfolio in CHF has a net amount of approximately Euros 3,145,541,000 (31 December 2019: Euros 3,439,430,000).The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Creditors:		
Associated companies	98	190
Suppliers	31,718	44,627
From factoring operations	40,045	35,948
For futures and options transactions	6,852	11,039
For direct insurance and reinsurance operations	12,636	3,350
Deposit account and other applications	38,701	60,339
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	14,481	15,014
Rents to pay	238,868	281,072
Other creditors		
Residents	30,691	29,774
Non-residents	55,953	61,564
Negative equity in associated companies	—	278
Holidays, subsidies and other remuneration payable	54,645	59,420
Interests and other amounts payable	142,747	151,170
Operations to be settled - foreign, transfers and deposits	94,594	288,281
Amounts payable on trading activity	51,158	89,003
Other administrative costs payable	4,438	5,153
Deferred income	8,593	10,846
Loans insurance received and to amortised	79,322	74,712
Public sector	32,292	38,037
Other liabilities	165,820	182,408
	1,103,652	1,442,225

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 4,153,000 (31 December 2019: Euros 5,543,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees and the amount of Euros 3,733,000 (31 December 2019: Euros 3,733,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 50.

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

The Group has several operating leases for properties, being registered in the item Rents to pay the amount of lease liabilities recognised under IFRS 16, as described in the accounting policy 1 H and in note 59. The analysis of this balance, by maturity, is as follows:

(Thousands of euros)

	2020	2019
Until 1 year	25,305	26,473
1 to 5 years	92,175	97,590
Over 5 years	130,552	168,361
	248,032	292,424
Accrued costs recognised in Net interest income	(9,164)	(11,352)
	238,868	281,072

40. Share capital, Preference shares and Other equity instruments

The Bank's share capital, as at 31 December 2020, amounts to Euros 4,725,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

As at 31 December 2020, the share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 2020, the balance Other equity instruments, in the amount of Euros 400,000,000 corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each.

As at 31 December 2020, the shareholders who individually or jointly hold 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,523,384,503	29.93%	29.93%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	423,574,988	2.80%	2.80%
EDP Pension Fund (**)	311,616,144	2.06%	2.06%
Total Qualified Shareholdings	8,204,929,549	54.28 %	54.28 %

(*) In accordance with the announcement on 26 November 2020 (last information available).

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

The Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as Additional Tier 1 core capital instrument, in the amount of Euros 400,000,000. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E.

This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

41. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the appropriation of net income for the 2019 financial year approved at the General Shareholders' Meeting held on 20 May 2020, the Bank increased its legal reserve in the amount of Euros 13,929,000. Thus, as at 31 December 2020, the Legal reserves amount to Euros 254,464,000 (31 December 2019: Euros 240,535,000).

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

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

42. Treasury shares

This balance is analysed as follows:

	2020			2019		
	Net book value (Euros '000)	Number of securities	Average book value (Euros)	Net book value (Euros '000)	Number of securities	Average book value (Euros)
Banco Comercial Português, S.A. shares	40	323,738	0.12	65	323,738	0.20
Other treasury stock	—			37		
Total	40			102		

As at 31 December 2020, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2019: 323,738 shares) owned by clients. Since for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by the Commercial Companies Code.

As at 31 December 2020, regarding treasury shares owned by associated companies of the BCP Group, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. owns 142,601,002 BCP shares (31 December 2019: 142,601,002 shares), in the amount of Euros 17,568,000 (31 December 2019: Euros 28,891,000), according to note 51.

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	205,592	78,849
Equity instruments	(38,366)	(33,913)
Of associated companies and other changes	42,685	29,205
Cash-flow hedge	265,487	153,330
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	593	132
	475,991	227,603
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(60,662)	(22,724)
Equity instruments	6,581	3,797
Cash-flow hedge	(83,698)	(48,398)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(186)	(41)
	(137,965)	(67,366)
	338,026	160,237
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(70,614)	(33,084)
BIM - Banco International de Moçambique, S.A.	(229,851)	(150,976)
Banco Millennium Atlântico, S.A.	(172,450)	(143,476)
Others	2,403	2,528
	(470,512)	(325,008)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	37,611	38,813
Others	(3,965)	(3,965)
	33,646	34,848
Other reserves and retained earnings	741,237	565,746
	642,397	435,823

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

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

During 2020, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	Balance as at 1 January 2020	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2020
Financial assets at fair value through other comprehensive income (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	39,110	26,390	79,604	1,824	(56,317)	90,611
Others	39,739	109,522	(13,710)	8,536	(29,106)	114,981
	78,849	135,912	65,894	10,360	(85,423)	205,592
Equity instruments	(33,913)	(9,794)	—	—	5,341	(38,366)
Associated companies and others						
Millenniumbcp Ageas	26,268	10,292	—	—	—	36,560
Others	2,937	3,188	—	—	—	6,125
	29,205	13,480	—	—	—	42,685
	74,141	139,598	65,894	10,360	(80,082)	209,911

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

(Thousands of euros)

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

The item Disposals refers to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Fair value changes		
Debt instruments	29,268	10,538
Equity instruments	3,066	3,337
Cash-flow hedge	(4,860)	(3,286)
Other	10	38
	27,484	10,627
Deferred taxes		
Debt instruments	(5,543)	(1,994)
Equity instruments	(588)	(634)
Cash-flow hedge	923	624
	(5,208)	(2,004)
	22,276	8,623
Exchange differences arising on consolidation	(212,897)	(101,914)
Actuarial losses (net of taxes)	59	178
Other reserves and retained earnings	1,355,528	1,354,637
	1,164,966	1,261,524

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	2020	2019	2020	2019
Bank Millennium, S.A.	994,741	1,049,395	2,554	65,141
BIM - Banco International de Moçambique, SA (*)	139,590	180,278	22,935	34,614
Other subsidiaries	30,635	31,851	(136)	(358)
	1,164,966	1,261,524	25,353	99,397

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

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

(Thousands of euros)

	Bank Millennium Group		BIM - Banco International de Moçambique Group	
	2020	2019	2020	2019
Total income	984,236	1,074,244	267,779	324,311
Net profit for the year	5,119	130,543	66,823	99,486
Net profit for the year attributable to the shareholders	2,565	65,402	44,561	66,343
Net profit for the year attributable to non-controlling interests	2,554	65,141	22,262	33,143
Other comprehensive income attributable to the shareholders	(57,098)	10,551	(79,451)	1,425
Other comprehensive income attributable to non-controlling interests	(56,871)	10,508	(39,668)	712
Total comprehensive income	(108,850)	151,602	(52,296)	101,623
Balance sheet				
Financial assets	20,967,609	22,593,994	1,854,623	2,120,457
Non-financial assets	472,161	468,044	179,755	213,856
Financial liabilities	(18,819,580)	(20,375,566)	(1,529,173)	(1,696,897)
Non-financial liabilities	(626,686)	(583,476)	(93,270)	(105,067)
Equity	1,993,504	2,102,996	411,935	532,349
Equity attributed to the shareholders	998,763	1,053,601	274,701	354,999
Equity attributed to the non-controlling interests	994,741	1,049,395	137,234	177,350
Cash flows arising from:				
operating activities	(688,025)	(134,219)	49,472	78,251
investing activities	446,415	(214,636)	(13,170)	(31,003)
financing activities	(233,436)	168,249	(23,464)	(47,490)
Net increase / (decrease) in cash and equivalents	(475,046)	(180,606)	12,838	(242)
Dividends paid during the year:				
attributed to the shareholders	–	–	44,965	29,834
attributed to the non-controlling interests	–	–	22,463	14,904
	–	–	67,428	44,738

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Guarantees granted		
Guarantees	3,958,676	4,298,837
Stand-by letter of credit	56,990	52,447
Open documentary credits	251,221	237,828
Bails and indemnities	137,135	137,695
	4,404,022	4,726,807
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	4,955,454	3,999,502
Securities subscription	75,362	83,842
Other irrevocable commitments	117,175	115,247
Revocable commitments		
Revocable credit lines	5,327,914	4,897,405
Bank overdraft facilities	982,992	566,525
Other revocable commitments	170,206	108,905
	11,629,103	9,771,426
Guarantees received	27,133,779	27,225,242
Commitments from third parties	12,947,778	10,262,135
Securities and other items held for safekeeping	78,055,537	69,128,000
Securities and other items held under custody by the Securities Depository Authority	83,866,357	67,072,528
Other off-balance sheet accounts	125,337,843	126,060,542

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 38).

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

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

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

46. Assets under management and custody

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

(Thousands of euros)

	2020	2019
Banco Comercial Português, S.A. (*)	2,901,172	2,610,678
Banque Privée BCP (Suisse) S.A.	1,422,503	1,286,759
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	809,501	782,602
Millennium TFI S.A.	1,001,679	1,065,256
	6,134,855	5,745,295

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

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

The total assets under management and custody by the Group companies are analysed as follows:

(Thousands of euros)

	2020	2019
Assets under deposit	70,143,736	61,085,200
Wealth management	3,325,516	3,004,260
Investment funds	2,809,339	2,741,035
	76,278,591	66,830,495

47. Transfers of assets

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

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

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

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

The value of the junior securities is equivalent to the difference between the fair value that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

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

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During 2020 and 2019, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 31 December 2020 and 2019, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 31 December 2020, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2020			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	277,351	33,134	–	310,485
Impairment and other fair value adjustments	(89,962)	(33,134)	–	(123,096)
	187,389	–	–	187,389
Fundo Reestruturação Empresarial FCR				
Gross value	65,609	–	33,280	98,889
Impairment and other fair value adjustments	(40,396)	–	(33,280)	(73,676)
	25,213	–	–	25,213
FLIT-PTREL				
Gross value	249,007	38,154	–	287,161
Impairment and other fair value adjustments	(24,898)	(38,154)	–	(63,052)
	224,109	–	–	224,109
Fundo Recuperação FCR				
Gross value	188,262	80,696	–	268,958
Impairment and other fair value adjustments	(106,978)	(80,696)	–	(187,674)
	81,284	–	–	81,284
Fundo Aquarius FCR				
Gross value	127,138	–	–	127,138
Impairment and other fair value adjustments	(11,012)	–	–	(11,012)
	116,126	–	–	116,126
Discovery Real Estate Fund				
Gross value	157,057	–	–	157,057
Impairment and other fair value adjustments	(4,193)	–	–	(4,193)
	152,864	–	–	152,864
Fundo Vega FCR				
Gross value	48,075	80,437	–	128,512
Impairment and other fair value adjustments	(7,084)	(80,437)	–	(87,521)
	40,991	–	–	40,991
Total Gross value	1,112,499	232,421	33,280	1,378,200
Total impairment and other fair value adjustments	(284,523)	(232,421)	(33,280)	(550,224)
	827,976	–	–	827,976

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

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 31 December 2020, corresponds to the estimated NAV with reference to that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Limited Audit Reports available (with reference to 30 June 2020 for 5 funds), includes a related emphasis such as the impacts and uncertainties of COVID-19 (for 4 funds), a limitation reserve whose potential negative impact was considered in the valuation reflected in the consolidated accounts as of 31 December 2020 and to 30 June 2020 and the latest Audit reports available with reference to 31 December 2019 for 2 funds, which include an emphasis related to COVID-19 impacts and uncertainties (for 1 fund) and without reservations; (ii) the funds are subject to supervision by the competent authorities. Additionally, the Group has no intention to sell these assets for a lower value than the respective NAV.

As a result of the consideration of the final NAVs as at 31 December 2020, the Group recognised a negative impact of Euros 72,370,000 under the balance Gains / (losses) in financial operations at fair value through profit or loss. It should be noted that as a result of consideration of the NAV estimates as at 30 June 2020, the Group had recognised, a negative impact of Euro 67,500,000 on this balance.

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

(Thousands of euros)

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

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

The book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 31 December 2019, corresponds to the NAV at that date. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available (with reference to 31 December 2018 for 2 funds and Limited Revision Report with reference to 30 June 2019 for 5 funds), do not present any reservations except for Fundo de Reestruturação Empresarial whose Limited Review Report of 30 June 2019 includes a reserve by scope limitation whose potential negative impact was considered in the valuation reflected in the consolidated accounts as at 31 December 2019; (ii) the funds are subject to supervision by the competent authorities.

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

(Thousands of euros)

	2020			2019		
	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	277,351	14,649	292,000	276,246	15,754
Fundo Reestruturação Empresarial FCR	55,115	50,028	5,087	74,263	67,409	6,854
FLIT-PTREL	242,889	242,889	—	241,358	241,358	—
Fundo Recuperação FCR	206,805	188,262	18,543	206,805	187,742	19,063
Fundo Aquarius FCR	142,627	127,138	15,489	156,100	139,148	16,952
Discovery Real Estate Fund	158,214	158,214	—	156,121	156,121	—
Fundo Vega FCR	49,616	46,601	3,015	49,616	46,601	3,015
	1,147,266	1,090,483	56,783	1,176,263	1,114,625	61,638

In 31 December 2020, there are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of Euros 16,696,000 and Euros 1,884,000, respectively (31 December 2019: Euros 18.227.000 and Euros 3.977.000, respectively).

Additionally, are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2020	2019
Loans and advances to customers	146,252	232,892
Guarantees granted and irrevocable credit lines	40,792	49,327
Gross exposure	187,044	282,219
Impairment	(55,227)	(88,337)
Net exposure	131,817	193,882

48. Relevant events occurred during 2020

COVID-19

The year of 2020 was marked by the spread of the COVID-19 disease on a global scale after the first cases of SARS-CoV-2 (Coronavirus) infection were detected in China, still in late 2019, leading to the declaration of a pandemic by the World Health Organization on 11 March 2020. The immediate impacts of this pandemic have reached an unprecedented dimension in the alert situation created, in the exhaustion of health systems and in the severe containment and combat measures implemented in several countries.

In this context, the Bank adopted a set of pre-established initiatives designed to protect human lives and maintain business activity, which include those recommended by the health authorities, work from home, the segregation of primary and back-up staff for various tasks, in an effort to maximise organizational resilience.

The financial statements have been prepared on a going concern basis, since it is considered that the Bank has the adequate resources to continue operations and business in the foreseeable future. The evaluation was based on a wide range of information related to current and future conditions, but the COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into consideration the impact on the operations, on its profitability, capital and liquidity. The impact of COVID-19 Pandemic is presented in note 61.

Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on 20 May 2020, exclusively through electronic means, with 61.31% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2019, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profit regarding the 2019 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the remuneration policy of Members of Management and Supervisory Bodies;

Item Five – Approval of the acquisition and sale of own shares and bonds;

Item Six – Re-appointment of the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., for the four-year term of office 2020/2023.

Appropriation of profits for the 2019 financial year

In accordance with the Companies Code, and with the Bank's articles of association, was deliberated in the Annual General Meeting of Shareholders of 20 May 2020, that the year-end results amounting to Euros 139,296,016.59, be applied as follows:

a) For the reinforcement of legal reserve, Euros 13,929,601.66;
b) to be distributed to employees Euros 5,281,000.00;
c) Euros 120,085,414.93, that is, the remaining, to Retained Earnings.

Rating evaluation

Long-term issuer rating reaffirmed by Fitch Ratings at BB and its intrinsic rating at bb, the long-term outlook was reviewed from positive to negative, based on the uncertainty associated with the coronavirus.

It was attributed the BB- rating to the Bank's senior non-preferred debt and the B+ rating to Tier 2 debt, according to its new bank rating methodology.

It was assigned the BB+ / B rating to deposits, a level above the long-term IDR, reflecting its view of a higher level of protection for depositors.

Long-term issuer rating reaffirmed by Standard & Poor's at BB and its intrinsic rating at bb, the long-term outlook was revised from positive to stable, based on the uncertainty associated with the coronavirus.

Amend of the terms and conditions of the Covered Bonds

On 21 April, Banco Comercial Português, SA changed the conditions relating to the issue of Mortgage Bonds with ISIN PTBCQLOE0036, namely the amount of said issue from Euros 2,000,000,000 to Euros 4,000,000,000, with the objective of increasing the portfolio of assets eligible for discount with the ECB.

Decision of not to continue the legal proceeding before the General Court of the European Union regarding its approval of the Contingent Capitalisation Mechanism of Novo Banco.

In 9 September 2020, Banco Comercial Português, S.A. ("BCP") informs that it has decided not to continue the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the Contingent Capitalisation Mechanism ("MCC") of Novo Banco.

Two factors were particularly important in this decision:

- Firstly, the recognition that the goal of preserving the stability of the national financial system, especially relevant in the current pandemic, is of crucial importance, with the risk that such stability may be affected by a decision by European bodies that indirectly could challenge the sale process of Novo Banco, unlike the position held by BCP, which has always only challenged the MCC;

- Secondly, as there is now greater evidence and public awareness that the current model for compensating losses of Novo Banco, through the MCC supported by the National Resolution Fund, places Portuguese banks - those that support most the recovery of Portugal's economy - in a disadvantage and in an unsustainable position vis-à-vis financial institutions not based but operating in Portugal, BCP maintains the legitimate expectation that a funding model for the National Resolution Fund will be found which, without penalising Portuguese taxpayers, ensures a fair competition and safeguards the competitiveness of the financial institutions operating in the Portuguese market.

Minimum prudential requirements

Banco Comercial Português, S.A. (BCP) hereby informs that, under the context of the Supervisory Review and Evaluation Process (SREP), it has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 January 2021. In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII). All requirements were kept unchanged at the value of 2020.

The ECB's decision prescribes the following minimum ratios as a percentage of total risk weighted assets (RWA) from 1 January 2021:

	Minimum capital requirements							
		of which:				of which:		
BCP Consolidated	Phased-in 2021	Pilar 1	Pilar 2	*Buffers*	Fully implemented	Pilar 1	Pilar 2	*Buffers*
CET1	8.83 %	4.50 %	1.27 %	3.06 %	9.27 %	4.50 %	1.27 %	3.50 %
T1	10.75 %	6.00 %	1.69 %	3.06 %	11.19 %	6.00 %	1.69 %	3.50 %
Total	13.31 %	8.00 %	2.25 %	3.06 %	13.75 %	8.00 %	2.25 %	3.50 %

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.563%). BCP was granted an additional year (1 January 2023) for the gradual fulfillment of the future O-SII reserve requirement of 1.00%, as communicated by Banco de Portugal on its website on 8 May 2020.

49. Fair value

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

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

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -0.5% as at 31 December 2020 (31 December 2019: -0.4%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

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

Loans and advances to customers with defined maturity date

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

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

Resources from customers and other loans

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

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	2020	2019	2020	2019	2020	2019	2020	2019
EUR	0.53%	0.66%	1.84%	2.26%	0.17%	0.57%	-0.17%	-0.08%
AOA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.29%	1.17%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.59%	2.05%
CHF	n.a.	n.a.	2.20%	2.30%	n.a.	n.a.	-0.37%	-0.45%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.35%	2.64%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.12%	-0.29%
GBP	n.a.	0.83%	3.19%	3.88%	n.a.	n.a.	0.22%	0.94%
HKD	n.a.	n.a.	0.43%	n.a.	n.a.	n.a.	0.07%	2.99%
MOP	n.a.	n.a.	0.37%	2,29%	n.a.	n.a.	0.43%	2.35%
MZN	11.36%	n.a.	11.48%	15.81%	n.a.	n.a.	6.39%	9.66%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.79%	2.08%
PLN	-0.13%	1.60%	4.51%	5.73%	0.10%	1.31%	0.10%	1.55%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.29%	0.44%
USD	0.68%	2.13%	1.40%	3.45%	0.58%	1.93%	0.05%	1.62%
ZAR	6.77%	7.20%	9.55%	11.58%	n.a.	n.a.	1.79%	3.72%

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

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

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

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

Financial assets measured at amortised cost - Debt securities

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

Hedging and trading derivatives

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

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

Debt securities non subordinated issued and subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate remunerated instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised. For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

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

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

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	2020			2019		
	EUR	PLN	USD	EUR	PLN	USD
Placed in the institutional market						
Subordinated	5.53%	0.14%	–	5.05%	–	–
Senior	1.57%	–	–	0.04%	–	–
Covered bonds	-0.03%	–	–	-0.01%	–	–
Placed in retail						
Subordinated	1.90%	–	–	3.88%	–	–
Senior and collateralised	-0.10%	0.84%	0.00%	0.10%	1.99%	2.37%

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 20,513,000 (31 December 2019: a positive amount of Euros 29,017,000) and includes a payable amount of Euros 4,426,000 (31 December 2019: a payable amount of Euros 13,726,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading (note 23 and 36).

