Accounts and Notes to the Individual Accounts

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

(Thousands of euros)

	Notes	2020	2019
Interest and similar income	2	893,687	944,520
Interest expense and similar charges	2	(99,268)	(152,522)
NET INTEREST INCOME		794,419	791,998
Dividends from equity instruments	3	15,818	19,677
Net fees and commissions income	4	465,392	467,552
Net gains / (losses) from financial operations at fair value through profit or loss	5	(55,438)	(42,540)
Net gains / (losses) from foreign exchange	5	55,415	13,626
Net gains / (losses) from hedge accounting operations	5	398	(968)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(28,157)	(9,447)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	71,347	94,578
Other operating income / (losses)	6	(48,631)	(42,255)
TOTAL OPERATING INCOME		1,270,563	1,292,221
Staff costs	7	384,985	401,052
Other administrative costs	8	182,829	196,526
Amortisations and depreciations	9	77,805	70,528
TOTAL OPERATING EXPENSES		645,619	668,106
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		624,944	624,115
Impairment for financial assets at amortised cost	10	(354,213)	(277,097)
Impairment for financial assets at fair value through other comprehensive income	11	(10,362)	2,180
Impairment for other assets	12	(93,284)	(90,383)
Other provisions	13	(37,494)	994
NET OPERATING INCOME		129,591	259,809
Gains / (losses) arising from sales of subsidiaries and other assets	14	(485)	27,201
NET INCOME BEFORE INCOME TAXES		129,106	287,010
Income taxes			
Current	27	(6,763)	11,393
Deferred	27	(71,710)	(159,107)
NET INCOME FOR THE YEAR		50,633	139,296
Earnings per share (in Euros)			
Basic	15	0.001	0.007
Diluted	15	0.001	0.007

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

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

(Thousands of euros)

	Notes	2020	2019
NET INCOME FOR THE YEAR		50,633	139,296
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT	39		
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the year		181,442	188,298
Reclassification of (gains) / losses to profit or loss		(71,347)	(94,578)
Cash flows hedging			
Gains / (losses) for the year		113,738	42,929
Fiscal impact		(70,663)	(44,959)
		153,170	91,690
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the year	39	(17,534)	(19,387)
Changes in credit risk of financial liabilities at fair value through profit or loss	39	461	(4,019)
Actuarial gains / (losses) for the year	45	(87,043)	(281,760)
Fiscal impact		26,744	(43,781)
		(77,372)	(348,947)
Other comprehensive income / (loss) for the year		75,798	(257,257)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		126,431	(117,961)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Notes	2020	2019
ASSETS			
Cash and deposits at Central Banks	16	4,650,772	4,049,676
Loans and advances to credit institutions repayable on demand	17	101,809	126,050
Financial assets at amortised cost			
Loans and advances to credit institutions	18	350,896	514,309
Loans and advances to customers	19	35,029,071	32,386,351
Debt securities	20	5,577,875	2,448,401
Financial assets at fair value through profit or loss			
Financial assets held for trading	21	945,317	642,358
Financial assets not held for trading mandatorily at fair value through profit or loss	21	1,277,826	1,444,772
Financial assets designated at fair value through profit or loss	21	—	31,496
Financial assets at fair value through other comprehensive income	21	8,085,669	8,078,870
Hedging derivatives	22	74,704	34,990
Investments in subsidiaries and associated companies	23	3,101,912	3,135,649
Non-current assets held for sale	24	754,163	929,066
Other tangible assets	25	366,851	395,770
Intangible assets	26	48,323	40,822
Current tax assets		6,163	8,984
Deferred tax assets	27	2,469,190	2,584,903
Other assets	28	1,124,952	1,094,337
TOTAL ASSETS		63,965,493	57,946,804
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	29	10,960,177	8,181,865
Resources from customers	30	41,380,458	36,492,065
Non subordinated debt securities issued	31	1,814,653	1,496,508
Subordinated debt	32	976,882	1,125,053
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	33	243,934	269,166
Financial liabilities at fair value through profit or loss	34	1,599,405	3,201,310
Hedging derivatives	22	121,559	121,474
Provisions	35	270,435	260,446
Current tax liabilities		1,927	1,480
Other liabilities	36	614,277	904,997
TOTAL LIABILITIES		57,983,707	52,054,364
EQUITY			
Share capital	37	4,725,000	4,725,000
Share premium	37	16,471	16,471
Other equity instruments	37	400,000	400,000
Legal and statutory reserves	38	254,464	240,535
Reserves and retained earnings	39	535,218	371,138
Net income for the year		50,633	139,296
TOTAL EQUITY		5,981,786	5,892,440
TOTAL LIABILITIES AND EQUITY		63,965,493	57,946,804

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE 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	767,953	862,967
Commissions received	591,455	619,570
Fees received from services rendered	51,876	66,109
Interests paid	(70,253)	(140,801)
Commissions paid	(99,857)	(103,311)
Recoveries on loans previously written off	6,691	8,691
Payments (cash) to suppliers and employees (*)	(679,814)	(693,597)
Income taxes (paid) / received	(3,196)	20,980
	564,855	640,608
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	163,565	(9,637)
Loans and advances to customers receivable / (granted)	(2,437,725)	(394,595)
Short term trading securities	(339,302)	140,370
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	120,022	(171,359)
Deposits from credit institutions with agreed maturity date	2,642,320	(1,237,613)
Loans and advances to customers repayable on demand	4,196,744	2,986,683
Deposits from customers with agreed maturity date	(788,696)	(1,591,066)
	4,121,783	363,391
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	20	13
Acquisition of shares in subsidiaries and associated companies	(37,015)	(1,017)
Dividends received	11,560	16,670
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	14,880	69,634
Sale of financial assets at fair value through other comprehensive income and at amortised cost	15,098,916	17,420,488
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(19,426,303)	(17,438,490)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	1,131,974	1,115,291
Acquisition of tangible and intangible assets	(43,648)	(51,137)
Sale of tangible and intangible assets	5,414	1,293
Decrease / (increase) in other sundry assets	89,360	(320,702)
	(3,154,842)	812,043
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	–	450,000
Reimbursement of subordinated debt	(161,285)	(129,086)
Issuance of debt securities	350,000	833,225
Reimbursement of debt securities	(107,485)	(151,878)
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)	–	396,325
Reimbursed of perpetual subordinated debt securities	–	(2,922)
Dividends paid to shareholders of the Bank (note 43)	–	(30,228)
Dividends paid of perpetual subordinated debt securities	–	(148)
Dividends paid of perpetual subordinated bonds (Additional Tier 1)	(37,000)	(27,750)
Increase / (decrease) in other sundry liabilities (**)	(217,894)	(273,843)
	(390,086)	1,130,893
Net changes in cash and equivalents	576,855	2,306,327
Cash (note 16)	381,202	355,745
Deposits at Central Banks (note 16)	3,668,474	1,327,177
Loans and advances to credit institutions repayable on demand (note 17)	126,050	186,477
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,175,726	1,869,399
Cash (note 16)	345,767	381,202
Deposits at Central Banks (note 16)	4,305,005	3,668,474
Loans and advances to credit institutions repayable on demand (note 17)	101,809	126,050
CASH AND EQUIVALENTS AT THE END OF THE YEAR	4,752,581	4,175,726

(*) In 2020, this balance includes the amount of Euros 104,000 (31 December 2019: Euros 541,000) related to short-term lease contracts and the amount of Euros 1,853,000 (31 December 2019: Euros 1,540,000) related to lease contracts of low value assets.
(**) In 2020, this balance includes the amount of Euros 19,355,000 (31 December 2019: Euros 18,853,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE 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	Reserves and retained earnings	Net income for the year	Total equity
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	2,922	264,608	522,895	59,267	5,591,163
Fair value reserves	–	–	–	–	23,839	–	23,839
Merger reserve of Banco de Investimento Imobiliário, S.A. (BII) on Banco Comercial Português, S.A. (BCP)	–	–	–	–	63,901	–	63,901
BALANCE AS AT 1 JANUARY 2019	4,725,000	16,471	2,922	264,608	610,635	59,267	5,678,903
Net income for the year	–	–	–	–	–	139,296	139,296
Other comprehensive income	–	–	–	–	(257,257)	–	(257,257)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	(257,257)	139,296	(117,961)
Results applications:							
Legal reserve (note 38)	–	–	–	5,927	(5,927)	–	–
Statutory reserve (note 38)	–	–	–	(30,000)	30,000	–	–
Transfers for Reserves and retained earnings	–	–	–	–	59,267	(59,267)	–
Dividends	–	–	–	–	(30,228)	–	(30,228)
Reimbursed of perpetual subordinated debt securities (note 37)	–	–	(2,922)	–	–	–	(2,922)
Issue of perpetual subordinated bonds (Additional Tier 1) (note 37)	–	–	400,000	–	–	–	400,000
Interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	(27,750)	–	(27,750)
Taxes on interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	19	–	19
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	(3,675)	–	(3,675)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	2	–	2
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	(3,652)	–	(3,652)
Costs with merger reserve	–	–	–	–	(148)	–	(148)
Dividends from other equity instruments	–	–	–	–	(148)	–	(148)
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	400,000	240,535	371,138	139,296	5,892,440
Net income for the year	–	–	–	–	–	50,633	50,633
Other comprehensive income	–	–	–	–	75,798	–	75,798
TOTAL COMPREHENSIVE INCOME	–	–	–	–	75,798	50,633	126,431
Results applications:							
Legal reserve (note 38)	–	–	–	13,929	(13,929)	–	–
Transfers for Reserves and retained earnings	–	–	–	–	139,296	(139,296)	–
Interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	(37,000)	–	(37,000)
Reversal of deferred tax assets related with expenses with the capital increase	–	–	–	–	(96)	–	(96)
Other reserves (note 39)	–	–	–	–	11	–	11
BALANCE AS AT 31 DECEMBER 2020	4,725,000	16,471	400,000	254,464	535,218	50,633	5,981,786

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the "Bank") is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these separate financial statements reflect the results of the operations of the Bank for the years ended 31 December 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 Bank's separate financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), since 2016. IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The separate financial statements and the accompanying notes were approved on 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 separate financial statements for the year ended 31 December 2020 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU effective on that date.

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

A1. Comparative information

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

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

The Bank's financial statements were prepared under the going concern assumption, 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.Y.

B. Financial instruments (IFRS 9)

B1. Financial assets

B1.1. Classification, initial recognition and subsequent measurement

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

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

Business Model Evaluation

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

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

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

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

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

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

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

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

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

B1.1.1. Financial assets at amortised cost

Classification

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

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

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

Initial recognition and subsequent measurement

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

Financial assets at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. In addition, they are subject, at their initial recognition, to the measurement of impairment losses for expected credit losses (note B1.5), which are recognised in "'Impairment of financial assets measured at amortised cost".

Interest of financial assets at amortised cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note B3.

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

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

Classification

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

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

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

Initial recognition and subsequent measurement

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

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note B1.5). Impairment losses are recognised in the income statement under "Impairment for financial assets at fair value through other comprehensive income", against "Other comprehensive income", and do not reduce the carrying amount of the financial asset in the balance sheet.

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

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

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

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

Classification

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

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

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

a) "Financial assets held for trading"

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

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

B1.2. Reclassification between categories of financial assets

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

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

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

B1.3. Modification and derecognition of financial assets

General principles

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

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

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

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

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

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

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

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

a) if the Bank did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;
b) if the Bank retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

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

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

Derecognition criteria

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

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

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

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

Loans written-off

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

B1.4. Purchased or originated credit-impaired assets

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

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

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note B1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, where the existence of a significant discount reflects credit losses incurred at the time of their initial recognition.

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

B1.5. Impairment losses

B1.5.1. Financial instruments subject to impairment losses recognition

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

B1.5.1.1. Financial assets at amortised cost

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

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

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

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

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

B1.5.2. Classification of financial instruments by stages

Changes in credit risk since the initial recognition

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

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

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses);
- Stage 2: the operations in which there is a significant increase in credit risk since its initial recognition (note B1.5.3) but are not impaired (note B1.5.4) are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses);
- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

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

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

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

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.