The following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	2020				2019			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.55%	0.33%	0.09%	0.04%	-0.47%	1.73%	0.73%	1.45%
7 days	-0.54%	0.34%	0.09%	0.04%	-0.47%	1.70%	0.74%	1.45%
1 month	-0.54%	0.31%	0.11%	0.10%	-0.47%	1.75%	0.75%	1.53%
2 months	-0.53%	0.30%	0.11%	0.10%	-0.44%	1.79%	0.80%	1.57%
3 months	-0.52%	0.30%	0.12%	0.11%	-0.43%	1.81%	0.83%	1.61%
6 months	-0.49%	0.32%	0.15%	0.15%	-0.38%	1.84%	0.90%	1.69%
9 months	-0.47%	0.34%	0.17%	0.15%	-0.35%	1.86%	0.93%	1.70%
1 year	-0.52%	0.19%	0.18%	0.14%	-0.32%	1.75%	0.97%	1.70%
2 years	-0.52%	0.20%	0.03%	0.21%	-0.29%	1.67%	0.80%	1.75%
3 years	-0.51%	0.24%	0.09%	0.32%	-0.24%	1.65%	0.82%	1.75%
5 years	-0.46%	0.43%	0.19%	0.61%	-0.12%	1.70%	0.88%	1.79%
7 years	-0.38%	0.65%	0.28%	0.83%	0.02%	1.76%	0.94%	1.82%
10 years	-0.27%	0.92%	0.40%	1.09%	0.21%	1.86%	1.02%	1.87%
15 years	-0.07%	1.18%	0.52%	1.47%	0.47%	1.97%	1.10%	1.98%
20 years	0.01%	1.31%	0.57%	1.57%	0.60%	2.02%	1.12%	2.07%
30 years	-0.03%	1.40%	0.57%	1.57%	0.63%	2.05%	1.11%	2.07%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2020:

(Thousands of euros)

	2020				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	5,303,864	5,303,864	5,303,864
Loans and advances to credit institutions repayable on demand	–	–	262,395	262,395	262,395
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	1,015,087	1,015,087	1,006,561
Loans and advances to customers (i)	–	–	52,120,815	52,120,815	51,616,636
Debt securities	–	–	6,234,545	6,234,545	6,320,581
Financial assets at fair value through profit or loss					
Financial assets held for trading	1,031,201	–	–	1,031,201	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	1,315,467	–	–	1,315,467	1,315,467
Financial assets designated at fair value through profit or loss					
Financial assets at fair value through other comprehensive income	–	12,140,392	–	12,140,392	12,140,392
Hedging derivatives (ii)	91,249	–	–	91,249	91,249
	2,437,917	12,140,392	64,936,706	79,515,015	79,088,346
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	8,898,759	8,898,759	8,899,871
Resources from customers (i)	–	–	63,000,829	63,000,829	63,008,920
Non subordinated debt securities issued (i)	–	–	1,388,849	1,388,849	1,409,362
Subordinated debt (i)	–	–	1,405,172	1,405,172	1,419,565
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	278,851	–	–	278,851	278,851
Financial liabilities designated at fair value through profit or loss	1,599,405	–	–	1,599,405	1,599,405
Hedging derivatives (ii)	285,766	–	–	285,766	285,766
	2,164,022	–	74,693,609	76,857,631	76,901,740

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

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

(Thousands of euros)

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

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

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13. The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

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

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

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

Level 2 - Valuation methods and techniques based on market data

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

i) - Failure to comply with the rules defined for level 1, or;

ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

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

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

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

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

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

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

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2020:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	5,303,864	–	–	5,303,864
Loans and advances to credit institutions repayable on demand	262,395	–	–	262,395
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	1,006,561	1,006,561
Loans and advances to customers	–	–	51,616,636	51,616,636
Debt securities	3,852,938	475,237	1,992,406	6,320,581
Financial assets at fair value through profit or loss				
Financial assets held for trading	481,107	258,821	291,273	1,031,201
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	1,315,467	1,315,467
Financial assets at fair value through other comprehensive income	11,764,197	215,818	160,377	12,140,392
Hedging derivatives	–	91,249	–	91,249
	21,664,501	1,041,125	56,382,720	79,088,346
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	8,899,871	8,899,871
Resources from customers	–	–	63,008,920	63,008,920
Non subordinated debt securities issued	–	–	1,409,362	1,409,362
Subordinated debt	–	–	1,419,565	1,419,565
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	218	257,275	21,358	278,851
Financial liabilities designated at fair value through profit or loss	678,860	–	920,545	1,599,405
Hedging derivatives	–	285,766	–	285,766
	679,078	543,041	75,679,621	76,901,740

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

(Thousands of euros)

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

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during 2020 is presented as follows:

(Thousands of euros)

	2020			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	307,962	1,405,513	108,571	15,350
Gains / (losses) recognised in profit or loss				
Results on financial operations	(1,493)	(72,884)	–	(10,362)
Net interest income	–	15,690	–	–
Transfers between levels	151	–	7,073	2,763
Purchases / (Sales, repayments or amortisations)	(15,347)	(5,766)	52,391	(598)
Gains / (losses) recognised in reserves	–	–	(7,155)	–
Exchange differences	–	(27,086)	(844)	–
Accruals of interest	–	–	341	–
Balance as at 31 December	291,273	1,315,467	160,377	7,153

(*) Do not include short sales in the amount of Euros 14,205,000 (note 36).

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

(Thousands of euros)

	2019			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	308,153	1,404,684	27,786	8,900
Gains / (losses) recognised in profit or loss				
Results on financial operations	2,210	(13,620)	–	6,428
Net interest income	–	26,968	–	–
Transfers between portfolios	(4,059)	–	–	–
Transfers between levels	(3,378)	–	83,815	(14)
Purchases / (Sales, repayments or amortisations)	5,036	(15,743)	(6,733)	36
Gains / (losses) recognised in reserves	–	–	3,519	–
Exchange differences	–	3,224	82	–
Accruals of interest	–	–	102	–
Balance as at 31 December	307,962	1,405,513	108,571	15,350

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

50. Post-employment benefits and other long-term benefits

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

As at 31 December 2020 and 2019, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2020	2019
Pensioners	17,011	16,959
Former Attendees Acquired Rights	3,282	3,258
Employees	7,138	7,340
	27,431	27,557

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

(Thousands of euros)

	2020	2019
Actual amount of the past services		
Pensioners	2,432,628	2,310,799
Former attendees acquired rights	246,981	224,004
Employees	977,918	955,538
	3,657,527	3,490,341
Pension fund value	(3,750,567)	(3,500,869)
Net (assets) / liabilities in balance sheet (note 31)	(93,040)	(10,528)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,663,509	3,574,864

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 31 December 2020 amounts to Euros 285,422,000 (31 December 2019: Euros 289,733,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

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

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

At the end of 2019, the Bank started a negotiation process with the Unions for the full revision of the Collective Bargaining Agreements, with work continuing to take place during the first months of 2020, until they were interrupted in March, in view of the constraints imposed by the pandemic. In June, negotiations with the Unions resumed, following the proposals in the meantime received, regarding the 2020 update of the Salary Tables and other clauses of pecuniary expression of the Collective Labour Agreements under negotiation, the Bank formally presented on 3 July 2020, a counter-proposal to the Unions to update them by 0.30%, in line with the variation recorded in 2019 in the Consumer Price Index, according to official information from the National Statistics Institute.

Following the negotiation meetings held in the meantime with the Unions, the Bank agreed, on 30 July 2020, with "SNQTB - Sindicato Nacional dos Quadros e Técnicos Bancários", "SIB - Sindicato Independente da Banca" and "SBN - Sindicato Bancários do Norte", meanwhile renamed to "SBN - Sindicato dos Trabalhadores do Sector Financeiro de Portugal", the updating of the Bank's Wage Tables and Contributions for SAMS in 2020 by 0.30%, and the increase in other clauses of monetary expression, such as subsidy lunch, seniority, among others. The agreed updates will take effect on 1 January 2020, with the exception of remunerations related to subsistence allowances and travel, which will be updated after the operationalization of the agreed updates

With regard to the remaining unions subscribing to the Group's Collective Labour Agreements, that is, SBSI – Sindicato Bancários Sul e Ilhas, meanwhile renamed to Mais Sindicato do Sector Financeiro, and SBC – Sindicato Bancários do Centro, during September, a platform of understanding was reached with them, embodied in an agreement in principle to the salary update agreed with the other unions, which allowed its application to all the Bank's employees in the salary processing of September 2020, regardless of their union affiliation. In September, negotiations were resumed with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of their respective Clauses. The publication of the said Agreements with the respective Unions in the Labour and Employment Bulletin is in progress.

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

(Thousands of euros)

	2020	2019
Balance as at 1 January	3,490,341	3,065,723
Service cost	(15,235)	(15,372)
Interest cost / (income)	49,847	57,755
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	30,841	99,969
Related to changes in assumptions	197,943	367,125
Payments	(115,901)	(111,339)
Early retirement programmes and terminations by mutual agreement	11,799	18,375
Contributions of employees	7,892	8,105
Balance at the end of the year	3,657,527	3,490,341

As at 31 December 2020, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 115,901,000 (31 December 2019: Euros 111,339,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 335,401,000 as at 31 December 2020 (31 December 2019: Euros 327,573,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2020 amounts to Euros 41,018,000 (31 December 2019: Euros 58,039,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

During 2020 and 2019, the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2020	2019
Balance as at 1 January	3,500,869	3,078,430
Contributions to the Fund	173,594	290,000
Employees' contributions	7,892	8,105
Actuarial gains / (losses)	140,139	181,759
Payments	(115,901)	(111,339)
Expected return on plan assets	43,548	53,231
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	426	683
Balance at the end of the year	3,750,567	3,500,869

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

(Thousands of euros)

	2020			2019		
Asset class	**Assets with market price in active market**	**Remaining**	**Total Portfolio**	**Assets with market price in active market**	**Remaining**	**Total Portfolio**
Shares	420,572	105,095	525,667	303,434	111,902	415,336
Bonds and other fixed income securities	1,934,823	4,608	1,939,431	1,745,335	4,405	1,749,740
Participations units in investment funds	–	398,740	398,740	–	550,732	550,732
Participation units in real estate funds	–	261,574	261,574	–	266,222	266,222
Properties	–	239,844	239,844	–	245,392	245,392
Loans and advances to credit institutions and others	–	385,312	385,312	–	273,447	273,447
	2,355,395	1,395,173	3,750,568	2,048,769	1,452,100	3,500,869

The balance Shares includes an investment of 2.61% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2020 amounts to Euros 103,642,000 (31 December 2019: Euros 110,459,000). This valuation was determined by the Management Company based on the last independent valuation carried out by Achmea solicitation.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which, as at 31 December 2020, amounts to Euros 239,844,000 (31 December 2019: Euros 245,392,000).

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

(Thousands of euros)

	2020	2019
Loans and advances to credit institutions and others	413,238	26,534
Bonds and other fixed income securities	12,230	12,278
	425,468	38,812

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

(Thousands of euros)

	2020	2019
Balance as at 1 January	(10,528)	(12,707)
Recognised in the income statement:		
Service cost	(15,235)	(15,372)
Interest cost / (income) net of the balance liabilities coverage	6,299	4,524
Cost with early retirement programs	11,799	18,375
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(683)
	2,437	6,844
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(140,139)	(181,759)
Difference between expected and effective obligations	30,841	99,969
Arising from changes in actuarial assumptions	197,943	367,125
	88,645	285,335
Contributions to the fund	(173,594)	(290,000)
Balance at the end of the year	(93,040)	(10,528)

The estimated contributions to be made in 2021, by the employees, for the Defined Benefit Plan amount to Euros 7,557,000.

In accordance with IAS 19, during 2020 and 2019, the Group registered cost/(income) with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2020	2019
Current service cost	(15,235)	(15,372)
Net interest cost in the liability coverage balance	6,299	4,524
Cost with early retirement programs	11,799	18,375
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(683)
(Income) / Cost of the year	2,437	6,844

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

Board of Directors Plan

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

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised as at 31 December 2020 a provision of Euros 3,733,000 (31 December 2019: Euros 3,733,000).

Considering the market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2020	2019
Salary growth rate	0.75 %	0.75 %
Pensions growth rate	0.5 %	0.5 %
Discount rate / Projected Fund's rate of return	1.05 %	1.4 %
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90-3 years	TV 88/90-3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 5 months	66 years and 5 months
Total salary growth rate for Social Security purposes	1.75 %	1.75 %
Revaluation rate of wages / pensions of Social Security	1 %	1 %

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2020, it is 66 years and 5 months (2019: 66 years and 5 months) and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the actuarial calculation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor it was used a maximum age of 67 years and 2 months.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis performed over the market yield of a bond portfolio issues with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities), denominated in Euros and related to a sundry and representative range of issuers. With reference to 31 December 2020, the Group used a discount rate of 1.05% (31 December 2019: 1.4%).

As at 31 December 2020 and 2019, the Actuarial losses are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2020		2019	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		30,841		99,969
Changes on the assumptions:				
Discount rate		197,943		367,125
Deviation between expected income and income from funds	5.77%	(140,139)	8.13%	(181,759)
		88,645		285,335

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2020		2019	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	152,812	(143,761)	146,426	(137,734)
Pension's increase rate	(158,701)	167,405	(154,939)	164,454
Salary growth rate	(40,905)	44,341	(36,297)	45,536

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2020		2019	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	138,611	(137,599)	125,716	(125,224)

(*) The impact of 1 year reduction in the mortality table implies an increase in the average life expectancy

Defined contribution plan

According to what is described in accounting policy 1 S3), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during 2020 and 2019, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) the previous year BCP's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. The Group accounted as staff costs in 2020 the amount of Euros 218,000 (2019: Euros 183,000) related to this contribution.

51. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 62 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties, people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

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

According to Portuguese law, namely under Article no. 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 40.

A) Balances and transactions with qualified shareholders

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

(Thousands of euros)

	2020	2019
Assets		
Financial assets at amortised cost		
Loans and advances to customers	79,467	105,254
Debt instruments	137,685	159,160
Financial assets at fair value through profit or loss		
Financial assets held for trading	5,243	5,525
Financial assets at fair value through other comprehensive income	134,527	108,361
Others	53	53
	356,975	378,353
Liabilities		
Resources from customers	307,631	121,570
	307,631	121,570

Loans and advances to customers are net of impairment in the amount of Euros 526,000 (31 December 2019: Euro 288,000).

During 2020 and 2019, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2020	2019
Income		
Interest and similar income	11,903	12,547
Commissions	8,812	5,447
	20,715	17,994
Costs		
Interest and similar expenses	2	8
Commissions	85	175
	87	183

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

(Thousands of euros)

	2020	2019
Guarantees granted	44,173	99,792
Revocable credit lines	66,248	67,500
Irrevocable credit lines	151,000	150,000
	261,421	317,292

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

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

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	2020	2019	2020	2019
Board of Directors				
Non-executive directors	3	2	5,540	7,892
Executive Committee (*)	78	107	937	631
Closely related people	259	277	1,575	419
Controlled entities	–	–	31	30
Key management members				
Key management members	6,921	6,066	8,856	8,744
Closely related people	838	933	4,306	3,272
Controlled entities	8	12	2,298	1,801
	8,107	7,397	23,543	22,789

(*) The item Loans to Customers corresponds to mortgage loans granted prior to the respective election and to the amount used from private credit cards which must be settled on the maturity date.

In accordance with Article 85, no. 9, of RGICSF, in the year of 2020 no credits were attributed.

During 2020 and 2019, the transactions with related parties discriminated in the following table, included in income items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2020	2019	2020	2019
Board of Directors				
Non-executive directors	–	–	37	21
Executive Committee	–	–	8	14
Closely related people	–	–	4	5
Key management members				
Key management members	26	43	47	37
Closely related people	12	10	38	35
Controlled entities	–	–	9	8
	38	53	143	120

During 2020 and 2019, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2020	**2019**	**2020**	**2019**
Board of Directors				
Non-executive directors	111	172	–	1
Key management members				
Key management members	9	19	1	1
Closely related people	1	2	1	1
Controlled entities	–	1	2	2
	121	194	4	5

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

(Thousands of euros)

	Revocable credit lines	
	2020	**2019**
Board of Directors		
Non-executive directors	47	39
Executive Committee (*)	162	157
Closely related people	39	37
Key management members		
Key management members	799	748
Closely related people	226	176
Controlled entities	22	20
	1,295	1,177

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

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

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Fixed remuneration	3,055	3,055	1,910	1,859	6,803	6,675
Variable remuneration	129	479	–	–	573	1,019
Supplementary retirement pension	611	611	138	84	–	–
Post-employment benefits	4	3	–	–	(114)	(123)
Other mandatory social security charges	733	711	455	430	1,710	1,652
	4,532	4,859	2,503	2,373	8,972	9,223

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received by each member of the Executive Committee will be deducted from the fixed annual remuneration attributed by the Bank.

During 2020, the amount of remuneration paid to the Executive Committee includes Euros 108,000 (2019: Euros 94,000) supported by subsidiaries or companies whose governing bodies represent the Group's interests, while the remuneration paid to the Board of Directors in the referred conditions include the amount of Euros 34,000 (2019: Euros 55,000).

In 2020, the Bank distributed variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2019, as described in accounting policies S4 and S5.

In the current financial year of 2020, the variable remuneration attributed to the Executive Committee regarding the financial year of 2019 amounts to Euros 1,232,000. By CRP's deliberation, the payment was postponed to the year in which the payment of dividends to shareholders is resumed.

In 2019, it was attributed a variable remuneration to the Executive Committee regarding the financial year of 2018, in the total amount of Euros 1,073,000, 50% of which was paid in 2019 through the payment in cash of Euros 268,000 and the assignment of 1,042,295 shares of BCP S.A. in the amount of Euros 210,000, being the remaining 50% deferred over a period of 3 years, in the amount of Euros 268,000 in cash and 1,042,295 shares of BCP S.A. In the financial year of 2020, the variable remuneration paid regarding the financial year of 2018 comprises the amount of Euros 39,000 (corresponding to 347,432 shares) and the amount of Euros 89,000 in cash.

In 2020, the remunerations and social security charges supported with the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	Key management members				
	Retail	Corporate	Private Banking	Others	Total
Fixed remuneration	856	1,749	450	3,747	6,802
Variable remuneration	80	116	22	356	574
Post-employment benefits	(40)	22	13	(109)	(114)
Other mandatory social security charges	212	437	109	951	1,709
	1,108	2,324	594	4,945	8,971
Number of beneficiaries	6	10	2	29	47

As described in accounting policies 1 S4) and 1 S5), in 2020 in accordance with the remuneration policies for employees considered key management members, approved for 2019.

In the current financial year of 2020, the variable remuneration comprises the amount of Euros 346,000 and shares in the amount of Euros 139,000, as well as 2019's deferred variable remuneration of shares in the amount of Euros 88,000. It was also attributed to the 47 key-management elements a deferred variable remuneration, over a period of 5 years, in the amount of Euros 387,000.

During 2020 no indemnity was paid for cessation of employment to key management elements.

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

(Thousands of euros)

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

As described in accounting policies S4 and S5, in 2019 in accordance with the remuneration policies for employees considered key management members, approved for 2018, it was assigned a variable remuneration deferred over a 3-year period in the amount of Euros 542,000.

During 2019, variable remunerations were paid to 46 key management members and were provided severance payments to three key management members in the amount of Euros 1,077,000, of which the highest amounts to Euros 657,000.