B1.5.5. Estimates of expected credit losses - Individual analysis

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

Customers in default	Customers in litigation or insolvency, since the total exposure of the group members in these situations exceeds Euros 1 million
	Customers integrated into groups with an exposure over Euros 5 million, since they have a risk grade 15
Groups or customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or customers with an exposure over Euros 5 million, since a group member has a risk grade14
	Groups or customers with an exposure over Euros 5 million, since a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, since at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose exposure exceeds Euros 25 million

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

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

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

4. The individual analysis includes the following procedures:

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

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

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

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

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.
7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the customer's liabilities.
8. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.
9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

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

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.
11. For the purposes of the preceding paragraphs, the Studies, Planning and ALM Department shall disclose the macroeconomic data that allow the estimations to be made.
12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.
13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

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

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, which is the final decision on the customer's impairment.
15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade of the customer.
16. The individual impairment analysis must be carried out at least annually. In case of significant signs of deterioration or improvement in the customer’s economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review anticipated impairment of this customer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B2. Financial liabilities

B2.1. Classification, initial recognition and subsequent measurement

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

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

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

Classification

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

a) “Financial liabilities held for trading”

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

B2.1.2. Financial guarantees

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

- the provision for losses determined according to the criteria described in note B1.5;
- the amount initially recognised deducted, when appropriate, from the accumulated amount of income recognised according to IFRS 15 - Revenue from contracts with customers.

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

B2.1.3. Financial liabilities at amortised cost

Classification

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

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

Initial recognition and subsequent measurement

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

B2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

B2.3. Derecognition of financial liabilities

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

B3. Interest recognition

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

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

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

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

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

B4. Hedge accounting

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

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

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

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

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

B4.1. Fair value hedge

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

B4.2. Cash flow hedge

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

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

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

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

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

B4.3. Hedge effectiveness

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

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

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

B5. Embedded Derivatives

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

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

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

C. Securitization operations

C1. Traditional securitizations

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

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

As at 31 December 2020, the Bank 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.

C2. Synthetic securitizations

Currently, the Bank has two synthetic securitization operations.

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

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

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

D. Equity instruments

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

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

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

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

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

E. Securities borrowing and repurchase agreement transactions

E1. Securities borrowing

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

E2. Repurchase agreements

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

F. Investments in subsidiaries and associates

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

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

Investments in associates

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

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

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

Impairment

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

Merger of companies

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

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

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

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

G1. Non-operating real estate (INAE)

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

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

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

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

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

H. Lease transactions (IFRS 16)

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

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

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

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

Lease definition

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

Impacts from the lessee's perspective

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

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

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Bank's spread of risk, applied over the weighted average term of each lease contract. For contracts with term, that date is considered as the end of lease date, while for contracts without term, 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 Bank remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

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

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

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

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

- in the income statement:
  (i) recording in "Interest Income" the interest expenses related to lease liabilities;
  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.
- in the balance sheet:
  (i) recording in "Other tangible assets" the recognition of right-to-use assets; and,
  (ii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the statement of cash flows, the balance "Cash flows arising from operating activities – Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the separate statement of cash flows.

Impact from the lessor's perspective

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

I. Lease transactions (IAS 17)

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

I1. Finance lease transactions

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

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

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

I2. Operational leases

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

J. Recognition of income from services and commissions

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

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

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

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

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

L. Fiduciary activities

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

M. Other tangible assets

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

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

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

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of 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 Bank are recognised as 'Investment properties', considering that the main objective of these buildings is their capital appreciation on a long-term basis and not their sale in a short-term period, nor their maintenance for own use.

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

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

O. Intangible assets

O1. Research and development expenditure

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

O2. Software

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

P. Cash and cash equivalents

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

Q. Offsetting

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

R. Foreign currency transactions

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

S. Employee benefits

S1. Defined benefit plans

The Bank has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the terms of the two collective labour agreements approved. These benefits are estimated in the pension's plans ‘Plano ACT’ and ‘Plano ACTQ’ of the Pension Plan of BCP Group.

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

From 1 January 2011, 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 31December 2017, for employees associates of SBN.

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

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

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

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

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

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

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

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

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

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

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

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

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

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 Bank's employees are recognised as expenses when incurred.

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

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

S4. Variable remuneration paid to employees

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

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

S5. Share-based compensation plan

As at 31 December 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 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 puposes, differences arising from initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

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

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

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

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

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

U. Segmental reporting

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

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

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

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

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

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

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

V2. Contingent assets

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

V3. Contingent liabilities

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

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

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

W. Earnings per share

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

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

X. Insurance or reinsurance intermediation services

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

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

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

Y. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. These estimates were made considering the best information available at the date of preparation of the financial statements, considering the context of uncertainty that results from the impact of COVID-19 in the current economic scope (note 54). The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section in order to improve understanding of how they affect the Bank’s reported results and related disclosure.

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

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

Y1. Income taxes

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

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

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

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

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

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

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

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

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

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

The valuation of these assets, and consequently the impairment losses, is supported by 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.

Y3. Pension and other employees' benefits

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

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

Y4. Financial instruments – IFRS 9

Y4.1. Classification and measurement

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

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

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

Y4.2. Impairment losses on financial assets at amortised cost and debt instruments at fair value through other comprehensive income

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

Significant increase in credit risk:

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

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 54.

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 Bank monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

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

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

Probability of default:

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

Y4.3. Fair value of derivative financial instruments

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

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.

Y5. Impairment for investments in subsidiary and associated companies

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

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

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

Y6. 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.

Z. Subsequent events

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

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

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

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(912)	(2,864)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	6,189	25,583
Loans and advances to customers	779,641	768,404
Debt instruments	36,101	42,492
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	2,100	8,846
Financial assets not held for trading mandatorily at fair value through profit or loss	3,138	5,000
Financial assets designated at fair value through profit or loss	569	1,115
Interest on financial assets at fair value through other comprehensive income	42,515	55,575
Interest on hedging derivatives	20,429	34,827
Interest on other assets	3,917	5,542
	893,687	944,520
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	20,690	(24,192)
Resources from customers	(29,794)	(48,518)
Non subordinated debt securities issued	(25,730)	(19,427)
Subordinated debt	(40,438)	(30,015)
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	(12,644)	(14,410)
Interest on leasing	(3,111)	(3,556)
Interest on other liabilities	(2,475)	(1,481)
	(99,268)	(152,522)
	794,419	791,998

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 27,923,000 (2019: Euros 34,387,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 1,378,000 and Euros 1,542,000 respectively (2019: Euros 3,195,000 and Euros 7,921,000 respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 B3.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 41,700,000 (2019: Euros 55,582,000) 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 18,273,000 (2019: Euros 29,308,000), as referred in note 19 and Euros 54,000 (2019: Euros 120,000), as referred in note 20, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

The balance Interest on leasing refers to the interest cost related to the leasing liabilities recognised under IFRS 16, as referred in accounting policy described 1 H and note 52.

As at 31 December 31 2020, according to note 29, in the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions, it was recorded a negative cost of Euros 40,057,000, associated with the TLTRO III operation.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Dividends from financial assets through other comprehensive income	4,030	130
Dividends from subsidiaries and associated companies	11,788	19,547
	15,818	19,677

The balances Dividends from financial assets through other comprehensive income in 2020 and 2019 include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2020, the amounts of Euros 5,922,000, and Euros 1,102,000 related to the distribution of dividends from company Banque Privée BCP (Suisse) S.A. and the company Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., respectively. The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2019, the amounts of Euros 7,610,000, and Euros 4,976,000 related to the distribution of dividends from company Banque Privée BCP (Suisse) S.A. and the company Millennium bcp Participações, S.G.P.S, Sociedade Unipessoal, Lda., respectively.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Fees and commissions received		
From guarantees	39,466	43,961
From commitments	4,463	4,334
From banking services	248,330	258,900
From bancassurance	83,360	86,173
From securities operations	64,003	51,236
From management and maintenance of accounts	112,007	105,221
From other commissions	17,023	27,244
	568,652	577,069
Fees and commissions paid		
From guarantees received provided by third parties	(5,101)	(6,132)
From banking services	(81,390)	(84,568)
From securities operations	(7,020)	(6,585)
From other commissions	(9,749)	(12,232)
	(103,260)	(109,517)
	465,392	467,552

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	32,596	158,518
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(88,921)	(33,610)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	887	(167,448)
	(55,438)	(42,540)
Net gains / (losses) from foreign exchange	55,415	13,626
Net gains / (losses) from hedge accounting	398	(968)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(28,157)	(9,447)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	71,347	94,578
	43,565	55,249

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	7,795	1,591
Equity instruments	696	170
Derivative financial instruments	351,058	389,530
Other operations	1,836	1,016
	361,385	392,307
Losses		
Debt securities portfolio	(5,974)	(1,219)
Equity instruments	(199)	(135)
Derivative financial instruments	(321,781)	(232,136)
Other operations	(835)	(299)
	(328,789)	(233,789)
	32,596	158,518
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Debt securities portfolio	9,448	38,572
Losses		
Debt securities portfolio	(98,369)	(72,182)
	(88,921)	(33,610)

(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)
	(55,438)	(42,540)

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 - Profit/(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, liabilities at amortised cost and Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income, are presented as follows:

(Thousands of euros)

	2020	2019
Net gains / (losses) from foreign exchange		
Gains	104,044	43,204
Losses	(48,629)	(29,578)
	55,415	13,626
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	21,149	26,985
Hedged items	67,373	116,950
	88,522	143,935
Losses		
Hedging derivatives	(76,114)	(135,503)
Hedged items	(12,010)	(9,400)
	(88,124)	(144,903)
	398	(968)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	6,101	7,499
Debt securities portfolio	—	996
Debt securities issued	505	33
Others	94	19,303
	6,700	27,831
Losses		
Credit sales	(34,335)	(36,424)
Debt securities issued	(55)	(405)
Others	(467)	(449)
	(34,857)	(37,278)
	(28,157)	(9,447)

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	106,280	95,647
Losses		
Debt securities portfolio	(34,933)	(1,069)
	71,347	94,578

In 2020, the balance Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 89,458,000 (2019: Euros 70,169,000) 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: net gain of 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		
Income from services	23,813	25,967
Cheques and others	7,038	8,708
Gains on leasing operations	3,489	3,949
Rents	1,587	1,697
Other operating income	13,700	15,097
	49,627	55,418
Operating costs		
Taxes	(10,358)	(14,248)
Donations and contributions	(3,903)	(3,616)
Contribution over the banking sector	(35,180)	(31,675)
Resolution Funds Contribution	(15,040)	(15,893)
Contribution for the Single Resolution Fund	(19,344)	(18,697)
Contributions to Deposit Guarantee Fund	(90)	(94)
Losses on financial leasing operations	(371)	(80)
Other operating costs	(13,972)	(13,370)
	(98,258)	(97,673)
	(48,631)	(42,255)

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

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

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

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

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

During 2020, the Bank delivered the amount of Euros 19,344,000 (2019: Euros 18,697,000) to the Single Resolution Fund. The total value of the contribution attributable to the Bank amounted to Euros 22,758,000 (2019: Euros 21,868,000) and the Bank opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,414,000 (2019: Euros 3,731,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014. In 2020 the total amount of irrevocable commitments constituted was Euros 17,274,000 (2019: Euros 13,860,000), are recorded in the balance Other assets - Deposit account applications (note 28).

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Remunerations	285,487	297,636
Mandatory social security charges		
Post-employment benefits (note 45)		
Service cost	(14,948)	(15,068)
Cost / (income) in the liability coverage balance	6,263	4,515
Cost with early retirement programs	11,708	18,537
Amount transferred to the Fund resulting from acquired rights		
unassigned related to the Complementary Plan	(426)	(684)
	2,597	7,300
Other mandatory social security charges	74,844	75,979
	77,441	83,279
Voluntary social security charges	8,411	10,283
Other staff costs	13,646	9,854
	384,985	401,052

The balance Remuneration includes 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 43.