The shareholder and bondholder position of members of the Board of Directors, key management members and people closely related to the previous categories, as well as the movements occurred during 2020, are as follows:

		Number of securities						
Shareholders/Bondholders	**Security**	**2020**	**2019**	**Acquisitions**		**Disposals**	**Date**	**Unit price Euros**
MEMBERS OF BOARD OF DIRECTORS								
Ana Paula Alcobia Gray	BCP Shares	0	0					
Cidália Maria Mota Lopes (1)	BCP Shares	2,184	2,184					
Fernando da Costa Lima	BCP Shares	18,986	18,986					
João Nuno Oliveira Jorge Palma	BCP Shares	268,687	231,676	66,327	*	29,316	25/6/2020	0.115
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500					
	Bonds (a)	1	1					
José Manuel Elias da Costa	BCP Shares	0	0					
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	207,863	175,707	58,569	*	26,431	25/6/2020	0.115
Lingjiang Xu	BCP Shares	0	0					
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	221,325	**** 169,450	*** 56.753	*	4,878	25/6/2020	0.115
Miguel de Campos Pereira de Bragança	BCP Shares	602,626	564,949	66,327	*	28,650	25/6/2020	0.115
Miguel Maya Dias Pinheiro	BCP Shares	621,467	581,117	73,236	*	32,886	25/6/2020	0.115
Nuno Manuel da Silva Amado	BCP Shares	1,525,388	1,025,388	500,000			9/3/2020	0.132
	Bonds (a)	2	2					
Rui Manuel da Silva Teixeira (3)	BCP Shares	244,199	212,043	58,569	*	26,413	25/6/2020	0.115
Teófilo César Ferreira da Fonseca	BCP Shares	10,000	10,000					
Valter Rui Dias de Barros	BCP Shares	0	0					
Wan Sin Long	BCP Shares	0	0					
Xiao Xu Gu	BCP Shares	0	0					
KEY MANAGEMENT MEMBERS								
Albino António Carneiro de Andrade	BCP Shares	64,824		10,000			12/3/2020	0.115
			5,000	49,824	***		25/6/2020	0.115
Alexandre Manuel Casimiro de Almeida	BCP Shares	31,878	0	31,878	***		25/6/2020	0.115
Américo João Pinto Carola (7)	BCP Shares	25,459	503	43,702	**	18,746	25/6/2020	0.115
Ana Isabel dos Santos de Pina Cabral (4)	BCP Shares	70,507	39,040	57,309	**	25,842	25/6/2020	0.115
Ana Maria Jordão F. Torres Marques Tavares (6)	BCP Shares	134,652	82,635	52,017	***		25/6/2020	0.115
André Cardoso Meneses Navarro	BCP Shares	290,091	267,888	22,203	***		25/6/2020	0.115
António Augusto Amaral de Medeiros	BCP Shares	55,139	0	55,139	***		25/6/2020	0.115
António José Lindeiro Cordeiro	BCP Shares	16,314	0	25,928	**	9,614	25/6/2020	0.115
António Luís Duarte Bandeira (5)	BCP Shares	210,905		37,000			10/3/2020	0.13
			***** 115.976	57,929	***		25/6/2020	0.115
António Ricardo Fery Salgueiro Antunes	BCP Shares	0	0					
Artur Frederico Silva Luna Pais	BCP Shares	365,663	328,795	36,868	***		25/6/2020	0.115
Belmira Abreu Cabral	BCP Shares	37,841	0	37,841	***		25/6/2020	0.115
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	15,015	0	25,103	**	10,088	25/6/2020	0.115
Chi Wai Leung (Timothy)	BCP Shares	0	0					
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	57,309	0	57,309	***		25/6/2020	0.115
Francisco António Caspa Monteiro (8)	BCP Shares	87,283	29,354	57,929	***		25/6/2020	0.115
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	53,591	48	53,543	***		25/6/2020	0.115
Hugo Miguel Martins Resende	BCP Shares	65,527	11,984	53,543	***		25/6/2020	0.115
João Brás Jorge	BCP Shares	91,709	91,709					
João Manuel Taveira Pinto Santos Paiva	BCP Shares	58,429	500	57,929	***		25/6/2020	0.115
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	47,495	1,600	45,895			25/6/2020	0.115
Jorge Manuel Machado de Sousa Góis	BCP Shares	39,316	0	39,316	***		25/6/2020	0.115
Jorge Manuel Nobre Carreteiro	BCP Shares	14,701				9,468	21/9/2020	0.094
			9,468	23,368	**	8,667	25/6/2020	0.115
José Carlos Benito Garcia de Oliveira	BCP Shares	30,321	0	30,321			25/6/2020	0.115
José Gonçalo Prior Regalado (10)	BCP Shares	42,438	0	42,438	***		25/6/2020	0.115
José Guilherme Potier Raposo Pulido Valente	BCP Shares	186,063	138,719	47,344	**		25/6/2020	0.115

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

Shareholders/Bondholders	Security	Number of securities 2020	2019	Acquisitions		Disposals	Date	Unit price Euros
José Laurindo Reino da Costa (13)	BCP Shares	751,100	246,100	505,000			9/7/2020	0.109
José Manuel Moser Cardoso Salgado (15)	BCP Shares	37,500	37,500					
Luis Miguel Manso Correia dos Santos	BCP Shares	82,903	21,328	61,575	***		25/6/2020	0.115
Maria de Los Angeles Sanchez Sanchez (14)	BCP Shares	8,192	8,192					
Maria Helena Soledade Nunes Henriques	BCP Shares	188,015	170,974	28,822	**	11,781	25/6/2020	0.115
Maria Manuela de Araújo Mesquita Reis (9)	BCP Shares	132,646	106,656	41,981	**	15,991	25/6/2020	0.115
Maria Rita Sítima Fonseca Lourenço	BCP Shares	79,222	42,385	36,837	***		25/6/2020	0.115
Mário António Pinho Gaspar Neves	BCP Shares	56,522	30,000	26,522	***		25/6/2020	0.115
Mário Madeira Robalo Fernandes	BCP Shares	43,702	0	43,702	***		25/6/2020	0.115
Nelson Luís Vieira Teixeira	BCP Shares	32,840	285	57,309	**	24,754	25/6/2020	0.115
Nuno Alexandre Ferreira Pereira Alves (12)	BCP Shares	59,982	10,755	49,227	***		25/6/2020	0.115
Nuno Miguel Nobre Botelho	BCP Shares	33,366	0	33,366	***		25/6/2020	0.115
Pedro José Mora de Paiva Beija	BCP Shares	57,929	0	57,929	***		25/6/2020	0.115
Pedro Manuel Francisco da Silva Dias (11)	BCP Shares	27,583	0	27,583	***		25/6/2020	0.115
Pedro Manuel Macedo Vilas Boas	BCP Shares	43,702	0	43,702	***		25/6/2020	0.115
Pedro Manuel Rendas Duarte Turras	BCP Shares	41,596	14,816	44,771	**	17,991	25/6/2020	0.115
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	37,108	0	37,108	***		25/6/2020	0.115
Ricardo Potes Valadares	BCP Shares	32,102	10,613	33,366	**	11,877	25/6/2020	0.115
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	41,168	8,204	57,929	**	24,965	25/6/2020	0.115
Rui Emanuel Agapito Silva	BCP Shares	33,078	0	57,929	**	24,851	25/6/2020	0.115
Rui Fernando da Silva Teixeira	BCP Shares	113,674	91,297	39,316	**	16,939	25/6/2020	0.115
Rui Manuel Pereira Pedro	BCP Shares	203,538	149,328	54,210	***		25/6/2020	0.115
Rui Miguel Alves Costa	BCP Shares	194,493	162,881	31,612	***		25/6/2020	0.115
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	32,151	0	57,309	**	25,158	25/6/2020	0.115
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	39,316	0	39,316	***		25/6/2020	0.115
Vânia Alexandra Machado Marques Correia	BCP Shares	39,316	0	39,316	***		25/6/2020	0.115
MEMBROS PRÓXIMOS DA FAMÍLIA								
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184					
Maria Helena Espassandim Catão (3)	BCP Shares	576	576					
Ricardo Gil Monteiro Lopes de Campos (2) ****	BCP Shares	221,325	169,450	*****				
José Manuel de Vasconcelos Mendes Ferreira (4)	BCP Shares	1,616	1,616					
Ana Margarida Rebelo A.M. Soares Bandeira (5)	BCP Shares	2,976	2,976					
António da Silva Bandeira (5)	BCP Shares	20,000	20,000					
Álvaro Manuel Coreia Marques Tavares (6)	BCP Shares	25,118	25,118					
Francisco Jordão Torres Marques Tavares (6)	BCP Shares	1,016	1,016					
Maria Avelina V C L J Teixeira Diniz (6)	BCP Shares	16,770	16,770					
Ana Isabel Salgueiro Antunes (7)	BCP Shares	29	29					
José Francisco Conceição Monteiro (8)	BCP Shares	18,002	18,002					
Ricardo Miranda Monteiro (8)	BCP Shares	1,639	1,639					
Rita Miranda Monteiro (8)	BCP Shares	1,639	1,639					
Luís Filipe da Silva Reis (9)	BCP Shares	280,000	280,000					
Américo Simões Regalado (10)	BCP Shares	880	880					
Filomena Maria Brito Francisco Dias (11)	BCP Shares	4,290	4,290					
António Henrique Leite Pereira Alves (12)	BCP Shares	73,926	63,926	10,000			23/9/2020	0.087
Maria Raquel Sousa Candeias Reino da Costa (13)	BCP Shares	10,000	10,000					
Guilherme Sanchez Oliveira Lima (14)	BCP Shares	0	1,000			1,000	7/12/2020	0.123
José Manuel Espirito Santo Salgado (15)	BCP Shares	10,000	10,000					
Mariana Espirito Santo Salgado (15)	BCP Shares	18,000	18,000					
Matilde Espirito Santo Salgado (15)	BCP Shares	20,000	20,000					

The notes stated in the table above for the categories "Members of Board of Directors" and "Key management members" identify the people who they are related to in the category "People closely related to the previous categories".
(*) identifies the increment and sell-cover of shares occurred in 2020 corresponding to deferred variable remuneration of 2019, assigned in 2018.
(**) identifies the increment and sell-cover of shares occurred in 2020 corresponding to variable remuneration of 2019.
(***) identifies the increment of shares occurred in 2020 corresponding to variable remuneration of 2019.
(****) person in the category "People closely related to the previous categories" is equally a "Key management member".
(*****) position held in which the primary account holder is part of "People closely related to the previous categories" or "Key management member".

C) Balances and transactions with associated companies

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

(Thousands of euros)

	2020	2019
Assets		
Loans and advances to credit institutions repayable on demand	2,364	597
Financial assets at amortised cost		
Loans and advances to credit institutions	82,475	250,621
Loans and advances to customers	64,253	68,062
Financial assets at fair value through profit or loss		
Financial assets held for trading	53,553	101,391
Other assets	12,958	13,997
	215,603	434,668
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	94,040	120,999
Resources from customers	423,256	617,256
Non subordinated debt securities issued	17,855	45,622
Subordinated debt	213,368	355,297
Financial liabilities held for trading	43,224	18,448
Financial liabilities designated at fair value through profit or loss	—	31,070
Other liabilities	25	22
	791,768	1,188,714

As at 31 December 2020, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 142,601,002 BCP shares (31 December 2019: 142,601,002 shares) in the amount of Euros 17,568,000 (31 December 2019: Euros 28,891,000).

During 2020 and 2019, the transactions with associated companies included in the consolidated income statement items are as follows:

(Thousands of euros)

	2020	2019
Income		
Interest and similar income	5,953	13,425
Commissions	58,045	57,265
Profits from financial operations	10,647	10,363
Other operating income	1,044	870
	75,689	81,923
Costs		
Interest and similar expenses	19,878	41,771
Commissions	27	22
Other operating losses	408	1,242
Losses from financial operations	10,563	13,411
Other administrative costs	186	1,136
	31,062	57,582

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

(Thousands of euros)

	2020	2019
Guarantees granted	8,193	7,982
Revocable credit lines	327,733	3,951
Irrevocable credit lines	600	600
Other revocable commitments	—	4,907
	336,526	17,440

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

(Thousands of euros)

	2020	2019
Life insurance		
Saving products	34,427	35,783
Mortgage and consumer loans	17,714	20,122
Others	30	31
	52,171	55,936
Non-Life insurance		
Accidents and health	19,207	18,758
Motor	4,097	3,959
Multi-Risk Housing	6,923	6,712
Others	1,486	1,315
	31,713	30,744
	83,884	86,680

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

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

(Thousands of euros)

	2020	2019
Funds receivable for payment of life insurance commissions	12,857	13,877
Funds receivable for payment of non-life insurance commissions	8,187	7,729
	21,044	21,606

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

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

D) Transactions with the Pension Fund

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

(Thousands of euros)

	2020	2019
Liabilities		
Resources from customers	417,950	31,391
Financial liabilities measured at amortised cost		
Non subordinated debt securities issued	20,630	14,426
Other liabilities	1,772	—
	440,352	45,817

In 2019, the Pension Fund hold Perpetual subordinated debt securities (Adt1)in the amount of Euros 1,575,000 issued by Banco Comercial Português, S.A. During 2020 and 2019, there were no transactions related to other financial instruments between the Group and the Pension Fund.

During 2020 and 2019, income and expenses with the Pension Fund included in the items of the consolidated income statement are as follows:

(Thousands of euros)

	2020	2019
Income		
Commissions	1,374	836
Expenses		
Interest expense and similar charges	462	306
Other administrative costs	14,270	14,274
	14,732	14,580

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

As at 31 December 2020, the amount of guarantees granted by the Group to the Pension Fund amounts to Euros 5,000 (31 December 2019: Euros 5,000).

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

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

Segments description

A. Geographical Segments

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

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

Retail Banking includes the following business areas:

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

Companies, Corporate and Investment Banking segment includes:

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

The Private Banking segment, for the purposes of geographical segments, comprises:

- Private Banking Division in Portugal, which ensures the monitoring of clients with high net worth, based on a commitment to excellence and a personalized relationship with clients;
- Wealth Management Division, which provides advisory services and portfolio management for clients in the Private Banking network and the affluent segment.

For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

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

Foreign Business includes the following segments:

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

B. Business Segments

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

Business segments activity

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

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 31 December 2020 and 31 December 2019 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

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

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 December 2020. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

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

As at 31 December 2020, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	504,369	898,418	1,402,787	295,462	23,402	83,932	1,805,583
Interest expense and similar charges	(14,189)	(177,804)	(191,993)	(40,853)	(4,300)	(35,262)	(272,408)
Net interest income	490,180	720,614	1,210,794	254,609	19,102	48,670	1,533,175
Commissions and other income	405,814	293,383	699,197	168,741	60,683	19,189	947,810
Commissions and other costs	(42,312)	(181,361)	(223,673)	(22,916)	(8,752)	(134,334)	(389,675)
Net commissions and other income (2)	363,502	112,022	475,524	145,825	51,931	(115,145)	558,135
Net gains arising from trading activity (3)	19,249	87,655	106,904	295	3,840	41,734	152,773
Share of profit of associates under the equity method	–	9,397	9,397	–	–	58,298	67,695
Gains / (losses) arising from the sale of subsidiaries and other assets	8	1,614	1,622	5	–	(7,815)	(6,188)
Net operating revenue	872,939	931,302	1,804,241	400,734	74,873	25,742	2,305,590
Operating expenses	474,128	442,352	916,480	123,309	47,925	31,630	1,119,344
Impairment for credit and financial assets (4)	(98,885)	(156,009)	(254,894)	(266,975)	(2,767)	864	(523,772)
Other impairments and provisions (5)	(43)	(212,469)	(212,512)	–	–	(104,953)	(317,465)
Net income / (loss) before income tax	299,883	120,472	420,355	10,450	24,181	(109,977)	345,009
Income tax	(91,331)	(55,147)	(146,478)	(2,303)	(5,721)	17,858	(136,644)
Net income / (loss) for the year	208,552	65,325	273,877	8,147	18,460	(92,119)	208,365
Non-controlling interests	–	(25,489)	(25,489)	–	–	136	(25,353)
Net income / (loss) for the year attributable to Bank's Shareholders	208,552	39,836	248,388	8,147	18,460	(91,983)	183,012

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

As at 31 December 2020, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail in Portugal	Foreign business	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	10,506,127	1,208,961	11,715,088	1,445,196	2,995,837	(9,574,775)	6,581,346
Loans and advances to customers (1)	23,493,301	16,734,248	40,227,549	11,989,542	629,549	1,226,439	54,073,079
Financial assets (2)	720,892	4,876,098	5,596,990	–	64,838	13,198,762	18,860,590
Other assets	52,027	721,363	773,390	5,958	16,302	5,502,756	6,298,406
Total Assets	34,772,347	23,540,670	58,313,017	13,440,696	3,706,526	10,353,182	85,813,421
Resources from other credit institutions (3)	426,640	304,873	731,513	3,520,818	2	4,646,426	8,898,759
Resources from customers (4)	31,763,585	19,397,541	51,161,126	8,603,654	3,116,443	378,134	63,259,357
Debt securities issued (5)	1,316,912	122,483	1,439,395	1,430	93,592	1,195,309	2,729,726
Other financial liabilities (6)	–	536,722	536,722	–	218	1,432,849	1,969,789
Other liabilities (7)	45,055	732,758	777,813	68,905	17,280	705,522	1,569,520
Total Liabilities	33,552,192	21,094,377	54,646,569	12,194,807	3,227,535	8,358,240	78,427,151
Total Equity	1,220,155	2,446,293	3,666,448	1,245,889	478,991	1,994,942	7,386,270
Total Liabilities and Equity	34,772,347	23,540,670	58,313,017	13,440,696	3,706,526	10,353,182	85,813,421
Number of employees	4,447	10,236	14,683	583	232	1,837	17,335

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

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

(Thousands of Euros)

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

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

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

(Thousands of Euros)

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

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

As at 31 December 2020, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	504,369	295,462	16,236	83,932	899,999	693,755	204,663	7,166	1,805,583
Interest expense and similar charges	(14,189)	(40,853)	(4,192)	(35,262)	(94,496)	(121,949)	(55,764)	(199)	(272,408)
Net interest income	490,180	254,609	12,044	48,670	805,503	571,806	148,899	6,967	1,533,175
Commissions and other income	405,814	168,741	27,796	19,189	621,540	242,242	51,141	32,887	947,810
Commissions and other costs	(42,312)	(22,916)	(1,660)	(134,334)	(201,222)	(168,655)	(12,705)	(7,093)	(389,675)
Net commissions and other income [2]	363,502	145,825	26,136	(115,145)	420,318	73,587	38,436	25,794	558,135
Net gains arising from trading activity [3]	19,249	295	201	41,734	61,479	72,877	14,778	3,639	152,773
Share of profit of associates under the equity method	–	–	–	58,298	58,298	–	–	9,397	67,695
Gains / (losses) arising from the sale of subsidiaries and other assets	8	5	–	(7,815)	(7,802)	1,329	285	–	(6,188)
Net operating revenue	872,939	400,734	38,381	25,742	1,337,796	719,599	202,398	45,797	2,305,590
Operating expenses	474,128	123,309	21,226	31,630	650,293	352,416	89,937	26,698	1,119,344
Impairment for credit and financial assets [4]	(98,885)	(266,975)	(2,810)	864	(367,806)	(125,399)	(30,610)	43	(523,772)
Other impairments and provisions [5]	(43)	–	–	(104,953)	(104,996)	(194,458)	(1,384)	(16,627)	(317,465)
Net income / (loss) before income tax	299,883	10,450	14,345	(109,977)	214,701	47,326	80,467	2,515	345,009
Income tax	(91,331)	(2,303)	(4,518)	17,858	(80,294)	(42,206)	(12,970)	(1,174)	(136,644)
Net income / (loss) for the year	208,552	8,147	9,827	(92,119)	134,407	5,120	67,497	1,341	208,365
Non-controlling interests	–	–	–	136	136	(2,554)	(22,935)	–	(25,353)
Net income / (loss) for the year attributable to Bank's Shareholders	208,552	8,147	9,827	(91,983)	134,543	2,566	44,562	1,341	183,012

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.

(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).

(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.

As at 31 December 2020, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	10,506,127	1,445,196	2,368,614	(9,574,775)	4,745,162	471,914	737,012	627,258	6,581,346
Loans and advances to customers [1]	23,493,301	11,989,542	275,817	1,226,439	36,985,099	16,246,374	487,874	353,732	54,073,079
Financial assets [2]	720,892	–	–	13,198,762	13,919,654	4,249,321	626,811	64,804	18,860,590
Other assets	52,027	5,958	1,292	5,502,756	5,562,033	472,161	182,682	81,530	6,298,406
Total Assets	34,772,347	13,440,696	2,645,723	10,353,182	61,211,948	21,439,770	2,034,379	1,127,324	85,813,421
Resources from other credit institutions [3]	426,640	3,520,818	–	4,646,426	8,593,884	286,432	5,574	12,869	8,898,759
Resources from customers [4]	31,763,585	8,603,654	2,475,887	378,134	43,221,260	17,873,943	1,523,599	640,555	63,259,357
Debt securities issued [5]	1,316,912	1,430	93,592	1,195,309	2,607,243	122,483	–	–	2,729,726
Other financial liabilities [6]	–	–	–	1,432,849	1,432,849	536,722	–	218	1,969,789
Other liabilities [7]	45,055	68,905	1,084	705,522	820,566	626,687	93,271	28,996	1,569,520
Total Liabilities	33,552,192	12,194,807	2,570,563	8,358,240	56,675,802	19,446,267	1,622,444	682,638	78,427,151
Equity and non-controlling interests	1,220,155	1,245,889	75,160	1,994,942	4,536,146	1,993,503	411,935	444,686	7,386,270
Total Liabilities, Equity and Non-controlling interests	34,772,347	13,440,696	2,645,723	10,353,182	61,211,948	21,439,770	2,034,379	1,127,324	85,813,421
Number of employees	4,447	583	146	1,837	7,013	7,645	2,591	86	17,335

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income , assets with repurchase agreement and hedging derivatives.