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 Bank recorded the impact of Euros 1,400,000 in Staff costs, including mandatory social charges.

In 2019, under the scope of the salary increases recorded in October 2019, with retroactive effect since 1 January 2018, agreed between the Bank and the Unions, the Bank recorded the impact of Euros 3,910,000 (of which Euros 1,619,000 refer to retroactive payments of 2018) in Personnel costs, as described in the policy accounting 1 S2.

In 2020, the balance Other staff costs includes severance payments in the amount of Euros 19,713,000 (2019: Euros 9,650,000) 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 Bank, is analysed as follows by category:

	2020	2019
Top Management	938	970
Intermediary Management	1,560	1,609
Specific/Technical functions	2,962	2,918
Other functions	1,479	1,552
	6,939	7,049

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Outsourcing and independent labour	73,987	75,318
Rents and leases	6,770	6,134
Other specialised services	18,333	19,290
Communications	8,974	10,202
Information technology services	17,446	15,776
Maintenance and related services	8,193	8,225
Water, electricity and fuel	6,862	8,799
Advertising	5,838	7,887
Advisory services	13,333	15,170
Transportation	5,894	6,863
Legal expenses	2,730	4,215
Travel, hotel and representation costs	1,850	4,972
Insurance	2,211	2,518
Consumables	1,463	1,905
Credit cards and mortgage	1,333	1,160
Training costs	1,175	2,099
Other supplies and services	6,437	5,993
	182,829	196,526

The balance Rents and leases includes, in 2020, the amount of Euros 104,000 (2019: Euros 541,000) related to short-term lease contracts and the amount of Euros 1,853,000 (2019: Euros 1,540,000) related to lease contracts of low value assets, as described in the accounting policy 1 H and note 52.

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

(Thousands of euros)

	2020	2019
Auditing services		
Legal certification	2,187	2,363
Other assurance services	909	1,034
Other services	24	122
	3,120	3,519

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Intangible assets amortisations (note 26):		
Software	20,273	13,565
Other tangible assets depreciations (note 25):		
Properties	8,314	9,012
Equipment		
Computers	9,459	8,966
Security equipment	755	872
Installations	1,795	1,525
Machinery	411	339
Furniture	1,632	1,585
Motor vehicles	1,646	2,240
Other equipment	8	7
Right-of-use		
Real estate	33,475	32,380
Vehicles and equipment	37	37
	57,532	56,963
	77,805	70,528

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 18):		
Charge for the year	1	55
Reversals for the year	(65)	(863)
	(64)	(808)
Loans and advances to customers (note 19):		
Charge for the year	437,075	454,520
Reversals for the year	(85,308)	(169,181)
Recoveries of loans and interest charged-off	(6,691)	(8,691)
	345,076	276,648
Debt securities (note 20)		
Associated to credit operations		
Charge for the year	6,293	1,717
Reversals for the year	–	(907)
	6,293	810
Not associated to credit operations		
Charge for the year	2,908	447
	9,201	1,257
	354,213	277,097

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 21)		
Charge for the year	11,485	538
Reversals for the year	(1,123)	(2,718)
	10,362	(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 23)		
Charge for the year	34,607	11,944
Reversals for the year	–	(4,540)
	34,607	7,404
Impairment for non-current assets held for sale (note 24)		
Charge for the year	53,009	75,510
Reversals for the year	(17)	–
	52,992	75,510
Impairment for other assets (note 28)		
Charge for the year	6,156	7,469
Reversals for the year	(471)	–
	5,685	7,469
	93,284	90,383

13. Other provisions

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Provision for guarantees and other commitments (note 35)		
Charge for the year	2,498	5
Write-back for the year	–	(4,382)
	2,498	(4,377)
Other provisions for liabilities and charges (note 35)		
Charge for the year	35,178	3,395
Write-back for the year	(182)	(12)
	34,996	3,383
	37,494	(994)

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

The amount of this account is comprised of:

(Thousands of euros)

	2020	2019
Sale of subsidiaries	(3)	(165)
Sale of other assets	(482)	27,366
	(485)	27,201

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

15. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2020	2019
Net income / (loss) for the year	50,633	139,296
Dividends from other equity instruments	–	(148)
Interests of the perpetual subordinated bonds (Additional Tier 1)	(37,000)	(27,750)
Adjusted net income / (loss)	13,633	111,398
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros)	0.001	0.007
Diluted earnings per share (Euros)	0.001	0.007

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 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 e 2019.

16. Cash and deposits at Central banks

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Cash	345,767	381,202
Central Banks	4,305,005	3,668,474
	4,650,772	4,049,676

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

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

17. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Credit institutions in Portugal	1,594	1,401
Credit institutions abroad	32,262	34,543
Amounts due for collection	67,953	90,106
	101,809	126,050

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

18. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Loans and advances to credit institutions in Portugal		
Loans	30,942	36,655
Term applications to collateralise CIRS and IRS operations (*)	2,850	—
Other	812	6,028
	34,604	42,683
Loans and advances to credit institutions abroad		
Very short-term deposits	—	283,322
Short-term deposits	136,418	2,999
Term deposits to collateralise CIRS and IRS operations (*)	166,300	171,428
Other	13,876	14,245
	316,594	471,994
	351,198	514,677
Overdue loans - over 90 days	2	—
	351,200	514,677
Impairment for loans and advances to credit institutions	(304)	(368)
	350,896	514,309

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

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

(Thousands of euros)

	2020	2019
Up to 3 months	323,826	504,117
3 to 6 months	10,268	—
6 to 12 months	3,317	560
1 to 5 years	13,787	10,000
Undetermined	2	—
	351,200	514,677

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

(Thousands of euros)

	2020	2019
Balance on 1 January	368	1,850
Impairment charge for the year (note 10)	1	55
Reversals for the year (note 10)	(65)	(863)
Loans charged-off	—	(674)
Balance at the end of the year	304	368

19. 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
Discounted bills	187,383	259,281
Current account credits	939,781	1,343,276
Overdrafts	299,772	319,750
Loans	12,024,807	9,614,819
Mortgage loans	17,820,559	17,320,899
Factoring operations	1,946,974	1,945,732
Finance leases	2,358,801	2,336,499
	35,578,077	33,140,256
Overdue loans - less than 90 days	14,045	28,305
Overdue loans - Over 90 days	909,540	1,079,684
	36,501,662	34,248,245
Impairment for credit risk	(1,472,591)	(1,861,894)
	35,029,071	32,386,351

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 54.