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

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

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	501,354	328,785	18,093	99,891	948,123	785,688	247,860	9,774	1,991,445
Interest expense and similar charges	(26,135)	(53,738)	(7,695)	(71,023)	(158,591)	(218,355)	(65,465)	(506)	(442,917)
Net interest income	475,219	275,047	10,398	28,868	789,532	567,333	182,395	9,268	1,548,528
Commissions and other income	426,328	162,345	26,936	16,997	632,606	226,526	58,597	30,619	948,348
Commissions and other costs	(43,919)	(26,920)	(1,928)	(134,450)	(207,217)	(148,993)	(14,893)	(5,598)	(376,701)
Net commissions and other income [2]	382,409	135,425	25,008	(117,453)	425,389	77,533	43,704	25,021	571,647
Net gains arising from trading activity [3]	16,798	396	395	33,874	51,463	73,382	14,865	3,603	143,313
Share of profit of associates under the equity method	—	—	—	40,471	40,471	—	—	2,518	42,989
Gains / (losses) arising from the sale of subsidiaries and other assets	—	—	—	27,563	27,563	(2,082)	6,417	9	31,907
Net operating revenue	874,426	410,868	35,801	13,323	1,334,418	716,166	247,381	40,419	2,338,384
Operating expenses	488,002	126,073	20,154	40,068	674,297	369,753	97,817	27,605	1,169,472
Impairment for credit and financial assets [4]	(25,237)	(270,784)	1,563	17,413	(277,045)	(93,542)	(17,581)	40	(388,128)
Other impairments and provisions [5]	(8)	15	—	(94,067)	(94,060)	(58,397)	(1,062)	1	(153,518)
Net income / (loss) before income tax	361,179	14,026	17,210	(103,399)	289,016	194,474	130,921	12,855	627,266
Income tax	(111,661)	(3,452)	(5,421)	(23,764)	(144,298)	(63,931)	(28,868)	(2,181)	(239,278)
Income / (loss) after income tax from continuing operations	249,518	10,574	11,789	(127,163)	144,718	130,543	102,053	10,674	387,988
Income arising from discontinued operations	—	—	—	13,412	13,412	—	—	—	13,412
Net income / (loss) for the year	249,518	10,574	11,789	(113,751)	158,130	130,543	102,053	10,674	401,400
Non-controlling interests	—	—	—	359	359	(65,141)	(34,615)	—	(99,397)
Net income / (loss) for the year attributable to Bank's Shareholders	249,518	10,574	11,789	(113,392)	158,489	65,402	67,438	10,674	302,003

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

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

(Thousands of Euros)

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

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

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

(Thousands of euros)

	2020	2019
Net contribution		
Retail banking in Portugal	208,552	249,518
Companies, Corporate and Investment banking	8,147	10,574
Private Banking	9,827	11,789
Foreign business (continuing operations)	73,958	243,270
Non-controlling interests (1)	(25,489)	(99,756)
	274,995	415,395
Amounts not allocated to segments		
Net interest income of the bond portfolio	(8,563)	(10,034)
Net interest income - TLTRO	46,424	10,162
Foreign exchange activity	43,029	8,576
Gains / (losses) arising from sales of subsidiaries and other assets	(7,815)	27,563
Equity accounted earnings	58,298	40,471
Impairment and other provisions (2)	(104,089)	(76,654)
Operational costs (3)	(31,629)	(40,068)
Gains on sale of Portuguese public debt	57,548	69,543
Mandatory contributions	(70,042)	(66,627)
Loans sale	(28,234)	(28,897)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(71,183)	(28,806)
Taxes (5)	17,858	(23,764)
Income from discontinued operations	—	13,412
Non-controlling interests	136	359
Others (6)	6,279	(8,628)
Total not allocated to segments	(91,983)	(113,392)
Consolidated net income	183,012	302,003

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, and in Mozambique.
(2) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.
(3) In 2020 and 2019, corresponds to restructuring costs and compensation for temporary salary cuts. In 2020, it also includes a positive impact resulting from the agreement signed with a former Board of Directors member.
(4) Includes gains/(losses) from corporate restructuring funds.
(5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.
(6) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, SARL.
(7) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments, net commissions and other operating income / expenses and other income from financial operations.

53. Solvency

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

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

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

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and minority interests related to minimum level 1 additional capital requirements, of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax already recorded on the balance sheet of 1 January 2014 and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, which period ends in 2023 and 2021, respectively.

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

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2019, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2020 Minimum Capital Requirements

		of which:				of which:		
BCP Consolidated	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	8.83%	4.50%	1.27%	3.06%	9.27%	4.50%	1.27%	3.50%
T1	10.75%	6.00%	1.69%	3.06%	11.19%	6.00%	1.69%	3.50%
Total	13.31%	8.00%	2.25%	3.06%	13.75%	8.00%	2.25%	3.50%

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

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

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

(Thousands of euros)

	2020	2019
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	(40)	(102)
Reserves and retained earnings	1,067,595	926,877
Minority interests eligible to CET1	688,322	711,470
Regulatory adjustments to CET1	(840,058)	(871,226)
	5,657,290	5,508,490
Tier 1		
Capital Instruments	400,000	400,000
Minority interests eligible to AT1	136,700	103,949
	6,193,990	6,012,439
Tier 2		
Subordinated debt	765,490	821,704
Minority interests eligible to Tier 2	311,573	260,886
Other	(58,800)	(58,800)
	1,018,263	1,023,790
Total own funds	7,212,253	7,036,229
RWA - Risk weighted assets		
Credit risk	40,003,475	39,558,388
Market risk	2,322,058	1,301,134
Operational risk	4,014,374	4,058,072
CVA	73,141	113,884
	46,413,048	45,031,478
Capital ratios		
CET1	12.2%	12.2%
Tier 1	13.3%	13.4%
Tier 2	2.2%	2.3%
	15.5%	15.6%

The amounts relative to 2019 and 2020 include the accumulated net income of the year.

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)

Category	2020				
	Impairment losses				
	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)

Category	2020				
	Net exposure				
	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)

Category	2019				
	Gross Exposure				
	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)

Category	2019 Impairment losses 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)

Category	2019 Net exposure 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)

Segment/Ratio	2020 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)

Segment/Ratio	2019 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)

	Matching liabilities, contingent liabilities or securities lent		Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	
Sources of encumbrance	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		
Type of hedging	**Notional**	**Assets**	**Liabilities**	**Change in fair value (A)**
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						
							Cash flow hedge reserve / Currency translation reserve	
		Book value		Cumulative value of the adjustments				
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	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							
							Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Book value Assets	Book value Liabilities	Cumulative value of the adjustments Assets	Cumulative value of the adjustments 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.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 14 October 2020,the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

An action brought on 27 February 2019 and amended on 30 April 2020, by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requests, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the International Bank of Mozambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus is, in a court of law declared null and void.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Court of Commerce. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Court of Commerce, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique.

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements as of 31 December 2020, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary Banco Internacional de Mozambique (BIM).

As at 31 December 2020, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 274,701,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 229,851,000. BIM's contribution to consolidated net income for 2020, attributable to the shareholders of the Bank, amounts to Euros 44,561,000.

On this date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in Metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of Euros 568,314,000 and Financial assets at fair value through other comprehensive income in the gross amount of Euros 57,927,000.

As at 31 December 2020, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of Euros 238,871,000 (of which Euros 238,868,000 are denominated in Metical and Euros 2,000 denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 97,994,000 denominated in USD and in the balance Guarantees granted revocable and irrevocable commitments, an amount of Euros 64,789,000 (of which Euros 1,599,000 are denominated in Metical, Euros 59,632,000 denominated in USD, Euros 161,000 are denominated in euros and Euros 3,397,000 denominated in Rands).

56. Contingent liabilities and other commitments

In accordance with accounting policy 1.V3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority (PCA) initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ('BCP' or 'Bank') and other credit institutions, where it seized documentation considered relevant for the investigation of an alleged exchange of sensitive commercial information between credit institutions in the Portuguese market.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections (SO) in connection with the administrative offence no. 2012/9, in which the Bank is accused of participating in a commercially sensitive information exchange between other 14 banks related to retail credit products, namely mortgage, consumer and small and medium enterprises credit products. The notification of a SO does not constitute a final decision in relation to the accusation of the PCA.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court (Competition Court) on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the PCA – for several months, the PCA denied the defendant's right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the SO. A non-confidential version of the Bank's defence was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017.

On 23 October 2018, BCP was notified of the non-confidential versions of the oral hearing of the defendants Santander Totta and Unión de Créditos (which took place in December 2017). On 7 December 2018, the Bank requested the PCA to have access to the confidential version of these oral hearings.

On 9 September 2019, the PCA adopted its final decision on this proceeding, fining BCP in Euros 60 million for its alleged participation in a confidential information exchange system with its competitors in the mortgage, consumer and small and medium enterprises credit segments. The Bank considers that this decision contains serious factual and legal errors, having filed an appeal on 21 October 2019 before the Competition Court requesting the annulation of the decision and the suspensive effect of the appeal.

On 8 May 2020, BCP's appeal was admitted.

On 9 July 2020, BCP requested the Court to declare nullity of the PCA's condemnatory decision, due to the omission of an analysis of the economic and legal context in the terms required by the recent jurisprudence of the Court of Justice of the European Union. Subsequently, the Competition Court clarified that prior questions will not be known before the court hearing begins.

On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between PCA and the appellant banks, including BCP, regarding the dosimetry (i.e., 50% of the amount of the fine) and the modalities of the guarantees to be provided, in order to the appeal to have a suspensive effect.

On 21 December 2020, BCP submitted, having the Competition Court accepted, a bank guarantee in the maximum amount of Euros 30 million, issued by the bank itself as a way to satisfy the referred security deposit.

2. On 3 January 2018, Bank Millennium S.A. (Bank Millennium) was notified of the decision of President of the Office of Competition and Consumer Protection (UOKIK), in which the President of UOKIK found infringement by Bank Millennium of the rights of consumers. In the opinion of the President of UOKIK, the essence of the violation is that Bank Millennium informed consumers (regarding 78 agreements), in response to their complaints, that the court verdict stating the abusiveness of the loan agreements' clauses regarding exchange rates did not apply to them. According to the position of the President of UOKIK, the existence of clauses considered abusive by the court, during the abstract control of its lawfulness, is constitutive and effective for every agreement from the beginning.

As a result of the decision, Bank Millennium was obliged to:

1) send information about the UOKIK's decision to the referred 78 clients;

2) place information about the decision and the decision itself on its website and on Twitter;

3) pay a fine amounting to PLN 20.7 million (Euros 4.54 million).

Bank Millennium filed an appeal within the statutory time limit.

On 7 January 2020, the court of first instance dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against this judgment within the statutory deadline. The court presented the view that the judgment issued in the course of control of a contractual template (in the course of abstract control), recognizing the provisions of the template as abusive, determines the existence of provisions of similar nature in previously concluded agreements. Therefore, the information provided to consumers was incorrect and misleading.

According to Bank Millennium's assessment, the court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the President of UOKIK was published), nor should it impose penalties for these behaviours using current policy. This constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the court of second instance. According to current estimates of the risk of losing this dispute, Bank Millennium has not created a provision related to this matter.

In addition, Bank Millennium, alongside other banks, takes part in a litigation brought up by UOKIK, in which the President of UOKIK considers to have existed anti-competitive practices in the form of an agreement aimed at setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2006, it was imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.68 million). Bank Millennium, alongside the other banks, appealed this decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance – the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. On 22 September 2020, Bank Millennium was notified of the decision from the Chairman of the Office for Protection of Competition and Consumers (OPCC), considering clauses that stipulated exchange rate setting principles, applied in the so-called anti-spread annex, as abusive, having forbidden their use.

A penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.3 million), the setting of which took it account two mitigating circumstances: Bank Millennium's cooperation with the Office for Protection of Competition and Consumers and discontinuation of use of the provisions in question.

Bank Millennium was also requested to, after the decision becomes final and binding, inform consumers, by registered mail, of the effect that the said clauses were deemed to be abusive and, therefore, not binding upon them (without need to obtain the court's decision confirming this circumstance) and publish the decision on the case in Bank Millennium's website.

In the decision's justification, delivered in writing, the OPCC's Chairman stated that FX rates determined by Bank Millennium were discretely calculated by itself (on the basis of a concept, not specified in any regulations, of average interbank market rate). Moreover, the client had no precise knowledge of where to look for the said rates since the provision referred to Reuters, without precisely defining the website where they could be located. Provisions relating to FX rates in Bank Millennium's tables were challenged since it failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC's Chairman also indicated that, in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC's Chairman deemed to be insufficient.

The decision is not final and binding. Bank Millennium appealed against the said decision within the statutory term. Bank Millennium believes that the chances for it to win the case are positive.

4. Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly with another bank, and in the third one with another bank and card issuing organizations.

The total amount of the claims deduced in these cases is PLN 729,580,027 (Euros 159,985,095). The proceeding with the highest value was submitted by PKN Orlen, S.A., in which this plaintiff demands payment of PLN 635,681,381 (Euros 139,394,641). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market, by jointly setting the level of the national interchange fee during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision.

In addition, we point out that Bank Millennium participates as an intervener in three other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse the banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee during the years 2008-2014.

5. On 5 April 2016, Bank Millennium was notified of a case brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, worth of the dispute of PLN 521.9 million (Euros 114.44 million), with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the lawsuit on 23 October 2015 in the Regional Court in Warsaw; the lawsuit was notified to Bank Millennium only on 4 April 2016. According to the plaintiff, the petition for the claim deduced in this lawsuit is the damage caused to its assets due to actions taken by Bank Millennium, consisting in the wrong interpretation of the agreement for a working capital loan between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand.

In the lawsuit filed by EFWP-B, the plaintiff set its claim for the amount of PLN 250 million (Euros 54.82 million). On the 5 September 2016 the Court of Appeal dismissed such claim. Bank Millennium requested for the total dismissal of this lawsuit, having presented to the Court, in order to support this request, the final decision rendered by the Wrocław Court of Appeal, decision which was favourable to Bank Millennium in the lawsuit filed by PCZ S.A. against Bank Millennium.

Currently, the court of first instance is conducting evidence proceedings.

6. On 19 January 2018, Bank Millennium received a lawsuit filed by First Data Polska S.A., requesting the payment of PLN 186.8 million (Euros 40.96 million). First Data Polska S.A. claims a share in an amount which Bank Millennium received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its lawsuit on an existing agreement with Bank Millennium related to co-operation in scope of acceptance and settlement of operations conducted using Visa cards. Bank Millennium did not accept the claim and contested this action. In accordance with the judgment issued on 13 June 2019, Bank Millennium won the case before the court of first instance. The case is currently awaiting verdict before the court of second instance. According to current estimates of the risk of losing the dispute, Bank Millennium has not created a specific provision related to this matter.

7. On 3 December 2015, a class action against Bank Millennium was filed by a group of Bank Millennium's debtors (454 borrowers, which are party to 275 loan agreements), which is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.77 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.77 million) to over PLN 5 million (Euros 1.1 million).

On 1 October 2018, the group's representative corrected the total amount of claims subject in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,616,364.70).

By the resolution of 1 April 2020, the court established the composition of the group as per request of the plaintiff. Bank Millennium submitted an appeal against the resolution on 14 July 2020. The appeal has not yet been decided.

As at 31 December 2020, there are also 386 individual court cases regarding loan-to-value (LTV) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

8. On 13 August 2020, Bank Millennium received a lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands Bank Millennium and the insurance company TU Europa to be ordered to cease the following market practices that it considers to be unfair:

a) presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects Bank Millennium's interests;

b) use of clauses linking the value of insurance benefit with the amount of borrower's debt;

c) use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);

d) use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to be ordered to publish, on its website, information on use of unfair market practices. The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive, it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

9. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit aiming that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis proven and that must be proven. Meanwhile, a head expert has already been appointed and the investigation is ongoing.

In October 2020, the experts requested an extension of the deadline for submitting the report by 90 days, stating that they would be collecting and analysing elements until the end of December 2020.

10. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by the Bank of Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder.

Within this context, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Bank of Portugal transferred to the Resolution Fund the liabilities emerging from the "*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. This list details that the total of the acknowledge credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, there being no guaranteed or privileged claims. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined with the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 20 of the Resolution Fund's annual report of 2019, *"Legal actions related to the application of resolution measures have no legal precedents, which make it impossible to use case law in their evaluation, as well as a reliable estimate of the associated contingent financial impact. (…) The Board of Directors supported by lawyers opinion, which sponsored these actions, and in the light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure".*

On 31 March 2017, Bank of Portugal communicated the sale of Novo Banco, where it states the following: "*Banco of Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital*".

The terms agreed also include a Contingent Capital Agreement, under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are to be met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, the Bank of Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of Banco Espírito Santo.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion (*) that revealed significant uncertainties regarding adequacy in provisioning (**):

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions (*) (**) (***);

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the Contingent Capital Agreement is subject to the cap of Euros 3.89 billion (**);

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments (**).

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible to clarify any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the Contingent Capital Agreement or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2019 Resolution Fund's annual report, the work carried out by the Verification Agent continues to be followed.

In its 2019 annual report, the Resolution Fund states that "*Regarding future periods, a significant uncertainty as to the relevant parameters for the calculation of future liabilities is deemed to exist, either for their increase or reduction, under the terms of the agreement on the Contingent Capital Agreement with Novo Banco*".

(*) Exact value not disclosed by the European Commission for confidentiality reasons
(**) As referred to in the respective European Commission Decision
(***) According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the contingent capitalization agreement was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as of 31 December 2019, amounted to approximately Euros 3 billion (book value, net of impairments), according to Novo Banco's 2019 annual report.

According to the 2019 Resolution Fund's annual report, "in 24 May 2018, the Fund paid Novo Banco Euros 791,695 million, with reference to 2017, under the Contingent Capital Agreement signed in the process of the sale of Novo Banco. The Resolution Fund used its available financial resources from banking contributions (direct or indirect) complemented by a State loan of Euros 430 million. The Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to the 2018 exercise, of Euros 1,149 million under the Contingent Capital Agreement signed in the process of the sale of Novo Banco. For this purpose, the Resolution Fund used its own resources from banking contributions (direct or indirect) and also resorted to a State loan of Euros 850 million".

Regarding payments to be made in 2020 under the Contingent Capital Agreement, the following reference is made in the Resolution Fund's 2019 annual report: "Novo Banco's 2019 annual accounts, as publicly presented by its Executive Board of Directors on 28 February 2020, include the quantification of the liability arising from the Contingent Capital Agreement, of Euros 1,037 million. In this context, and without prejudice to the verification procedures to be carried out prior to disbursement by the Resolution Fund, a provision was made by that amount for 2019."

According to a notice issued by the Resolution Fund on 4 June 2020, the payment made by the Resolution Fund to Novo Banco in May 2020 of Euro 1,035 million, results from the execution of the 2017 agreements, under the process of the sale of the 75% stake of the Resolution Fund in Novo Banco, complying with all the procedures and limits defined therein.

In the same notice, the Resolution Fund also clarifies that the "Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the Contingent Capital Agreement, of the effects of Novo Bank's decision to waiver the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the Contingent Capital Agreement, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the Contingent Capital Agreement. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million".

Thus, considering the payments already made and the amount of the provision recorded in 2019, the remaining amount that may still be used amounts to Euros 912 million.

In a separate notice dated 16 June 2020, the Resolution Fund clarifies that "the Resolution Fund has also provided the Budget and Finance Committee, in writing, of all the clarifications on its decision to deduct from the amount calculated under the Contingent Capital Agreement, the amount related to the variable remuneration attributed to the members of the Executive Board of Directors of Novo Banco".

Following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the Contingent Capitalisation Agreement, a special audit determined by the Government was carried out. According to a statement by the Resolution Fund on 3 September, information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in Banco Espírito Santo, S.A., and resulting impairment charges and provisions. Regarding the exercise of the powers of the Resolution Fund under the Contingent Capitalisation Agreement, the audit results reflect the adequacy of the principles and the adopted criteria.

In November 2020, Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively (****).

Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, having had the confirmation of the conversion of the deferred tax assets into tax credits by the Tax and Customs Authority for the tax period of 2015 and 2016 in exchange for conversion rights attributed to the State. If the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, which expires in 2022, the State may become Novo Banco's shareholder up to a stake of 2.71% of Novo Banco's share capital, while diluting the Resolution Fund's shareholder position. According to the Resolution Fund's 2019 annual report, under the terms of the Sale and Subscription Agreement of 75% of the share capital of Novo Banco with Lone Star on 17 October 2017, the effect of the dilution associated with the Special Regime applicable to deferred tax assets shall exclusively affect the Resolution Fund's stake. It is estimated, according to note 21, although subject to certain assumptions, that the processes in progress for the conversion of deferred tax assets into tax credits with reference to 2017 and 2018 may correspond to about 7.6 percentage points of the share capital of Novo Banco. These effects may impact the shareholder position of the Resolution Fund in Novo Banco.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Bank of Portugal announced that Banif was "at risk of insolvency or insolvent" and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved state aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a mutual contract given by the State.

According to the Resolution Fund's 2019 annual report, note 21, *"to ensure that the Fund has, at due date, the financial resources necessary to comply with this guarantee, if the principal debtor – Oitante - defaults, the Portuguese State counter-guarantees the referred bond issue. Until 31 December 2019, Oitante made partial prepayments of Euros 546,461 thousand, which reduces the amount of the guarantee provided by the Resolution Fund to Euros 199,539 thousand. Considering the anticipated reimbursements, as well as information provided by Oitante's Board of Directors regarding 2019 exercise, it is envisaged that there are no relevant situations that could trigger the guarantee provided by the Resolution Fund". Also, according to the 2019 Resolution Fund's annual report, "at the date of approval of this report, the debt reimbursed since it was incurred is above 73%"*.