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	510,370	1	510,371	(1,725)	508,646
Asset-backed loans	20,320,472	480,108	20,800,580	(790,735)	20,009,845
Other guaranteed loans	5,235,582	117,927	5,353,509	(216,317)	5,137,192
Unsecured loans	3,135,564	166,994	3,302,558	(190,789)	3,111,769
Foreign loans	2,070,314	121,642	2,191,956	(125,242)	2,066,714
Factoring operations	1,946,974	15,010	1,961,984	(41,201)	1,920,783
Finance leases	2,358,801	21,903	2,380,704	(106,582)	2,274,122
	35,578,077	923,585	36,501,662	(1,472,591)	35,029,071

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

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

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.

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

As referred in note 46, the Bank provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital identified in the Board of Directors report and in note 37.

As at 31 December 2020, the Bank granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 66,334,000 (31 December 2019: Euros 99,774,000), as referred in note 46 A). The amount of impairment recognised for these contracts amounts to Euros 363,000 (31 December 2019: Euros 210,000).

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

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

(Thousands of euros)

	2020	2019
Amount of future minimum payments	2,810,475	2,738,951
Interest not yet due	(451,674)	(402,452)
Present value	2,358,801	2,336,499

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

(Thousands of euros)

	2020	2019
Up to 1 year	371,509	469,949
1 to 5 years	1,067,240	995,541
Over 5 years	1,371,726	1,273,461
	2,810,475	2,738,951

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

(Thousands of euros)

	2020	2019
Individuals		
Home	51,291	56,084
Consumer	29,920	30,585
Others	88,949	92,309
	170,160	178,978
Companies		
Equipment	457,251	438,944
Real estate	1,731,390	1,718,577
	2,188,641	2,157,521
	2,358,801	2,336,499

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

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	376,141	7,429	383,570	(6,899)	376,671	1.05%
Fisheries	22,766	36	22,802	(318)	22,484	0.06%
Mining	42,876	2,692	45,568	(2,001)	43,567	0.12%
Food, beverage and tobacco	605,887	5,893	611,780	(15,701)	596,079	1.68%
Textiles	444,738	11,046	455,784	(24,503)	431,281	1.25%
Wood and cork	152,473	3,274	155,747	(3,611)	152,136	0.43%
Paper, printing and publishing	166,820	1,202	168,022	(14,547)	153,475	0.46%
Chemicals	549,645	15,167	564,812	(25,053)	539,759	1.55%
Machinery, equipment and basic metallurgical	890,637	22,361	912,998	(34,389)	878,609	2.50%
Electricity and gas	203,340	122	203,462	(871)	202,591	0.56%
Water	194,147	333	194,480	(16,722)	177,758	0.53%
Construction	1,448,474	78,767	1,527,241	(126,091)	1,401,150	4.18%
Retail business	1,228,223	27,252	1,255,475	(39,071)	1,216,404	3.44%
Wholesale business	1,369,363	31,016	1,400,379	(72,332)	1,328,047	3.84%
Restaurants and hotels	1,317,594	36,972	1,354,566	(59,451)	1,295,115	3.71%
Transports	677,452	21,154	698,606	(33,492)	665,114	1.91%
Post offices	15,392	170	15,562	(236)	15,326	0.04%
Telecommunications	227,553	4,407	231,960	(16,945)	215,015	0.64%
Services						
Financial intermediation	1,577,351	85,556	1,662,907	(190,489)	1,472,418	4.56%
Real estate activities	1,616,656	12,737	1,629,393	(82,234)	1,547,159	4.46%
Consulting, scientific and technical activities	883,352	30,444	913,796	(73,762)	840,034	2.50%
Administrative and support services activities	446,136	8,558	454,694	(63,965)	390,729	1.25%
Public sector	798,510	1	798,511	(1,725)	796,786	2.19%
Education	120,385	1,339	121,724	(6,537)	115,187	0.33%
Health and collective service activities	337,420	781	338,201	(8,953)	329,248	0.93%
Artistic, sports and recreational activities	358,125	10,853	368,978	(101,591)	267,387	1.01%
Other services	139,186	242,052	381,238	(178,004)	203,234	1.04%
Consumer loans	1,837,420	109,238	1,946,658	(106,898)	1,839,760	5.33%
Mortgage credit	17,171,929	47,176	17,219,105	(55,276)	17,163,829	47.18%
Other domestic activities	848	358	1,206	(21,203)	(19,997)	0.00%
Other international activities	357,238	105,199	462,437	(89,721)	372,716	1.27%
	35,578,077	923,585	36,501,662	(1,472,591)	35,029,071	100.00%

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

(Thousands of euros)