(****) In Novo Banco's earnings presentation on 13 November 2020, the Resolution Fund holds 25% of Novo Banco's capital while the remaining is held by Lone Star.

Also, according to this source, *"The outstanding debt related to the amount made available by the State to finance the absorption of BANIF's losses, following the resolution measure applied by Bank of Portugal to that entity [amounts to] Euros 352,880 thousand"*. This partial early repayment of Euros 136 million corresponds to the revenue of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism which was not transferred to the Single Resolution Fund and which will be paid to the Single Resolution Fund by the credit institutions that are covered by this scheme over a period of 8 years starting in 2016 (according to the Resolution Fund's 2016 annual report).

On 12 January 2021, Bank of Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Bank of Portugal. In its decision, the Court determined the legality and maintenance of those deliberations by Bank of Portugal.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif the Resolution Fund borrowed loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2019, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the Contingent Capital Agreement (Euros 430 million plus Euros 850 million of additional funding requested in 2019, as described above);

- Other funding granted by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

- Underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million. This underwriting did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A., which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to the bonds issued by Oitante S.A. This guarantee is counter-guaranteed by the Portuguese State;

- Contingent Capital Agreement which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of CET1 below 8%-13%;

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to note 21 of the Resolution Fund's 2019 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required to the banking sector at current levels.

According to the communication of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif– Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks"*;

- *"Those loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled with one another"*;

- *"The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund";*

- *"The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions"*.

On 2 October 2017, by Council of Ministers (Resolution no. 151-A/2017), the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when it deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. It is also mentioned that the reimbursement will consider the stability of the banking sector, i.e. without the Resolution Funds' participants being charged special contributions or any other extraordinary contributions.

The Resolution Fund's own resources had a negative equity of Euros 7,021 million vs. Euros 6,114 million in 2018, according to the latest 2019 annual report of the Resolution Fund.

To reimburse the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to fulfil with their obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely"*.

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year based on objective incidence of periodic contributions. The instruction of the Bank of Portugal no. 32/2020, published on 18 December 2020, set the base rate to be effective in 2021 for the determination of periodic contributions to the FR by 0.06%, unchanged from the rate in force in 2020.

During 2020, the Group made regular contributions to the Resolution Fund in the amount of Euros 15,138 thousand. The amount related to the contribution on the banking sector, registered during the financial year of 2020, was Euros 35,416 thousand. These contributions were recognized as a cost in the financial year of 2020, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group in the financial year of 2020 was Euros 22,808 thousand, of which the Group delivered Euros 19,394 thousand and the remaining was constituted as irrevocable payment commitment. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Bank of Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including "processo dos lesados do BES"; and (v) the guarantee provided to the bonds issued by Oitante, in this case, the referred trigger is not expectable in accordance to the most recent information communicated by the Resolution Fund in its annual accounts.

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2019 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the RGICSF and no such contributions are foreseen, in particular after a review of the financing conditions of the Resolution Fund"*.

The State Budget for 2021 does not include any loan to the Resolution Fund, contrary to previous years. The press reports that (i) the Resolution Fund and banks are negotiating a syndicated loan, led by CGD, of Euros 275 million, which conditions will be identical to the financing already in place for the Resolution Fund, and, (ii) the Government maintains the commitments assumed under the Novo Banco sale agreement, but without materializing the means for that purpose.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Group.

The COVID-19 pandemic, duration and effects, create an additional context of uncertainty relative to its impacts, in accordance with the opinion of Novo Banco's external auditor as per Novo Banco's first half of 2020 financial accounts report and the opinion of the audit board of Bank of Portugal as per 2019 Resolution Fund's annual report.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the Contingent Capitalization Mechanism of Novo Banco.

11. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified.

The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

Besides opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent part invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to get an adequate knowledge thereon. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation order to request the claimants to identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision.

12. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, it was implemented in Group Banco Comercial Português a process of salary adjustment with temporary term. Additionally, it was agreed between the Bank and the Trade Unions that, in the following years after the State intervention and if then exist distributable profits, the Board of Directors and the Executive Committee will submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 20 May 2020, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2019 was approved, which includes an extraordinary distribution to each employee up to Euros 1,000 who, having not been fully compensated with the distribution of profits occurred in 2019, remains on-job on the date of payment of the remuneration corresponding to June 2020, until the maximum global amount of Euros 5,281,000.

13. The Bank was subject to tax inspections for the years up to 2018. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred, regarding IRC, in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction pro rata used for the purpose of determining the amount of deductible VAT. Most of additional liquidations/corrections made by the tax administration were object of contestation by administrative and/or judicial ways.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

14. In 2013, Banco Comercial Português, S.A. filed a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental – Companhia de Seguros de Vida, S.A., requesting, essentially, that the following was recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, couldn't exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the referred former director couldn't maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director couldn't benefit from a survival lifelong pension paid by the Bank in case of death of the former director, under conditions different from the ones foreseen for the majority of the Bank's employees.

On 27 January 2019, the court of first instance issued a sentence considering: (i) rejected that request made by the Bank regarding the reduction of the pensions paid and to be paid to the first defendant Mr. Jorge Jardim Gonçalves, (ii) rejected the request for the nullity of the eventual future survival pension of the second defendant; (iii) partially accepted the counter-claim formulated by the defendant Mr. Jorge Jardim Gonçalves, sentencing the Bank to pay him the amount of Euros 2,124,923.97, as reimbursement of the expenses regarding the use of a car with driver and private security until June 2016, and also those that, on this regard, he had paid since that date or will pay in the future, in the amount that would come to be settled, expenses which would be part of his retirement regime, plus default interest accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

The Bank appealed the referred sentence to the Tribunal da Relação de Lisboa (Lisbon Court of Appeal) and, on 5 March 2020, a judgment was issued by the Lisbon Court of Appeal which, revoking the court of first instance's decision, upheld the Bank's legal action, determining the non-existence of the right of the defendant Mr. Jorge Jardim Gonçalves to receive the retirement supplements paid by Ocidental Vida, and condemning the defendant to return to the Bank the amounts received monthly in excess of the limits provided for in Article 402 (2) of the Commercial Companies Code, as from the date of retirement; as well as enacted the partial nullity of the insurance contracts titled by the capitalisation and lifelong pension policy, sentencing Ocidental Vida to return to the Bank the amounts paid by the latter to support the retirement supplements of Mr. Jorge Jardim Gonçalves, dismissing, as well, the counterclaim formulated by the defendant Mr. Jorge Jardim Gonçalves, absolving the Bank of that request.

From that decision of the Lisbon Court of Appeal in favour of the Bank, on 6 July 2020 the defendant Mr. Jorge Jardim Gonçalves filed an appeal with the Supreme Court of Justice. At that time, the court was suspended, determined by notice issued on 30 April 2020, following the death of the defendant Mrs. Maria Assunção Jardim Gonçalves.

The referred appeal presented to the Supreme Court of Justice was not judged inasmuch as, however, in December 2020 the parties reached an agreement regarding the retirement pension due to Mr. Jorge Jardim Gonçalves, in terms similar to those agreed with other former administrators, hence it was decided to end that dispute, giving up the instance, agreement which was ratified by a final and unappealable sentence.

The reached agreement also allowed for the termination, in the same way, of another legal action that the Bank had established on 30 December 2019, also against Mr. Jorge Jardim Gonçalves, whose object was also directly and indirectly related to the respective retirement pension.

57. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Current provisions for legal risk

As at 31 December 2020, Bank Millennium had 5,018 loan agreements and, additionally, 496 loan agreements from former Euro Bank, S.A. (98% loan agreements before the court of first instance and 2% loan agreements before the court of second instance) under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients, i.e., debt collection cases) concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 562.4 million (Euros 123.33 million) and CHF 34.3 million (Euros 31.72 million) [Bank Millennium portfolio: PLN 508.2 million (Euros 111.44 million) and CHF 33.4 million (Euros 30.89 million); former Euro Bank, S.A. portfolio: PLN 54.1 million (Euros 11.86 million) and CHF 0.9 million (Euros 0.83 million)]. The outstanding amount of the loan agreements under individual court cases, as at 31 December 2020, is PLN 1.794 million (Euros 393.40 million).

Until 31 December 2020, only 69 lawsuits had been definitively resolved (49 cases regarding claims submitted by clients against Bank Millennium and 20 cases regarding claims submitted by Bank Millennium against clients, i.e., debt collection cases).

The claims deduced by the clients in individual cases refer mainly to the declaration of nullity of the contract or the obligation to reimburse, due to the alleged abusive nature of the indexation clauses.

In addition, Bank Millennium is a party to a group proceedings (class action) which aims to determine Bank Millennium's liability towards the group members based on alleged unjust enrichment (undue benefit) in connection with FX-indexed mortgage loans. It is not a lawsuit requesting the payment of a certain amount of indemnity. The judgment that may be issued in this case, if unfavorable to Bank Millennium, will not grant per se any credit rights required by the group members of this class action. The number of loan agreements covered by these proceedings is of 3,281. At the current stage, the composition of the group members if this class action has been established and confirmed by the court. On 11 August 2020, the claimant requested granting interim measures to secure the claims presented against Bank Millennium. In a decision of 18 August 2020, that request for granting interim measures was dismissed. On 26 October 2020, the claimant filed another application for granting interim measures to secure claims against Bank Millennium concerning two group members. By decision of 6 November 2020, the application was also rejected. The court's decision dismissing the request for interim measures with a justification has not been notified yet. During the session occurred on 26 October 2020, the Court conducted a hearing of the parties' position and, afterwards, postponed the session without setting the next term. The outstanding amount of the loan agreements under the class action proceeding is PLN 1.000 million (Euros 219.28 million) as at 31 December 2020.

Bank Millennium remains open to negotiating agreements with its customers that put an end to that dispute. Bank Millennium is receptive to negotiate case-by-case favourable conditions for early repayment (partial or total) or the conversion of loans to PLN. On the other hand, Bank Millennium will continue to take all possible actions to protect its interests in courts while, at the same time, being open to find settlement with customers in the court under reasonable conditions. Bank Millennium has already reached agreement with 117 borrowers that participated in that class action.

According to the Polish Bank Association (ZBP), data gathered from all banking institutions that granted FX-indexed mortgage loans show that vast majority of lawsuits have obtained a final decision in favour of creditor banks until the year of 2019. However, after the CJEU decision was issued on 3 October 2019, regarding Case C-260/18, this trend has adversely changed and most of those lawsuits have been decided against creditor banks.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created in 2019 a provision in the amount of PLN 223 million (Euros 48.9 million), while in 2020 constituted a provision in the amount of PLN 713 million (Euros 156.35 million), which includes a provision in the amount of PLN 677 million (Euros 148.46 million) for legal risk regarding Bank Millennium's portfolio and a provision of PLN 36.4 million (Euros 7.98 million) for legal risk regarding former Euro Bank, S.A.'s portfolio. The methodology developed by Bank Millennium is based on the following main parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified (three-year) time horizon; (ii) the amount of Bank Millennium's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); and, (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained. Variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

As at 31 December 2020, Bank Millennium's balance sheet value of provisions set aside for FX-indexed mortgages legal risk regarding Bank Millennium's portfolio reached PLN 924 million (Euros 202.62 million) and PLN 36.4 million (Euros 7.98 million) regarding former Euro Bank, S.A.'s portfolio. Legal risk from former Euro Bank, S.A.'s portfolio is fully covered by an Indemnity Agreement established with Société Générale.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss due to legal risk related to the portfolio of mortgage loans in convertible currencies
Change in the number of lawsuits	Additionally, 1 p.p. of active clients file a lawsuit against Bank Millennium	PLN 33 million (Euros 7.24 million)
Change in the probability of winning a case	The probability of Bank Millennium winning a case is lower by 1 p.p	PLN 25 million (Euros 5.48 million)

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, responding to the request for a preliminary ruling from District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU regarding the interpretation of European Union Law, is binding to the national judge who proceeded with the preliminary ruling, and this interpretation must be accepted by the other community judges who judge on the application of the same rules. The referred judgment was based on the interpretation of Article 6 of Directive 93/13, concluding that it must be the following: (i) the national court can declare nullable a loan agreement if the removal of abusive terms detected compromises the subject matter of the agreement; (ii) the effects on the consumer's situation resulting from the annulment of the agreement must be assessed in the light of the existing or foreseeable circumstances at the time of the decision of the dispute, and the will of the consumer is decisive as to whether he wishes to maintain the agreement; (iii) Article 6 prevents the integration of gaps in the contract caused by the removal of unfair terms from it solely on the basis of national legislation of a general nature or established customs; and, (iv) Article 6 precludes the maintenance of unfair terms in the contract which, at the time of the decision of the dispute, are objectively favourable to the consumer, in the absence of express manifestation to that effect by the latter. It can be inferred from this decision that the CJEU considered doubtful the possibility of a loan agreement remaining in force in PLN while interest is calculated in accordance with LIBOR.

CJEU's judgment respects only to situations where the national court has previously found the contract terms to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a certain contract term can be qualified as abusive in the specific circumstances of the lawsuit. It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be judged by the national courts within the framework of the disputes considered, which could possibly result in the emergence of new legal interpretations relevant for the assessment of the risks associated with the subject matter of these proceedings. This circumstance justifies the need for constant accompaniment of these matters. Further requests for clarification and ruling addressed to the CJEU and the Supreme Court of Poland with potential impact on the outcome of the court cases have already been and may still be filed.

In this context, taking into consideration the recent unfavourable evolution to creditors of the court verdicts regarding FX-indexed mortgage loans, and if such trend continues, Bank Millennium will have to regularly review the provisions allocated to court litigations and it may need to constitute new provisions reinforcements.

The annulment of Bank Millennium's loan agreements currently subject to those lawsuits can have a cost, before tax, of up to PLN 2.385 million.

2. Events that may impact the provision for legal risk

On 29 January 2021, it was published a set of questions addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/ denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, there would be applicable the theory of equity (i.e., does it arise a single claim which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested for commenting on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract. The date of the Supreme Court meeting, which was scheduled for 25 March 2021, has since been changed to 13 April 2021. Bank Millennium will assess in due time the implications of the potential decisions of the Supreme Court on the level of provisions constituted for the legal risk. Given the Group's inability to predict the results of that Supreme Court decision, this matter was not considered in the determination of the provision.

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (PFSA), proposed a sectoral solution to address the sector risks related to FX-indexed mortgages. The solution would consist in banks offering to their clients a possibility of concluding liability settlement agreements based on which a client would conclude with the bank a settlement as if the loan had been, from the very beginning, a PLN-indexed loan, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loan.

Following that public announcement, the idea has been subject of consultations between banks under the auspices of the PFSA and Polish Bank Association. Banks are assessing the conditions under which such solution could be implemented and consequent impacts.

In the view of Bank Millennium's Management Board, important aspects to be taken into consideration when deciding on potential implementation of such program are: a) favourable opinion or, at least, non-objection from important public institutions; b) support from the National Bank of Poland (NBP) for the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; e) capital consequences, including regulatory adjustments in the level of capital requirements associated with FX-indexed mortgage loans.

At the time of publishing the Group's Consolidated Report, neither its Management Board nor any other corporate body of Bank Millennium or of the Bank took any decision regarding the implementation of such program. For this reason, the potential effects of this matter were not reflected in the determination of the provision. If, or when, a recommendation regarding the program is be ready, Bank Millennium's Management Board will submit it to the Supervisory Board and General Shareholders' meeting, taking into consideration the relevance of such decision and its implications.

According to preliminary calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the current portfolio would be converted) with a pre-tax impact between PLN 4.100 million (Euros 899.06 million) to PLN 5.100 million (Euros 1,118.35 million) (non-audited data). The impacts can significantly change in case of variation of the exchange rate and other assumptions of diverse nature. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk-weighted assets and the decrease or elimination of Pillar 2 buffer. The above mentioned impact would be substantially higher than the estimated impact of PLN 500 million (Euros 109.64 million) to PLN 600 million (Euros 131.57 million) (non-audited data) in the scenario of replacing the exchange rate applied in the contracts by the average NBP exchange rate. Finally, it should be mentioned that Bank Millennium, as at 31 December 2020, maintained additional own funds for the coverage of additional capital requirements related to FX-indexed mortgage portfolio risks (Pillar II buffer), in the amount of 3.41 p.p. (3.36 p.p. at the BCP Group level), part of which is allocated to operational/legal risk.

Due to the complexity and uncertainty regarding the outcome of court cases, as well as due to the potential implementation of PFSA Chairman's solution or potential Supreme Court decisions, it is difficult to reliably estimate potential impacts of such outcomes and their interaction as at the date of publication of the Group's financial statements.

58. Recently issued accounting standards

1 - Recently issued accounting standards and interpretations that came into force in 2020

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union (EU) with mandatory application for the financial year of the Group started on 1 January 2020:

Amendment to IFRS 3: Definition of a business

Corresponds to amendments in the definition of a business and clarifies the identification of the acquisition of a business or an acquired set of activities and assets. The revised definition also clarifies the definition of a business output by focusing on goods and services provided to customers. The changes also add guidance and illustrative examples to help entities assess an acquisition of a business.

There were no material impacts on the application of this amendment in the Group's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform – Phase I

Corresponds to amendments to IFRS 9, IAS 39 and IFRS 7 relative to the interest rate benchmark reform (known as 'IBOR reform'), with the purpose of diminishing the potential impact of reference interest rate changes in financial reporting, namely in hedge accounting.

There were no material impacts on the application of these amendments in the Group's financial statements.

Amendments to IAS 1 and IAS 8: Definition of material

Corresponds to amendments to clarify the definition of material in IAS 1. The definition of material in IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards to ensure consistency. The information is material if its omission, distortion or concealment is reasonably expected to influence the decisions of the primary users of the financial statements based on the financial statements.

There were no material impacts on the application of these amendments in the Group's financial statements.

Amendments to references to the conceptual framework in IFRS standards

Corresponds to amendments in several standards (IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 32) related to references to the Conceptual Framework revised in March 2018. The revised Conceptual Framework includes revised definitions of an asset and liability and new guidance on measurement, derecognition, presentation and disclosure.

There were no material impacts on the application of these amendments in the Group's financial statements.

Amendment to IFRS 16: COVID-19-Related Rent Concessions

This amendment allows lessees, as a practical expedient, to have the option of not considering a rent concession that occurs as a direct consequence of the pandemic COVID-19 as a lease modification. A lessee who uses this option must account for any concession that occurs at the rent level in the same way that would be done under IFRS 16 – Leases if that change did not constitute a lease modification. This amendment does not affect lessors.

There were no material impacts on the application of this amendment in the Group's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future financial years

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

Amendment to IFRS 4: Extension of the temporary exemption from applying IFRS 9 – Financial instruments (applicable for years beginning on or after 1 January 2021)

This amendment aims to extend the exemption date from applying IFRS 9 – Financial instruments from 1 January 2021 to 1 January 2023, in order to be aligned with the effective date of adoption of IFRS 17 – Insurance contracts.

This amendment, although endorsed by the European Union, was not adopted by the Group in 2020 as its application is not mandatory yet.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform – Phase II (applicable for years beginning on or after 1 January 2021)

These amendments aim to answer to the effects on financial reporting of replacing the current reference interest rates with alternative reference rates, providing an accounting treatment that allows the phased distribution of changes in the value of financial instruments or lease contracts, mitigating the impact on profit or loss and avoiding consequences in terms of hedge accounting.

These amendments, although endorsed by the European Union, were not adopted by the Group in 2020 as their application is not mandatory yet.

3 - Standards, interpretations, amendments and revisions not adopted by the European Union yet

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and, therefore, have not been applied by the Group:

IFRS 17 – Insurance contracts (applicable for years beginning on or after 1 January 2023)

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

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (applicable for years beginning on or after 1 January 2016)

These amendments clarify a conflict between the requirements in IAS 28 and those in IFRS 10, being the aim of its implementation that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This way, these amendments define that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and, on the other hand, a partial gain or loss is recognized when a transaction involves assets that do not constitute a business (even if these assets are housed in a subsidiary).

Amendment to IAS 1: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current – Deferral of effective date (applicable for years beginning on or after 1 January 2023)

On 23 January 2020, the Amendment to IAS 1: Classification of liabilities as current or non-current was issued, which aims to clarify that the classification of liabilities as current or non-current should be made based on the existing rights at the end of the financial reporting period, not being affected by expectations related to the exercise of the right to defer the settlement of a liability and, additionally, that the settlement corresponds to the extinction of a liability by transferring cash, equity instruments, other assets or services to a counterparty.

On 15 July 2020, it was decided to postpone by a year the effective date of the referred amendment, thus becoming applicable for years beginning on or after 1 January 2023.