	2019					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	299,991	4,545	304,536	(3,992)	300,544	0.89%
Fisheries	24,938	29	24,967	(576)	24,391	0.07%
Mining	27,612	1,110	28,722	(4,228)	24,494	0.08%
Food, beverage and tobacco	482,581	5,478	488,059	(9,927)	478,132	1.43%
Textiles	350,066	8,028	358,094	(17,695)	340,399	1.05%
Wood and cork	118,609	2,637	121,246	(1,801)	119,445	0.35%
Paper, printing and publishing	135,206	1,085	136,291	(14,079)	122,212	0.40%
Chemicals	448,963	14,928	463,891	(17,104)	446,787	1.35%
Machinery, equipment and basic metallurgical	651,436	15,117	666,553	(18,268)	648,285	1.95%
Electricity and gas	213,989	122	214,111	(1,015)	213,096	0.63%
Water	155,240	332	155,572	(8,952)	146,620	0.45%
Construction	1,254,853	142,644	1,397,497	(230,698)	1,166,799	4.08%
Retail business	921,187	30,030	951,217	(41,708)	909,509	2.78%
Wholesale business	1,095,396	31,119	1,126,515	(71,203)	1,055,312	3.29%
Restaurants and hotels	1,093,086	36,372	1,129,458	(79,359)	1,050,099	3.30%
Transports	643,697	18,483	662,180	(27,563)	634,617	1.93%
Post offices	3,489	118	3,607	(72)	3,535	0.01%
Telecommunications	159,079	3,749	162,828	(4,786)	158,042	0.48%
Services						
Financial intermediation	1,561,425	133,458	1,694,883	(492,447)	1,202,436	4.95%
Real estate activities	1,365,548	92,603	1,458,151	(107,166)	1,350,985	4.26%
Consulting, scientific and technical activities	935,741	17,416	953,157	(167,445)	785,712	2.78%
Administrative and support services activities	376,218	12,369	388,587	(67,776)	320,811	1.13%
Public sector	776,378	2	776,380	(1,136)	775,244	2.27%
Education	107,859	933	108,792	(5,899)	102,893	0.32%
Health and collective service activities	253,152	923	254,075	(3,240)	250,835	0.74%
Artistic, sports and recreational activities	263,806	989	264,795	(66,438)	198,357	0.77%
Other services	101,069	242,548	343,617	(186,390)	157,227	1.00%
Consumer loans	1,904,231	105,028	2,009,259	(78,700)	1,930,559	5.87%
Mortgage credit	16,943,057	68,287	17,011,344	(48,736)	16,962,608	49.67%
Other domestic activities	989	272	1,261	(82)	1,179	0.00%
Other international activities	471,365	117,235	588,600	(83,413)	505,187	1.72%
	33,140,256	1,107,989	34,248,245	(1,861,894)	32,386,351	100.00%

The analysis of loans and advances to customers, 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	92,933	87,557	195,651	376,141	7,429	383,570	1.05%
Fisheries	3,321	5,320	14,125	22,766	36	22,802	0.06%
Mining	10,432	13,956	18,488	42,876	2,692	45,568	0.12%
Food, beverage and tobacco	266,261	148,245	191,381	605,887	5,893	611,780	1.68%
Textiles	118,726	153,860	172,152	444,738	11,046	455,784	1.25%
Wood and cork	44,180	48,892	59,401	152,473	3,274	155,747	0.43%
Paper, printing and publishing	58,024	46,577	62,219	166,820	1,202	168,022	0.46%
Chemicals	152,193	182,640	214,812	549,645	15,167	564,812	1.55%
Machinery, equipment and basic metallurgical	227,699	267,865	395,073	890,637	22,361	912,998	2.50%
Electricity and gas	16,135	70,651	116,554	203,340	122	203,462	0.56%
Water	17,039	15,274	161,834	194,147	333	194,480	0.53%
Construction	361,316	432,901	654,257	1,448,474	78,767	1,527,241	4.18%
Retail business	375,213	285,880	567,130	1,228,223	27,252	1,255,475	3.44%
Wholesale business	487,039	343,251	539,073	1,369,363	31,016	1,400,379	3.84%
Restaurants and hotels	65,648	316,512	935,434	1,317,594	36,972	1,354,566	3.71%
Transports	95,019	190,592	391,841	677,452	21,154	698,606	1.91%
Post offices	11,248	1,484	2,660	15,392	170	15,562	0.04%
Telecommunications	75,008	62,418	90,127	227,553	4,407	231,960	0.64%
Services							
Financial intermediation intermediation	190,877	393,833	992,641	1,577,351	85,556	1,662,907	4.56%
Real estate activities	259,936	537,711	819,009	1,616,656	12,737	1,629,393	4.46%
Consulting, scientific and technical activities	149,985	228,143	505,224	883,352	30,444	913,796	2.50%
Administrative and support services activities	96,941	163,565	185,630	446,136	8,558	454,694	1.25%
Public sector	121,885	456,876	219,749	798,510	1	798,511	2.19%
Education	22,855	19,294	78,236	120,385	1,339	121,724	0.33%
Health and collective service activities	102,017	83,736	151,667	337,420	781	338,201	0.93%
Artistic, sports and recreational activities	33,982	45,405	278,738	358,125	10,853	368,978	1.01%
Other services	52,244	31,250	55,692	139,186	242,052	381,238	1.04%
Consumer credit	493,283	588,499	755,638	1,837,420	109,238	1,946,658	5.33%
Mortgage credit	9,859	226,212	16,935,858	17,171,929	47,176	17,219,105	47.18%
Other domestic activities	123	287	438	848	358	1,206	0.00%
Other international activities	203,535	66,067	87,636	357,238	105,199	462,437	1.27%
	4,214,956	5,514,753	25,848,368	35,578,077	923,585	36,501,662	100.00%

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

(Thousands of euros)