Amendment to IFRS 3: Reference to the conceptual framework (applicable for years beginning on or after 1 January 2022)

This amendment aims to update IFRS 3 so that it corresponds to the conceptual framework of 2018, not occurring significant changes in the requirements of this standard.

Amendment to IAS 16: Property, Plant and Equipment – Proceeds before intended use (applicable for years beginning on or after 1 January 2022)

This amendment prohibits an entity from deducting from the cost of a property, plant or equipment any proceeds arising from the sale of items produced while the entity prepares the asset to operate as intended, at the location and necessary conditions. The entity shall recognize any proceeds arising from those sales and the respective costs of production in the income statement.

Amendment to IAS 37: Onerous contracts – Cost of fulfilling a contract (applicable for years beginning on or after 1 January 2022)

This amendment aims to clarify what costs an entity should consider as related to the fulfilling of a contract when assessing whether a contract is onerous. It also specifies that the costs of fulfilling a contract correspond only to the costs directly related to it, which may take the form of incremental costs or of an allocation of other costs directly related to the fulfilling of the contract.

Improvements to international financial reporting standards (cycle 2018-2020) (applicable for years beginning on or after 1 January 2022)

These improvements comprise the clarification of some aspects related to: IFRS 1 – First-time adoption of International Financial Reporting Standards: allows a subsidiary that adopts IFRS for the first time to measure cumulative translation differences based on the amounts presented in the consolidated financial statements of its parent company, according to the transition date of the parent company to IFRS; IFRS 9 – Financial instruments: clarifies that, when assessing the derecognition of a financial liability, an entity should only consider fees paid or received between the entity and the lender, including fees paid or received by one on behalf of the other; IFRS 16 – Leases: amendment to illustrative example 13 presented in the standard, in order to avoid the emergence of doubts regarding the treatment of lease incentives; IAS 41 – Agriculture: removal of the requirement to exclude taxation cash flows when measuring the fair value of a biological asset, thus ensuring consistency with IFRS 13 – Fair value measurement.

59. Application of IFRS 16 – Leases

As described in note 1 A. Basis of presentation and accounting policy 1 H, the Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. IFRS 16 was approved by EU in October 2017. The Group did not adopt any of the requirements of IFRS 16 in prior periods.

This standard establishes the new requirements regarding the scope, classification/recognition and measurement of leases:
- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- from the lessee’s perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Group choose not to apply this standard to short-term lease contracts, i.e. contracts with a term shorter than or equal to one year, and to lease contracts in which the underlying asset’s value is below Euros 5,000. Additionally, the option not to apply this standard to leases of intangible assets was also used.

Transition

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group applied this standard retrospectively, with its transition impacts recognised on 1 January 2019. This way, comparative information has not been restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

For contracts in which a sublease is identified, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and a financial asset related to the sublease.

The following assumptions considered in the implementation of this standard were:

- lease term: this component was evaluated by categories of contracts, being each contract enforceable. In the evaluation of the enforceability, the particular clauses of the contracts as well as the current legislation regarding the urban lease are taken into consideration;
- discount rate: it was used the lessee's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Group's risk spread, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Group identified that the main lease contracts covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles.

The adoption of the standard implies changes in the Group's financial statements, namely:

- in the consolidated income statement:

(i) in Net interest income, the record of interest expenses related to lease liabilities, as referred to in note 2. Net interest income, balance Interest and similar charges - Interest on leases;
(ii) in Other Administrative Expenses, the record of the amounts relating to short-term lease contracts and low value assets lease contracts, as referred to in note 8. Other administrative expenses, balance Rents and leases; and
(iii) in Amortisations, the record of depreciation costs of right-of-use assets, as referred in note 9. Amortisations and depreciations, balance item Right-of-use.

- in the consolidated balance sheet:

(i) in Financial assets at amortised cost - Loans and advances to customers, the recognition of financial assets related to sublease operations measured in accordance with IFRS 9, as referred to in note 21. Loans and advances to customers, balance Finance leases;
(ii) in Other tangible assets, the recognition of right-of-use assets, as referred in note 28. Other tangible assets, balance Right of use; and
(iii) in Other liabilities, the record of the amount of recognised lease liabilities, as referred in note 39. Other liabilities, balance Rents to pay.

- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to suppliers and employees includes amounts related to short-term leases and to leases of low-value assets. The balance Decrease in other sundry liabilities and non-controlling interests includes amounts relating to payments of capital portions of lease liabilities, as detailed in the Consolidated statement of cash flows.

Until 31 December 2018, and according to IAS 17, every payment of operating leases was presented as Cash flows arising from operating activities. Following the IFRS 16's adoption, Cash flows arising from operating activities changed to Cash flows arising from financing activities in the amount of Euros 25,733,000. IFRS 16's adoption didn't cause an impact in the Group's net cash flows.

The reconciliation between the balance sheets of 31 December 2018 and 1 January 2019, according to IFRS 16, is detailed as following:

(Thousands of euros)

	IAS 17 31 Dec 2018	Impact of IFRS 16	IFRS 16 1 Jan 2019
ASSETS			
Cash and deposits at Central Banks	2,753,839	–	2,753,839
Loans and advances to credit institutions repayable on demand	326,707	–	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	890,033	–	890,033
Loans and advances to customers	45,560,926	9,835	45,570,761
Debt securities	3,375,014	–	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	870,454	–	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	–	1,404,684
Financial assets designated at fair value through profit or loss	33,034	–	33,034
Financial assets at fair value through other comprehensive income	13,845,625	–	13,845,625
Assets with repurchase agreement	58,252	–	58,252
Hedging derivatives	123,054	–	123,054
Investments in associated companies	405,082	–	405,082
Non-current assets held for sale	1,868,458	–	1,868,458
Investment property	11,058	–	11,058
Other tangible assets	461,276	249,416	710,692
Goodwill and intangible assets	174,395	–	174,395
Current tax assets	32,712	–	32,712
Deferred tax assets	2,916,630	–	2,916,630
Other assets	811,816	–	811,816
TOTAL ASSETS	75,923,049	259,251	76,182,300
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	7,752,796	–	7,752,796
Resources from customers	52,664,687	–	52,664,687
Non subordinated debt securities issued	1,686,087	–	1,686,087
Subordinated debt	1,072,105	–	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	327,008	–	327,008
Financial liabilities at fair value through profit or loss	3,603,647	–	3,603,647
Hedging derivatives	177,900	–	177,900
Provisions	350,832	–	350,832
Current tax liabilities	18,547	–	18,547
Deferred tax liabilities	5,460	–	5,460
Other liabilities	1,300,074	259,251	1,559,325
TOTAL LIABILITIES	68,959,143	259,251	69,218,394
EQUITY			
Share capital	4,725,000	–	4,725,000
Share premium	16,471	–	16,471
Other equity instruments	2,922	–	2,922
Legal and statutory reserves	264,608	–	264,608
Treasury shares	(74)	–	(74)
Reserves and retained earnings	470,481	–	470,481
Net income for the year attributable to Bank's Shareholders	301,065	–	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780,473	–	5,780,473
Non-controlling interests	1,183,433	–	1,183,433
TOTAL EQUITY	6,963,906	–	6,963,906
TOTAL LIABILITIES AND EQUITY	75,923,049	259,251	76,182,300

60. Acquisition/Merger of Euro Bank, S.A.

Description of the transaction

On 5 November 2018, Bank Millennium announced and signed the preliminary agreement related to the acquisition of 99.787% shares of Euro Bank S.A. from SG Financial Services Holdings a wholly owned subsidiary of Societe Generale S.A. The transaction specified in the agreement is the direct acquisition of the shares by Bank Millennium.

The strategic logic of the transaction

As a result of the transaction related to the acquisition of Euro Bank shares, Bank Millennium strengthened its important position in the Polish banking sector. The transaction increased the number of the Bank's clients by 1.4 million (of which more around 494 thousand fulfil the classification of active client as per Bank’s internal definition) and therefore allowed the Bank to become one of the largest Polish bank in terms of the number of retail clients.

The acquisition of Euro Bank allowed the Bank to increase the segment of consumer loans, as well as the importance of this segment for the entire Group. The acquisition of Euro Bank enabled Millennium Bank to acquire competences in the franchise model and strengthen its presence in smaller cities, where Euro Bank was strongly located, and contributed to increase of the geographical coverage of the Bank's distribution network.

Completion of the acquisition

On 3 January 2019, the Bank received information on issuing by the President of the Office of Competition and Consumer Protection the decision on the consent for the concentration consisting in the Bank's acquisition of control over Euro Bank S.A. The consent was issued on 28 December 2018.

On 28 May 2019 the Polish Financial Supervision Authority issued the consent specifying that there is no basis for the objection raising, and therefore Bank Millennium together with its parent entity, Banco Comercial Português, were allowed to acquire the shares of Euro Bank S.A. in the number resulting in exceeding 50% of the total number of votes on the general meeting of Euro Bank and of the share in the share capital. The number of acquired shares exceeding 50% results also in becoming a parent entity of Euro Bank.

On 31 May 2019, by executing the share purchase agreement between the Bank and SG Financial Services Holdings of 5 November 2018, the Bank has acquired the majority of shares, constituting 99.787% of Euro Bank S.A. share capital. Additionally, on 31 May 2019, the Bank has repaid the non-subordinated financing granted to Euro Bank by Societe Generale S.A. (“SG”) in the amount of ca. PLN 3.800.000.000. It was preceded by Euro Bank’s repayment of a part of subordinated debt from SG in the amount of PLN 250.000.000, after obtaining appropriate agreements from the PFSA in this particular area. In October 2019, a final repayment of a subordinated loan of SG taken out by Euro Bank in the amount of PLN 100 million (fully collateralised by a cash deposit since 31 May 2019) took place.

In order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN, but indexed to CHF, Euro Bank and SG signed on 31 May 2019 an “CHF Portfolio Indemnity and Guarantee Agreement” as it was planned in the Share Purchase Agreement. Euro Bank, Bank Millennium and SG also concluded an agreement related to the provision of certain limited transitional services by SG for Euro Bank.

Merger

On 6 June 2019, the Management Board of Bank Millennium and the Management Board of Euro Bank agreed and signed the merger plan of Bank Millennium and Euro Bank (the "Merger"). The merger was performed in accordance with art. 492 § 1 point 1 of the Commercial Companies Code (KSH) by transferring all assets and liabilities of Euro Bank (the acquired bank) to Bank Millennium (the acquiring bank), without increasing the share capital of Bank Millennium.

In accordance with the Merger, existing, dematerialized shares of Bank Millennium (“Merger Shares”) were allocated to the minority shareholders of Euro Bank. The shares were purchased on Warsaw Stock Exchange S.A. in the secondary trading, by Millennium Dom Maklerski S.A. [Millennium Brokerage House], by the order of Bank Millennium, pursuant to art. 515 paragraph 2 of the Commercial Companies Code.

The following share exchange parity has been determined in the Merger Plan: in exchange for 1 (one) share of Euro Bank, a minority shareholder of Euro Bank received 4.1 Merger Shares.

As a result of the Legal Merger performed 1st October 2019, Bank Millennium assumed all the rights and obligations of Euro Bank, and Euro Bank was dissolved without liquidation proceedings and its entire assets were transferred to Bank Millennium. The merger took place on the day of its entry into the register of entrepreneurs of the National Court Register of Bank Millennium. The merged Bank operates under the name Bank Millennium S.A. based on the provisions of the Act of 15 September 2000 - Code of Commercial Companies ("KSH").

The merger was performed based on already obtained appropriate consents and permits required by law, i.e.:

(i) - permission of the Polish Financial Supervision Authority ("PFSA") for the Merger, pursuant to art. 124 paragraph 1 of the Act of 29 August 1997 - Banking Law ("Banking Law"); (ii) - permission of the PFSA to amend the Statute of Bank Millennium pursuant to art. 34 paragraph 2 of the Banking Law.

Transaction settlement

Transaction settlement was performed applying the acquisition method, in accordance with the International Financial Reporting Standard 3 "Business combinations" ("IFRS"), which requires, among others, recognition and measurement of identifiable assets acquired, and liabilities assumed measured at fair value as at the acquisition date, and any non-controlling interest in the acquired entity (if any) and separate recognition and measurement of goodwill or gain on bargain purchase.

As part of the transaction, the Group identified non-controlling interests amounting to 0.2% of the total value of Euro Bank shares. Bank Millennium acquired 26,240 shares of the Bank, constituting 0.00216302% of its share capital, which were then offered as merging shares to authorized shareholders of Euro Bank other than the Bank. The average purchase price of one merger share was PLN 5.939842, and the total price, representing the total cost of purchasing the merger shares, was PLN 156 thousand.

The Group made a final settlement of the merger and calculation of goodwill in connection with the purchase of Euro Bank S.A. shares within a period of one year from the date of acquiring the control in accordance with the requirements of IFRS 3. During this time, the acquirer may adjust retrospectively the provisional fair values of assets and liabilities recognized as at the acquisition date to reflect any new information obtained in relation to facts and circumstances that existed as at the acquisition date and, if known, would affect the measurement of those assets and liabilities. Such adjustments refer to the recognized goodwill or gain on bargain purchase.

Recognition and measurement of identifiable assets acquired liabilities assumed measured in accordance with IFRS

The following data regarding the fair value measurement of the acquired assets and assumed liabilities were based on the identification from the point of view of Bank Millennium and the adopted assumptions regarding the materiality threshold. A detailed description of the fair value measurement of individual assets acquired and liabilities assumed was presented in the consolidated annual report of the Millennium Group for 2019.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	millions of zloty	millions of euros
Assets		
Cash and deposits at Central Banks	242	57
Loans and advances to credit institutions repayable on demand	85	20
Financial assets at amortised cost		
Loans and advances to customers	12,558	2,933
Financial assets at fair value through profit or loss		
Financial assets not held for trading mandatorily at fair value through profit or loss	17	4
Financial assets at fair value through other comprehensive income	1,385	324
Other tangible assets	113	26
Goodwill and intangible assets	50	12
Deferred tax assets	143	33
Other assets	72	16
Total Assets	14,665	3,425
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	4,087	955
Resources from customers	7,975	1,863
Non subordinated debt securities issued	506	118
Subordinated debt	100	23
Hedging derivatives	6	1
Provisions	1	—
Other liabilities	375	88
Total Liabilities	13,050	3,048
	1,615	377

The adjustments to the fair value for temporary differences constituted the basis for the calculation of deferred tax.

Calculation of goodwill

As at the date of the present report, the Group has completed the process of calculating goodwill as at 31 May 2019.

In accordance with IFRS 3.45, the maximum period for making changes to the purchase price allocation expired after 12 months from the date of the acquisition, i.e. on 31 May 2020. The finally determined difference of the fair value of acquired assets and assumed liabilities at the acquisition date over the purchase price is recognized by the Group in accordance with the provisions of IFRS 3.32 as goodwill in intangible assets.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	thousands zloty	thousands euros
Price transferred in accordance with the Agreement	1,833,000	428,151
Preliminary price adjustment	(25,529)	(5,963)
Price after adjustment	1,807,471	422,188
Fair value of acquired net assets	1,615,346	377,312
Exchange differences	–	(2,746)
Goodwill	192,125	42,130

The difference between the book value of the acquired assets and liabilities of Euro Bank S.A. and their fair value measurement will be subject to settlement through the profit or loss account - in the economic life of the individual components of the assets and liabilities acquired.

Pursuant to IAS 36, as at 31 December 2020, the Bank conducted a test for impairment of goodwill arising from the acquisition of Euro Bank S.A. In principle, this test compares the carrying amount of a cash-generating unit ('CGU') with its recoverable amount (where the CGU is the smallest identifiable group of assets generating cash inflows largely independent of the cash inflows from other assets or groups of assets). The Bank conducted an impairment test with regard to the portfolio of assets of the retail segment, constituting a set of CGUs, by comparing their carrying amount with the recoverable amount. The recoverable amount was estimated based on the value in use of the CGU, which was calculated as the present, estimated value of future cash flows for the period of 5 years, taking into account the residual value of the CGU. The residual value of the CGU was calculated by extrapolating the cash flow projections beyond the forecast period, using the growth rate assumed at 3.5%. Cash flow forecasts are based on the assumptions contained in the financial plan for the Bank Millennium Capital Group for 2021 and the projections for 2022-2023. The cash flows were discounted using a discount rate of 9.44%. The impairment test performed as at 31 December 2020 showed a surplus of the recoverable amount over the carrying amount of individual CGUs, and therefore no impairment of goodwill was identified.

61. Impact of COVID-19 Pandemic

Background

The year of 2020 was marked by the spread of the COVID-19 disease on a global scale after the first cases of SARS-CoV-2 (Coronavirus) infection were detected in China, still in late 2019, leading to the declaration of a pandemic by the World Health Organization as at 11 March 2020. The immediate impacts of this pandemic have reached an unprecedented dimension in the alert situation created, in the exhaustion of health systems and in the severe containment and combat measures implemented in several countries including Portugal where the state of emergency was declared as at 18 March 2020, for the first time since the country's current Constitution was enacted.

The outbreak of COVID-19 forced the majority of the countries to implement restraining measures, including successive renewals of the state of emergency, temporary confinement of large proportions of the populations of the most-affected countries and strong restrictions to the normal economic activity of many companies in almost every sector, to contain the spread of the disease. These measures turned out to be very harmful for the global economy, causing a sudden slowdown in activity.

According to the International Monetary Fund (IMF), the COVID-19 pandemic has likely led to a contraction of the World economy of 3.5% in 2020, in a context of strong restrictions to the normal functioning of the economic activity. Though global, the recessive intensity proved heterogeneous, having affected more the developed economies than the emerging markets. For 2021, the IMF envisions a scenario of strong recovery of the global activity, which is naturally subject to the dissipation of the pandemic.

The extraordinarily negative impact of the pandemic on the global economy led to a generalized and unprecedented economic policy response, both on the monetary and fiscal fronts. With the aim of accelerating the economic recovery the European leaders approved in July an extraordinary package of funds named NextGeneration EU, amounting to Euros 750 billion distributed into subsidies and loans, that will be deployed from 2021 to 2023 and that will be financed by the issuance of European debt. In the Euro Area, the ECB launched an emergency public debt purchase program and strengthened other mechanisms of liquidity injection into the financial system, which contributed to keep the Euribor rates in negative values along the whole extension of the curve and also led to a reduction of the government bond yields of the peripheral member-states, including Portugal.

Additionally, in order for credit institutions to preserve capital to retain their capacity to support the economy in an environment of heightened uncertainty caused by COVID-19, ECB issued a recommendation related to dividend distributions. According to this recommendation, banks should refrain from paying out dividends and from assuming irrevocable commitment to pay out dividends for the financial years 2019 and 2020 and should also abstain from buying-back shares aimed at remunerating shareholders. The deadline for this recommendation, initially scheduled until 1 October 2020, was subsequently extended to at least 1 January 2021. As at 15 December 2020, ECB issued a new recommendation stating that, until 30 September 2021, significant credit institutions should exercise extreme caution in the payment of dividends or in the repurchase of shares designed to remunerate shareholders, and should previously debate with the supervision the acceptable level of distribution.

In the year of 2020, the Portuguese economy recorded an unprecedented contraction of 7.6% stemming from the effects of the pandemic on activity, which turned out particularly pernicious for tourism, private consumption, and to a lesser degree investment. The strong recovery of GDP in the third quarter suffered a sharp slowdown in the last three months of the year due, to a great extent, to the implementation of new health-driven restrictions. Notwithstanding the adverse context and the elevated uncertainty, the economic recovery should proceed in 2021, supported by the expansionism of both the monetary and fiscal policies and by the significant increase of households' savings in the last few quarters. However, the lockdowns imposed from January of the new year should dampen some of the recovery dynamism. According to the latest forecasts of the Bank of Portugal, the growth of GDP in 2021 should be 3.9%. The effort of supporting the household and corporate income by the government led to a substantial deterioration of the fiscal performance and, consequently, of the public debt ratios, an evolution that should improve progressively in tandem with the recovery of economic activity.

In Poland the fall of GDP in 2020 stood at 2.8%, reflecting the adverse effects of the health restriction on economic activity, especially in what concerns consumption and investment. However, the better than expected performance of goods exports fostered by the recovery of the German and Chinese economies in the second half of 2020 contributed to cushion the severity of last year's recession. In 2021, the external demand and the expectation of progressive normalization of the restrictive measures should support the recovery of activity, with the European Commission projecting a GDP growth rate of 3.1%. On the foreign-exchange front, the heightened uncertainty environment that dominated the international financial markets in 2020 took a toll on the evolution of the Zloty, which for the whole year depreciated around 7% against the Euro.

Measures to support the economy

Portugal

Credit lines guaranteed by the Portuguese State

In the context of the epidemic caused by the new Coronavirus, the Portuguese Government created lines of support for the economy that allow companies to access credit on favourable terms. This support has been made available in a phased manner and distributed in specific lines for different business sectors. These lines are guaranteed by the Portuguese State in 90% in the case of credit granted to micro and small companies and in 80% in the case of larger companies.

Credit moratoriums

The Portuguese Government, through Decree-Law no. 10-J/2020, of 26 March, introduced a moratorium on credits towards financial institutions with the objective of supporting families and companies in an adverse context of a substantial decline in income caused by the COVID-19 pandemic. This public moratorium establishes exceptional measures to protect the credits of beneficiary entities in the context of the COVID-19 pandemic, allowing the deferral of the fulfilment of responsibilities, when they represent credits assumed by the beneficiary entities towards the Bank, which are not overdue on the date on which the application to the public moratorium is received.

As the economic crisis generated by the COVID-19 pandemic was evolving, in June 2020, the Portuguese Government extended the scope and the deadline of the public moratorium. Thus, Decree-Law No. 26/2020, of 16 June, introduced changes to the public moratorium, regarding the period covered, the timing for accession and the scope of the beneficiaries and the operations covered. With these changes, bank customers began to benefit from an extension of the term of the public moratorium. The moratorium term initially set at six months, until 30 September 2020, has been extended until 31 March 2021. This new term is applicable not only to new moratoriums but to those that were subscribed in periods prior to the extension. Within the scope of these amendments, 30 June 2020 was set as deadline for adhering to the public moratorium.

In the third quarter of this year, Decree-Law No. 78-A/2020, of 29 September, introduced additional amendments to Decree-Law no. 10-J/2020, establishing a further extension of the period of validity of the public moratorium. In this context, bank customers who had adhered to the public moratorium regime until 30 September 2020 will benefit from the support measures provided for in that regime until 30 September 2021. It should be noted, however, that between 31 March 2021 and 30 September 2021, support measures are different depending on whether or not customers operate in sectors especially affected by the pandemic COVID-19. Bank customers operating in sectors particularly affected by the COVID-19 pandemic may continue to benefit from the suspension of capital reimbursement and payment of interest, commissions and other charges, while the remaining customers will only be entitled to benefit from the grace period for repayment of capital during the additional period.

In addition, it should be noted that the new deadlines are automatically applicable to the public moratoriums in force, unless customers intend to benefit from the effects of protection measures for a shorter period, in which case they will have to communicate this intention to the Bank with a minimum period of 30 days in advance. The referred Decree-Law No. 78/A/2020 also includes a new measure applicable only to the moratorium credits granted to entities comprised in one of the sectors of activity specified in the Decree-Law, that corresponds to an additional extension of the term of 12 months , added to the extension arising from the application of the moratorium.

As at 2 December 2020, following the impacts of the second wave of the pandemic, the European Banking Authority reactivated bank moratorium, allowing new applications to the moratoriums between 1 January 2021 and 31 March 2021, for a moratorium period of up to nine months from the date of accession. In this sense, Decree-Law No. 107/2020, of 31 December, was published in order to adapt the national legislative framework to the European prudential framework, maintaining the conditions and characteristics of the moratorium regime in force for new accessions, but with the adaptations inherent to the reactivation of the measure, namely, the term of application and the duration of the moratorium.

Based on this framework, the Bank provides credit moratoriums designed to protect, namely, companies, self-employed entrepreneurs and other professionals, private social solidarity institutions, non-profit associations and other entities of the social economy, which fulfil the requirements of the law.

In the case of households, moratoriums covers loans with mortgage guarantee (with multi-purpose, namely mortgage loans, including credit granted for the acquisition of secondary residential property or for rental purposes), as well as the real estate financial leasing and the consumer credit agreements for the purpose of education, including for academic and professional training.

Following the guidance issued by the European Banking Authority on public and private moratoriums applied to credit operations in the context of the COVID-19 pandemic, the Portuguese Banking Association provided for two private moratoriums open to natural persons, residents or non-residents in Portugal , one of which relates to mortgage loans and the other to non-mortgage loans (e.g. personal or automobile). In the case of non-mortgage loans, the moratoriums agreed until 30 June 2020 are granted for a period of 12 months, counting from the date of the agreement. The moratoriums that will be agreed after 30 June 2020 will end on 30 June 2021. In the case of mortgage loans, the moratoriums will last until 31 March 2021.

Measures to support clients

(i) Exemption and commissions reduction

In parallel with the suspension of certain commissions due for the use and carrying out of payment transactions through digital platforms, established by Law No. 7/2020, of April 10, the Bank created several exemptions or commission reductions benefiting corporate and private customers, mainly those most affected by the pandemic. In this context, the access to integrated solutions with special conditions or reduced prices was extended and facilitated for private customers.

(ii) Other measures implemented by the Bank

In addition to the aforementioned measures, BCP launched a set of additional measures to help families and companies to overcome the economic challenges caused by the COVID-19 pandemic.

Simultaneously with the moratorium on the repayment of principal and interests, BCP suspended, between 1 April and 30 June 2020, spread increases on real estate credit agreements to private customers for non-compliance with contractual bonus conditions, resulting from the constraints associated with the COVID-19 pandemic. Additionally, the digital transformation was accelerated, making it easier and faster to access the Bank and its services.

In order to support the economy, protect employment and strengthen corporate sustainability, BCP under the corporate support program, also offers current-account credit facilities and immediate liquidity, with Factoring and Confirming products, providing even the possibility of access to several credit lines, namely following the protocol signed with European Investment Fund, with European Investment Bank and with Development Financial Institution.

International

In the international activity, it is worth mentioning the initiatives launched by Bank Millennium in Poland. Bank Millennium provided its customers with the possibility of deferring payments of interest and principal for credits as provided for in credit moratoriums sponsored by local associations representing the banking sector and leasing companies. Bank Millennium has launched several initiatives aimed at facilitating access to the bank and carrying out financial transactions remotely, mainly benefiting its private customers. In order to make it easier for companies to meet their cash flow needs during this period, Bank Millennium launched several funding solutions for this specific purpose.

Adoption of new procedures and criteria in the preparation of accounting estimates in the context of the COVID-19 pandemic

In the context of the current crisis caused by the spread of the COVID-19 pandemic, several supervisors and regulators, including the European Central Bank, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the International Accounting Standards Board (IASB) issued guidelines and recommendations to ensure the consistency and comparability of the metrics, principles and requirements provided for in the International Financial Reporting Standards (IFRS), in particular regarding IFRS 9 - Financial instruments.

In this context, the following main guidelines and recommendations should be highlighted:

- Statement on the application of the prudential framework regarding default, forbearance and IFRS 9 in light of COVID-19 measures, issued by EBA on 25 March 2020;

- IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS9 Financial Instruments in the light of the current uncertainty resulting from the COVID-19 pandemic, issued on 27 March 2020 by IASB;

- Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, issued by EBA in April 2, 2020 (EBA/GL/2020/02) and updated on 25 June 2020;

- IFRS 9 in the context of the coronavirus (COVID-19) pandemic, issued on 1 April 2020 by ECB and after 2 December 2020;

- Guidance (EBA/GL/2020/12) amending the EBA guidance (EBA/GL/2018/01) on uniform disclosure (CRR Article 473 A) with respect to the transitional regime to reduce the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR "Quick Fix" in response to the COVID-19 pandemic;

- Commission Regulation (EU) 2020/1434 of 9 October 2020 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 16 (IFRS 16).

Stages under IFRS 9, classification of customers in situations of increased risk or default and determination of impairments

Since the time at which it was perceived that the outbreak of the COVID-19 pandemic would have significant impacts globally, the Bank has been directing its attention and the necessary efforts towards addressing the challenges that this threat represents. In this regard, we may highlight the following fronts:

- The holding of discussion and analysis sessions involving several areas of the Bank such as the Executive Commission, the Marketing Division, the Operations Division, the IT Division, the Credit Division, the Rating Division and the Risk Office;
- Identification of the potential impacts on the Bank’s risk profile, and possible mitigation measures, in relation to the COVID-19 outbreak;
- Understanding/evaluation of the range of support measures implemented or promoted by entities such as the Portuguese Government, European bodies, Supervisory Authorities, Banking Associations, etc. to minimise the impacts of COVID-19;
- Definition of a strategy to deal with the risks faced by the Institution with the COVID-19 pandemic, in line with the risk appetite of the institution;
- Development of a framework that allows information regarding the scope and effects related to the use of the moratorium and other support measures (such as lines of credit with State Guarantees) to be collected, processed and reported, on a regular basis, to the governance bodies, Supervisory Authorities and market participants in general;
- Review of the principles of the Bank’s credit policy for facing the challenges of the COVID-19 pandemic, which are periodically reviewed according to shifts in scenarios.
- Adaptation/updating of prevailing models and procedures used to estimate expected credit losses (ECL) and evaluate situations with a significant rise in credit risk or unlikeliness to pay;

More specifically in terms of the implications for the classification of risk into stages, as provided under IFRS 9, which consists of identifying and classifying customers in situations of increased risk, or indeed default, as well as the determination of impairments, the main procedures implemented by the Bank are those set forth below.

i. Updating of macroeconomic scenarios

With respect to the portfolio of customers subject to collective analysis, at the end of June and at the end of December, updates were made to the macroeconomic assumptions used in the calculation of impairment, in both cases based on three scenarios (Central, Upside and Downside Scenarios) prepared by the Bank's Planning Division, which took into account, at each point in time, the most recent forecasts of leading bodies that publish forecasts of macroeconomic variables, such as the Banco de Portugal and European bodies.

These scenarios are used across the Bank for various purposes beyond the calculation of collective impairment.

Taking as a reference point the last update of macroeconomic assumptions conducted in December and taking as a point of comparison the macroeconomic assumptions existing prior to the outbreak of the COVID-19 pandemic, the impact in Portugal on the amount of impairment resulting from the component corresponding to the application of the collective impairment model was around Euros 58 million (applying to the portfolio of Loans and advances to customers, guarantees and other commitments), reflecting the changes in the probability of default.

An identical procedure was followed at the Bank's main affiliated companies, and in Poland, the impact resulting from the updating of scenarios resulted in an increase of around Euros 15 million in total impairment associated with performing customers.

The tables presented below systematise the updates performed in December 2020 for Portugal and Poland of the central scenarios in relation to some of the most critical variables used in the estimation of collective impairment, and their comparison with that considered in December 2019, where it is possible to perceive the significant magnitude of the changes incorporated.

Update of main macroeconomic scenario assumptions (Base Scenario) - Portugal

	December 2019 Scenario		December 2020 Scenario		Difference	
Variable	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Unemployment rate	6.10 %	6.00 %	7.20 %	8.80 %	1.10 %	2.80 %
Nominal GDP annual evolution	2.80 %	2.80 %	(5.90)%	5.20 %	(8.70)%	2.40 %
Savings Rate	6.20 %	6.30 %	10.10 %	8.70 %	3.90 %	2.40 %
German 10 year Sovereign Debt Yield	(0.69)%	(0.66)%	(0.61)%	(0.55)%	0.08 %	0.11 %

Update of main macroeconomic scenario assumptions (Base Scenario) - Poland

	December 2019 Scenario		December 2020 Scenario		Difference	
Indicator	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Unemployment rate	5.40 %	5.60 %	6.80 %	7.10 %	1.40 %	1.50 %
Nominal GDP annual evolution	3.70 %	3.40 %	(5.40)%	7.50 %	(9.10)%	4.10 %
Consumption annual evolution	4.20 %	3.70 %	(5.30)%	7.70 %	(9.50)%	4.00 %
Disposable Income	4.84 %	4.59 %	0.20 %	8.30 %	(4.64)%	3.71 %
EUR/PLN exchange rate	4.28	4.28	4.45	4.35	0.17	0.07
EUR/CHF exchange rate	3.96	3.84	4.10	4.00	0.14	0.16

The following tables describe the weightings attributed to the different macroeconomic scenarios considered at the end of 2019 and December 2020, which may be considered conservative:

	Weightings			
	Portugal		Poland	
Scenario	**Dec 2019**	**Dec 2020**	**Dec 2019**	**Dec 2020**
Central	60 %	60 %	70 %	60 %
Upside	20 %	10 %	15 %	15 %
Downside	20 %	30 %	15 %	25 %

With respect to Portugal, in order to draw attention to the impact of a less favourable trend in two variables especially critical for the estimation of collective impairment (GDP growth and unemployment rate), a simulation was performed of an additional worsening of one percentage point in these indicators, which is reflected in the impacts presented in the table shown below, taking as a baseline the collective impairment of the portfolio in Portugal at 31 December 2020, which stood at Euros 515 million:

Variable	Estimated impact (% variation)
100 bp GDP growth aggravation	1.9%
100 bp unemployment rate growth aggravation	0.8%

ii. Inclusion of impairment overlays

In an effort to follow the Supervisors' guidelines, namely with respect to the identification and measurement of credit risk against the backdrop of the COVID-19 pandemic, the Bank recorded additional impairment in relation to the prevailing models for the calculation of collective impairment (overlays), which amounted to around Euros 27 million in Portugal and Euros 14 million in Poland.

The approach underlying the calculation of the value of overlays took into consideration several factors considered relevant to an assessment of the potential risk of customer exposures within the exceptional context resulting from the COVID-19 pandemic, including data already observed of the customers and estimated impacts, adopting complementary and distinct criteria in relation to the methodologies in force for the calculation of impairment, having been adopted different approaches for the calculation of the overlays for corporate and households segments.

The exercise carried out was translated in terms of impairment value, for calculating the estimated impact arising from the migrations of customers identified as having a higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis, it should be noted that the most significant impact was verified in the corporate segment.

iii. Review of the credit portfolio with respect to most significant exposures

With respect to customers with more significant credit exposures, we should highlight the implementation of a series of extraordinary procedures with the aim of evaluating the potential impacts of the outbreak of the COVID-19 pandemic.

a) Customers with significant exposures - Performing portfolio:

With respect to customers who form part of the individual analysis of impairment group, which consists of customers with greater exposures or with a risk profile considered high, significant effort was made to bring forward the implementation of questionnaires regarding signs of impairment. This process began in the second quarter of 2020, the year ending with a group of customers for whom the questionnaire was brought forward, which amounted to an exposure corresponding to around 20% of the Bank's performing portfolio of companies as at 31 December 2020.

Overall, it should likewise be highlighted that, in the period following the outbreak of the COVID-19 pandemic, individual analysis questionnaires were implemented with an exposure value representing around 45% of the Bank's performing portfolio of companies as at 31 December 2020.

The re-evaluation of the portfolio of significant cases sought to identify customers who may have experienced a significant rise in credit risk and/or an increase in the probability of default that could result in a transfer of stage or classification as NPE.

b) Customers with significant exposures - NPE Portfolio:

For this group of customers, in addition to the usual portfolio analysis, special attention was paid to a review of more representative customers, which occurred above all up to the end of the 3rd quarter, with subsequent follow-ups. In this group, the analysis of the following cases was particularly noteworthy:

- Review of impairment for customers of the 20 largest NPE Groups and/or 20 largest NPE customers with going concern approach;
- Review of impairment for NPE customers with gone concern approach and collateral with valuation of over Euros 10 million.

With reference to 31 December 2020, NPE customers subject to more detailed analysis correspond to exposure of around Euros 1.2 billion, corresponding to around 50% of the portfolio of companies classified as NPE by the Bank and 7% of the total Corporate portfolio. The amounts are lower than those of June and September due to the significant drop in NPE.

c) Private Customers:

In relation to private customers, it is important to take into consideration that most of the portfolio corresponds to mortgage lending operations, representing around Euros 17.4 billion. This kind of operation corresponds to 45.1% of the Bank's credit portfolio and 87% of the credit portfolio to private individuals and is characterised by low levels of delinquency and higher rates of recovery, due to the weight and liquidity of the associated collateral.

The levels of impairment of the portfolio that benefited from a mortgage guarantee at the end of December 2020 corresponded to an average rate of impairment of 0.30% for operations classified under stage 2.

iv. Transverse approach with a view to identifying situations involving more vulnerable corporate customers and respective close monitoring

As with the objective of identifying, evaluating and monitoring the impact in terms of credit risk arising from the COVID-19 pandemic crisis, from a more global and transverse perspective, and one which may allow consistent support during the period in which the effects of the aforementioned pandemic persist, the Bank has developed an approach to Corporate customers, with heavy involvement of the Rating Division, which is reflected in the following methodology:

- Identification of the business sectors deemed to be at greater risk and with a more adverse potential impact in the context of the COVID-19 crisis;
- Definition of stress scenarios adapted to the severity of the impact expected for each business sector;
- Assessment of resilience (measured in terms of the potential deterioration of the respective rating) of the companies belonging to the sectors identified as being more vulnerable;
- Identification of customers who exhibit greater vulnerability, according to the assessment carried out.

Under this process, the Bank assessed practically all the exposure of the sectors deemed to have been impacted most.

This assessment constitutes a highly valuable starting point for selecting the most vulnerable customers, identifying customers who should be subject to closer monitoring and analysis and devising the credit strategy to be followed on a case-by-case basis for each of these customers.

The aforementioned support is given in coordination with the commercial area, which supports the customers identified, and the credit division, and involves the requesting of monthly or quarterly information with the aim of monitoring, in the most timely manner possible, changes in their economic and financial situation. The conclusions of this analysis are presented to a monitoring committee specifically created for the purpose, on which members of the Executive Committee sit.

This approach allows the early detection of potential default risk, creating the conditions for informed and prompt action by the Bank, specifically adjustment of the credit strategy to be adopted for each customer prior to the end of the period of the moratoriums. The strategy to be determined for each case may involve measures such as those listed below:

- Reducing exposure;
- Reducing unused internal limits;
- Restructuring loans with amortisation plans, anticipating potential future defaults;
- Increasing guarantees;
- Maintenance (without changes);
- Maintenance with the option of granting specific credit operations with a good risk profile (e.g.: commercial credit);
- Partial conversion of financial loans into commercial credit;
- Repricing;
- Transfer to the recovery division.

v. Approach addressed to customers in the Retail segment

In terms of the retail segment, with a view to monitoring and following up the default risk of customers within the context of the COVID-19 pandemic and supporting the determination and implementation of more appropriate solutions to address the potential default of each cluster of customers, the Bank is in the process of developing a series of projects and activities to adapt credit portfolio monitoring and management processes to the new situation on the ground.

These initiatives, which form part of the NPA Reduction Plan, are being developed in an integrated manner under the auspices of a specific Project, with the direct involvement of all relevant internal stakeholders and, despite also involving customers who have benefited from support measures such as recourse to moratoriums, it is not limited to those.

The development of this approach is based on CRM tools, Data Analytics and Decision Models with the goal of boosting efficiency and automatization.

In short, the main initiatives in this domain may be characterised in the following terms:

a) Improvement of credit data marts for all customers with credit exposure, with a view to supporting:

. the production of information on customers (financial/non-financial/behavioural)

. credit decision models

. internal and external reporting

With this support, the goal of the Bank is to systematise information critical to customer evaluation, in particular in the following domains:

. Historical analysis pre-COVID, and in the entire subsequent period

. Analysis of financial flows (inflows and outflows) and recurring flow variations

. Analysis of the variation in financial assets

. Analysis of credit behaviour in OCI (number of entities, recourse to moratoriums, balance history) and their changes

. Analysis of delays in payments and receipts and other risk implications

. Analysis of the impacts of the pandemic from a sectoral perspective

b) Bolstering of the system of early warning signs for the retail segment (private and small business)

c) Segmentation in homogeneous clusters, with a view to prioritising contact and action plans

d) Launch of a process of contacting customers, in particular the completion of questionnaires to gauge their economic and financial situation, inter alia to evaluate the impacts of the pandemic

e) Development of standard credit solutions adapted to the different standard situations and review of the predefined solutions in effect.

f) Determination of a pre-analysed restructuring option for customers with risk implications.

g) Broadening of the range of solutions on the Banking App.

h) Increase in the capacity to monitor customers in difficulties, involving an increase in the capacity for processing customers and simplification and automation of support processes that allow the Bank to cope with the increase in the number of transactions.

vi. Classification of operations as restructured due to financial difficulties

Specifically, with respect to the classification of customers as restructured due to financial difficulties, under the provisions of the guidelines issued by regulators and supervisory authorities, operations that fell under the state moratorium (Decree-Law 10-J/2020, of 26 March) or the sectoral moratorium (official memorandum adopted within the context of the APB), did not have to be flagged as restructured due to financial difficulties. Even so, the Bank decided to adopt a conservative approach, classifying as restructured due to financial difficulties operations that benefited from the aforementioned moratoriums which, as of 26 March (the date of entry into force of Decree-Law 10-J/2020), had been in default for more than 60 consecutive days after the due dates, and which remained in a situation of default as of 31 March.

With respect to the flagging of restructuring due to financial difficulties for other operations or contractual amendments, the Bank continued to intensify internal procedures with a view to strict classification of new operations or modification of ongoing operations considered carried out due to the customers’ financial difficulties.

Taking as a reference the range of operations that fall under the general moratoriums – the state moratorium (Decree-Law 10-J/2020, of 26 March) and the sectoral moratorium (official memorandum adopted within the context of the APB) – and with a view to conveying a perspective on the form in which the impacts already felt from the outbreak of the COVID-19 pandemic have affected the Bank's risk classification in exposures that used these mechanisms of altering the debt service profile, a comparative analysis was carried out of the status of these operations between 29 February 2020 and 31 December 2020 with regard to the classification of Risk Stages under the terms laid down in IFRS 9, mindful of the fact that allocation to Stage 3 corresponds to a classification as NPE (default).

With respect to operations in the private segment, which at the end of 2020 had a moratorium in force, it is found that 86% of the exposure remained at the same stage and the part that was downgraded was smaller than that which saw an improvement (4.7% vs 7.7%), with an insignificant 1.2% of unclassified operations being recorded in February.

In the Corporate segment, the trend is different, with stage stability of 79% of the value of the operations, with a greater weight of cases with downgraded exposure (11.3%) in comparison with situations of improvement (5.8%).

(Thousands of euros)

		Exposure 31 December 2020					
		Households			Corporates		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Exposure 29 February 2020	Stage 1	2,917,926	144,674	6,618	2,163,464	420,538	25,033
	Stage 2	270,425	583,103	40,846	257,782	1,000,176	71,511
	Stage 3	3,053	40,839	45,379	465	9,318	444,745
	n.a	40,349	6,683	802	103,762	75,631	5,911
	Total	3,231,753	775,299	93,645	2,525,473	1,505,663	547,200

An analysis of the development of IFRS 9 staging with respect to financing operations that fall under the lines adopted under the National Mutual Guarantees System, as guaranteed by the Portuguese State to mitigate the impacts of the COVID-19 pandemic, is not applicable, given that they correspond to new operations and they did not exist as of the end of February. In any case, it is important to mention that, as of the end of December, 76% of the Bank's exposure to this kind of instrument is allocated to stage 1, with the part relating to stage 3 being largely insignificant (0.3%).

Operations subject to legislative and non-legislative moratoriums and new loans granted under new systems of public guarantee introduced in response to the COVID-19 crisis

The tables presented below describe the operations that, as of 31 December 2020, were subject to legislative and non-legislative moratoriums, as well as new loans granted under new systems of public guarantee introduced in response to the COVID-19 crisis, in Portugal and consolidated.

From the details shown in the aforementioned tables, in terms of the moratoriums, the presentation of the structure of exposure by customer segment, performing/non-performing status, classification in stage 2 (operations with a significant increase in credit risk since initial recognition, but without impairment of credit), the existence of restructuring due to financial difficulties, impairment constituted and the residual term of the moratoriums should be noted.

In terms of loans granted under the new systems of public guarantee, a breakdown is presented of exposure by segment, the amount of the associated guarantees and an indication of the part classified as restructuring due to financial difficulties or classified as non-productive.

Loans and advances subject to legislative and non-legislative moratorium

The analysis of the gross carrying amount and respective accumulated impairment, of loans and advances subject to the moratorium, with reference as at 31 December 2020 is as follows:

(Thousands of euros)

	Gross carrying amount						
	Performing			Non performing			
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Total
Loans and Advances subject to moratorium	8,170,851	492,317	2,309,639	643,275	503,946	636,520	8,814,126
of which: Household	4,107,036	137,572	781,891	94,994	49,253	89,545	4,202,030
of which: Collateralised by residential of immovable property	3,650,810	122,431	696,962	75,498	40,695	71,729	3,726,308
of which: Non-financial corporations	3,988,894	353,395	1,481,533	527,556	433,971	526,249	4,516,450
of which: Small and Medium-sized Enterprises	3,609,107	323,470	1,326,112	502,240	415,758	500,933	4,111,347
of which: Collateralised by commercial immovable property	1,454,731	79,947	662,967	198,606	150,430	198,552	1,653,337

(Thousands of euros)

	Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount
	Performing			Non performing			
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and Advances subject to moratorium	105,518	29,698	85,041	282,524	245,754	281,986	35,868
of which: Household	8,044	920	5,404	7,503	3,725	7,081	5,750
of which: Collateralised by residential of immovable property	2,683	494	2,246	2,360	1,306	2,300	3,497
of which: Non-financial corporations	95,166	28,377	77,415	255,391	222,401	255,276	30,118
of which: Small and Medium-sized Enterprises	87,220	26,168	71,305	241,534	212,568	241,418	30,118
of which: Collateralised by commercial immovable property	32,088	3,014	28,252	78,288	63,586	78,287	23,776

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratorium

The analysis of the loans and advances which moratorium was offered and was granted (includes moratorium already expired) is as follows:

(Thousands of euros)

	Number of obligors	Gross carrying amount	Of which: legislative moratorium	Of which: expired
Loans and advances for which moratorium was offered	148,065	11,034,681		
Loans and advances subject to moratorium (granted)	147,756	10,969,087	8,224,930	2,154,960
of which: Households		5,822,651	3,452,952	1,620,622
of which: Collateralised by residential immovable property		4,924,905	3,385,794	1,198,596
of which: Non-financial corporations		5,049,253	4,674,796	532,804
of which: Small and Medium-sized Enterprises		4,445,032	4,261,385	333,685
of which: Collateralised by commercial immovable property		1,725,280	1,690,487	71,943

The analysis of the loans and advances which moratorium was offered and was granted by residual maturity of moratorium is as follows:

(Thousands of euros)

	Residual maturity of moratorium			
	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	Total
Loans and advances subject to moratorium (granted)	767,694	100,384	7,946,049	8,814,127
of which: Households	744,159	90,158	3,367,713	4,202,030
of which: Collateralised by residential immovable property	420,121	2,867	3,303,321	3,726,309
of which: Non-financial corporations	23,536	10,226	4,482,688	4,516,450
of which: Small and Medium-sized Enterprises	2,660	1,104	4,107,583	4,111,347
of which: Collateralised by commercial immovable property	14,282	807	1,638,248	1,653,337

Newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

The analysis of the loans and advances subject to public guarantee schemes is as follows:

(Thousands of euros)

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	2,369,072	18	1,931,615	3,683
of which: Households	14,128	—	12,514	—
of which: Collateralised by residential immovable property	260	—	234	—
of which: Non-financial corporations	2,352,281	18	1,916,959	3,683
of which: Small and Medium-sized Enterprises	2,180,750	18	1,834,277	2,678
of which: Collateralised by commercial immovable property	74,141	—	62,819	1,501

Use of judgments and estimates in the preparation of financial statements

The preparation of consolidated financial statements requires using judgements, preparing estimates and making certain assumptions to determine the value of assets and liabilities and the amount of contingent assets and liabilities disclosed at the balance sheet date, as well as the reported amounts of revenue and expenses during the reporting period.

The main judgments and estimates adopted in the context of preparing these consolidated financial statements are described in point Z. Accounting estimates and judgments in applying accounting policies, from note 1. Accounting policies.

The COVID-19 pandemic significantly increased the degree of uncertainty in the estimates made and reinforced the need to use expert judgment to assess how these estimates are influenced by the current macroeconomic situation, mainly in what concerns the calculation of impairments for financial assets and non-financial assets.

Although the estimates have been prepared based on the best information available with respect to the current and prospective context, the final outcome may differ from the values currently estimated.

Going concern assumption

The BCP Group's financial statements have been prepared on a going concern basis, as the Executive Committee considers that the Group has the adequate resources to continue operations and business in the foreseeable future. The evaluation carried out by the Executive Committee was based on a wide range of information related to current and future conditions, including projections on future profitability, cash flows, capital requirements and funding sources. The Executive Committee regularly prepares projections based on different scenarios, including adverse and stress scenarios. The COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into consideration the impact on the BCP Group's operations, on its profitability, capital and liquidity.

Contingency Plan

To deal with the COVID-19 pandemic, the Bank adopted a set of contingency measures planned and designed to ensure the protection of people and the continuity of the activity, including, among others, the recommendations of health authorities, telework and segregation of teams, trying to maximize the resilience of the organization.

In this context, the Bank activated the Contingency Plan, according to the Business Continuity Plan. This plan was updated and adapted specifically to the current pandemic scenario, with a specific Crisis Management Office being created for this purpose. Thus, in line with the guidelines issued by the authorities and supervisory entities, with which the Bank maintains regular contacts, an action plan was designed to protect Customers and Employees, minimize the chances of contagion and ensure the operational continuity of business.

Impacts in income statement

The main impacts of the COVID-19 pandemic on profitability are as follows:

- Net interest income – The COVID-19 pandemic produced several types of impacts on the net interest income of the Group, with different magnitudes and effects depending on its nature. In 2020, net interest income benefited from the interest generated by the credit lines guaranteed by the Portuguese State, even though the average spread for these lines was lower than the average spread of the existing portfolio. In addition, the lower level of repayments associated to the credits covered by the legal framework of moratoria contributed positively to the net interest income of the year. Conversely, the increased level of uncertainty associated with the COVID-19 pandemic caused a global economic recession, putting pressure on the reduction in reference interest rates in foreign geographies where the Group operates, with a particular focus on Poland, whose reference rate fell by 140 bps during last year.

- Commissions – In 2020, commissions related to the banking business, in particular commissions related to transfers and cards, were significantly penalized, not only by the direct impacts of the pandemic caused by COVID-19, but also by the initiatives to support the economy adopted by the Bank in Portugal, embodied in exemptions granted to face the crisis situation that the country is going through. These commissions are mainly related to amounts charged for transactions made with cards and respective payment networks, bank transfers and use of points of sale (POS), activities that were transversally affected by the decrease in activity during the pandemic period. On the other hand, the imposition of price reductions by the Bank of Mozambique also led to a reduction of this type of commissions in that country. Commissions related to guarantees and credit also decreased from the same period of the previous year. Although the granting of credit commissions within the scope of measures related to COVID-19, have contributed positively to the commissions generated in this period, that contribution is limited, since the commissions generated by these operations are regulated and deferred.

- Net trading income – Net trading income, in 2020, was penalized by the negative impact arising from the revaluation of corporate restructuring funds, reflecting a review of the business plans and the evaluations of the assets from the funds by the respective management companies.

- Other net operating income - Other net operating income was penalized by the introduction, in 2020, of the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to the impact of the actual crisis caused by COVID-19 pandemic.

- Operating costs – The impacts of COVID-19 pandemic on operating costs were mainly in other administrative costs. Therefore, there was a significant reduction in costs normally incurred for advisory services and representation costs, due to the suspension or postponement of certain projects and travel. Costs usually incurred with litigation and independent work also showed a significant decrease compared to the same period of the previous year, as there was a reduction in the activity of judicial recovery following the COVID-19 pandemic, registering lower costs with court fees and services, with law firms and execution agents. Similarly, advertising and sponsorship costs were also lower than those recognised in the previous year, since, due to the conditions imposed by the pandemic, fewer advertising campaigns were carried out, and there was even the cancellation of some events that had been held in 2019. Finally, it should be noted that the absence of a significant number of employees from the Bank's facilities also contributed to savings in other administrative costs, as they began to perform their duties remotely. In this context, savings on travel, hotel and representation costs, water, energy and fuel are particularly relevant, as are reductions in items such as other specialised services, advisory, independent work, advertising, legal expenses and communications, along with others with less impact, such as transportation, staff training and consumables. Conversely, there was an increase in outsourcing costs, IT costs and costs with services provided by SIBS, as well as an increase in costs associated mainly with the purchase of protection material, cleaning services and relocation of facilities.

- Impairment for loan losses – The impacts are quantified in the section “Analysis of the impacts of the COVID-19 pandemic on the determination of Risk Stages under IFRS 9, classification of customers in situations of increased risk or default and determination of impairments”.

- Other impairment and provisions – The impacts are quantified in the section “Analysis of the impacts of the COVID-19 pandemic on the determination of Risk Stages under IFRS 9, classification of customers in situations of increased risk or default and determination of impairments”.

- Income tax – The tax impacts recognized in the year 2020 are detailed in note 30. Income tax.

Strategic guidelines and targets

The outbreak of COVID-19 caused a pandemic on a global scale that forced different countries to adopt exceptional measures with great impact on the lives of people and companies. Financial institutions were forced to change the focus of their business objectives to outline an action plan to respond to the crisis. In this context, the Bank reacted quickly and adjusted its priorities, trying to anticipate the impacts of the crisis. The strategic orientation focused on growth has temporarily been superimposed by a model aimed at protecting the quality of the balance sheet, supporting the economy and adapting business processes and models to the current situation.

The Bank has defined five priorities to 2020:

1. Protect Employees and customers
2. Defend the quality of the balance sheet, liquidity and solvency of the Bank
3. Support the economy, families, businesses and institutions
4. Adapt business models and processes to the new normal
5. Strengthen the social support component for the most vulnerable

The answer of financial institutions and of their customers has made it possible to highlight that the crisis was a powerful trends accelerator, with an adaptation of traditional business models and existing processes to a new context entitled as the "new normal", which is primarily based on digital channels. The pandemic accelerated and even forced the use of digital channels by customers who would otherwise continue to use traditional channels for their needs. This evolution has validated the priorities of the 2018-2021 Strategic Plan, which the Bank has continued to implement, although subject to the immediate response to the crisis and adapting the initiatives to the environment emerging from the crisis.

Targets to be achieved after the impacts of the current pandemic

Among the priorities included in the 2018-2021 Strategic Plan, digitization focused on mobile takes a prominent place. The customers of BCP confirmed their positive appreciation of the digital approach of the Bank, reflected in an increasing number of digital customers, but above all in an increasing number of mobile customers. Thus, the targets initially established for the number of digital customers and mobile customers will not be harmed and are expected to even be exceeded. It should be noted, however, that the potential for revenue generated in a post-pandemic context, probably lower, will increase the pressure on financial institutions to capture additional efficiency gains in order to preserve the sustainability of their business models.

Additionally, it is necessary to highlight that, if the current crisis has accelerated the importance of digitalization, both in terms of attracting and retaining customers, and in terms of improving operational efficiency, the same crisis will jeopardize the achievement of the financial goals of the Strategic Plan, namely the profitability, financial efficiency and asset quality, within the initially predicted time horizon, until 2021, and as an inevitable reflection of the pronounced economic recession suffered.

The economic and social impacts of the public health crisis and the measures adopted by governments and authorities, including supervisory authorities, will produce effects that at this stage are still uncertain, but which will materially affect the activity of the Group in the three main markets where it operates.

In this context, the Bank considers that the targets defined under the 2018-2021 Strategic Plan remain valid, reaffirming its commitment to the established goals. However, it considers that some of the defined financial targets will only be attainable after the effects of the current economic crisis are overcome. The main targets defined in the Strategic Plan are the following:

	2020	Steady Sate*
Growth of business		
Active Customers	5.7 million	> 6 million
Digital Customers	64%	> 60%
Mobile Customers	48%	> 45%
Value Criation		
Cost to income	49% (47% excluding non-usual items)	≅ 40%
ROE	3.1%	≅ 10%
CET1	12.2%	≅ 12%
Loans-to-deposits	85%	< 100%
Dividend payout		≅ 40%
Asset Quality		
NPE Stock	Euros 3.3 billion	≅ Euros 3 billion Down ≅ 60% from 2017
Cost of risk	91 bp	< 50 bps

* Original Plan. To achieved after the economic impact of the pandemic.

NPE include loan to Customers only

Pandemic impacts on financial targets

The evolution of macroeconomic conditions on a global scale caused by the COVID-19 pandemic will have materially relevant impacts on the profitability and future financial position of the BCP Group. The impacts on bank income already observed in this exercise will persist in the subsequent periods, with greater or lesser intensity, depending on how fast countries will be able to tackle the public health crisis and on the constraints to the economic recovery. With regard to operating costs, in addition to the direct impacts of savings from the suspension or cancellation of several initiatives and the expenses arising from measures to protect employees and customers, the evolution of the pandemic will also affect the implementation of restructuring and capture efficiency gains measures. Profitability will also be influenced by the cost of risk, whose downward trend converging to the target of the Plan was interrupted and will tend to remain at a higher level, according to the evolution of macroeconomic conditions. Likewise, the pace of NPE reduction will be affected by a higher level of inflows associated with more adverse economic conditions, as well as by the constraints resulting from these same conditions in exit strategies.

Capital and liquidity requirements

The crisis of public health caused by COVID-19 has led regulators and supervisors to temporarily reduce capital, liquidity and operational requirements for banks, as described in the following paragraphs, to ensure that they still perform their role in supporting and financing the economy.

In particular, the European Commission, the European Central Bank and EBA issued clarifications on some of the flexibilities already incorporated in Regulation (EU) 575/2013, issuing interpretations and guidelines on the application of the prudential framework in the context of COVID-19.

The capital buffers have been designed with a view to allowing banks to withstand stressed situations and since the European banking sector has built up a significant amount of these buffers, the ECB will allow banks to operate temporarily below the capital level defined by Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the systemic buffer (O-SII) and suggested the relaxation of the countercyclical capital buffer (CCyB) by the national macroprudential authorities.

Banks will also be allowed to partially use capital instruments that do not qualify as CET1 capital to meet Pillar 2 Requirements (P2R), bringing forward a measure included in the latest revision of the Capital Requirements Directive (CRD V), that was planned to come into force in January 2021.

In addition, the European Central Bank allows banks, if necessary, to use their liquidity buffers and temporarily operate below the minimum regulatory level of the LCR (100%).

62. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 December 2020, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	101,000,000	EUR	Banking	100	100	100
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100	100	100
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100	100	100
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100	100	100
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100	100	100
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100	100	100
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100	100	–
BCP Finance Company	George Town	31,000,785	EUR	Financial	100	100	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium Bank Hipoteczny S.A.	Warsaw	40,000,000	PLN	Banking	100	50.1	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100	100	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	59,538,679	BRL	Financial Services	100	100	100
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100	100	100
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100	100	100
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100	100	100
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	96.4	96	88.2
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100	100	100
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100	50.1	–
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100	50.1	–
Piast Expert Sp. z o.o (in liquidation)	Tychy	100,000	PLN	Marketing services	100	50.1	–

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100	50.1	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100	100	100
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	100	100	–
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100	100	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100	100	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100	100	–

During 2020, the Group repurchased 10% of Setelote - Aldeamentos Turísticos, S.A. and it was liquidated the company BG Leasing, S.A. and in the third quarter Millennium Bank Hipoteczny S.A was formed, 100% owned by Bank Millennium, S.A.

As at 31 December 2020, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B), were as follows:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real-estate investment fund	100	100	100
Fundo de Investimento Imobiliário Imorenda	Oeiras	90,295,185	EUR	Real-estate investment fund	100	100	100
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real-estate investment fund	100	100	100
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real-estate investment fund	100	100	100
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real-estate investment fund	100	100	100
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,307,377	EUR	Real-estate investment fund	100	100	100
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Real-estate investment fund	100	100	100

Investment funds	Head office	Participation units	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real-estate investment fund	100	100	100
Fundial - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real-estate investment fund	100	100	100
DP Invest - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real-estate investment fund	54	54	54
Fundipar - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real-estate investment fund	100	100	100
Domus Capital- Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real-estate investment fund	63.3	63.3	63.3
Predicapital - Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real-estate investment fund	60	60	60

(*) - Company classified as non-current assets held for sale.

During 2020, the Group settled "Fundo Especial de Investimento Imobiliário Fechado Intercapital" and "Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado" and sold the participation units that held in "Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado".

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 B), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 31 December 2020, the Special Purpose Entities included in the consolidated accounts under the full consolidation method are as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Magellan Mortgages No.3 Limited	Dublin	400,000	EUR	Special Purpose Entities	82.4	82.4	82.4

As at 31 December 2020, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	295,000,000	EUR	Insurance	92.0	61.4	—

As at 31 December 2020, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

Associated companies	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	—
Banque BCP, S.A.S.	Paris	173.380.354	EUR	Banking	19.8	19.8	19.8
Beiranave Estaleiros Navais Beira SARL	Beira	2,850,000	MZN	Naval shipyards	22.8	14	—
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50	50	50
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20	12.3	—
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35	35	—
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50	25.1	—
Science4you S.A.	Oporto	517,296	EUR	Production and trade of scientific toys	28.2	28.2	—
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3	21.9	—
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32	32	0.53
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1	25.1	25.1

During 2020 the Group sold Projepolska, S.A. and the entity PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E was settled.

As at 31 December 2020, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

Associated companies	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Holding company	49	49	49
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49	49	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49	49	—

63. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 AA), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Issue of senior preferred debt securities

On 5 February 2021, Banco Comercial Português, S.A. has fixed the terms for a new issue of senior preferred debt securities, under its Euro Note Programme. The issue, in the amount of Euros 500 million, will have a tenor of 6 years, with the option of early redemption by the Bank at the end of year 5, an issue price of 99.879% and an annual interest rate of 1.125% during the first 5 years (corresponding to a spread of 1.55% over the 5-year mid-swap rate). The annual interest rate for the 6th year was set at 3-month Euribor plus a 1.55% spread.

The transaction was placed with a very diversified group of European institutional investors.