	2019						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	105,011	69,353	125,627	299,991	4,545	304,536	0.89%
Fisheries	4,935	5,263	14,740	24,938	29	24,967	0.07%
Mining	13,104	10,813	3,695	27,612	1,110	28,722	0.08%
Food, beverage and tobacco	300,692	115,593	66,296	482,581	5,478	488,059	1.43%
Textiles	176,953	91,456	81,657	350,066	8,028	358,094	1.05%
Wood and cork	53,231	36,518	28,860	118,609	2,637	121,246	0.35%
Paper, printing and publishing	59,407	33,168	42,631	135,206	1,085	136,291	0.40%
Chemicals	161,411	175,657	111,895	448,963	14,928	463,891	1.35%
Machinery, equipment and basic metallurgical	280,952	214,439	156,045	651,436	15,117	666,553	1.95%
Electricity and gas	30,720	40,043	143,226	213,989	122	214,111	0.63%
Water	18,481	15,646	121,113	155,240	332	155,572	0.45%
Construction	361,937	336,747	556,169	1,254,853	142,644	1,397,497	4.08%
Retail business	456,021	231,571	233,595	921,187	30,030	951,217	2.78%
Wholesale business	589,889	275,308	230,199	1,095,396	31,119	1,126,515	3.29%
Restaurants and hotels	136,849	197,960	758,277	1,093,086	36,372	1,129,458	3.30%
Transports	167,924	151,468	324,305	643,697	18,483	662,180	1.93%
Post offices	1,930	1,121	438	3,489	118	3,607	0.01%
Telecommunications	86,615	45,452	27,012	159,079	3,749	162,828	0.48%
Services							
Financial intermediation intermediation	190,274	450,293	920,858	1,561,425	133,458	1,694,883	4.95%
Real estate activities	266,381	349,018	750,149	1,365,548	92,603	1,458,151	4.26%
Consulting, scientific and technical activities	301,178	155,619	478,944	935,741	17,416	953,157	2.78%
Administrative and support services activities	144,295	121,828	110,095	376,218	12,369	388,587	1.13%
Public sector	160,688	366,611	249,079	776,378	2	776,380	2.27%
Education	33,542	15,587	58,730	107,859	933	108,792	0.32%
Health and collective service activities	92,056	66,828	94,268	253,152	923	254,075	0.74%
Artistic, sports and recreational activities	30,931	28,137	204,738	263,806	989	264,795	0.77%
Other services	31,613	30,577	38,879	101,069	242,548	343,617	1.00%
Consumer credit	529,509	594,544	780,178	1,904,231	105,028	2,009,259	5.87%
Mortgage credit	7,890	247,882	16,687,285	16,943,057	68,287	17,011,344	49.67%
Other domestic activities	154	282	553	989	272	1,261	0.00%
Other international activities	159,919	110,405	201,041	471,365	117,235	588,600	1.72%
	4,954,492	4,585,187	23,600,577	33,140,256	1,107,989	34,248,245	100.00%

The analysis of loans and advances to customers, by 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	72,028	35,382	402,960	510,370	1	510,371
Asset-backed loans	670,563	1,559,550	18,090,358	20,320,471	480,108	20,800,579
Other guaranteed loans	862,548	1,786,290	2,586,744	5,235,582	117,927	5,353,509
Unsecured loans	814,149	875,694	1,445,722	3,135,565	166,994	3,302,559
Foreign loans	231,408	288,132	1,550,774	2,070,314	121,642	2,191,956
Factoring operations	1,521,278	425,696	–	1,946,974	15,010	1,961,984
Finance leases	42,982	544,009	1,771,810	2,358,801	21,903	2,380,704
	4,214,956	5,514,753	25,848,368	35,578,077	923,585	36,501,662

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

(Thousands of euros)

	2019					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	74,517	47,688	431,842	554,047	2	554,049
Asset-backed loans	746,596	1,301,489	17,989,880	20,037,965	692,956	20,730,921
Other guaranteed loans	1,174,234	1,268,319	843,470	3,286,023	108,088	3,394,111
Unsecured loans	1,091,972	756,879	1,439,176	3,288,027	142,659	3,430,686
Foreign loans	126,868	338,567	1,226,528	1,691,963	125,073	1,817,036
Factoring operations	1,614,674	331,058	–	1,945,732	14,806	1,960,538
Finance leases	125,631	541,187	1,669,681	2,336,499	24,405	2,360,904
	4,954,492	4,585,187	23,600,577	33,140,256	1,107,989	34,248,245

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

(Thousands of euros)

	2020	2019
Total credit	40,283,837	38,252,575
Stage 1		
Gross amount	30,887,770	27,748,411
Impairment	(85,715)	(24,036)
	30,802,055	27,724,375
Stage 2		
Gross amount	6,685,877	6,869,096
Impairment	(179,488)	(139,432)
	6,506,389	6,729,664
Stage 3		
Gross amount	2,710,190	3,635,068
Impairment	(1,282,423)	(1,792,847)
	1,427,767	1,842,221
	38,736,211	36,296,260

The total credit portfolio includes, as at 31 December 2020, loans and advances to customers in the amount of Euros 36,501,662,000 (31 December 2019: Euros: 34,248,245,000) and guarantees granted and commitments to third parties balance (note 40), in the amount of Euros 3,782,175,000 (31 December 2019: Euros 4,004,330,000).

The balances of Impairment were determined in accordance with the accounting policy described in note 1 B1.5, including the provision for guarantees and other commitments to third parties (note 35), in the amount of Euros 89,678,000 (31 December 2019: Euros 102,068,000).

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

(Thousands of euros)

	2020	2019
Stage 1		
Securities and other financial assets	1,104,093	1,448,903
Residential real estate	14,791,847	14,164,780
Other real estate	2,862,274	2,357,206
Other guarantees	6,042,950	4,496,322
	24,801,164	22,467,211
Stage 2		
Securities and other financial assets	240,604	289,904
Residential real estate	2,280,043	2,582,831
Other real estate	1,148,280	1,195,427
Other guarantees	1,415,008	864,638
	5,083,935	4,932,800
Stage 3		
Securities and other financial assets	117,281	301,578
Residential real estate	503,612	634,662
Other real estate	542,552	607,618
Other guarantees	403,068	578,057
	1,566,513	2,121,915
	31,451,612	29,521,926

The balance Other guarantees refers to first-demand guarantees issued by banks or other entities with an internal risk level of “7” or better; personal guarantees, when the guarantors are classified as having an internal risk level of “7” or better.

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

As detailed in note 54, 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 the guarantee from of the Portuguese State.

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

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

The analysis of the restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	2020			2019		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	16,449	(1,784)	14,665	10,706	(548)	10,158
Fisheries	123	(41)	82	6,134	(454)	5,680
Mining	2,130	(314)	1,816	5,485	(3,275)	2,210
Food, beverage and tobacco	17,395	(5,061)	12,334	13,361	(3,706)	9,655
Textiles	15,814	(6,040)	9,774	13,898	(4,225)	9,673
Wood and cork	4,343	(384)	3,959	5,207	(324)	4,883
Paper, printing and publishing	15,893	(12,279)	3,614	16,218	(12,185)	4,033
Chemicals	18,907	(8,434)	10,473	19,007	(4,577)	14,430
Machinery, equipment and basic metallurgical	30,672	(10,453)	20,219	26,109	(8,325)	17,784
Electricity and gas	373	(8)	365	379	(5)	374
Water	49,677	(13,663)	36,014	51,469	(7,046)	44,423
Construction	225,858	(77,125)	148,733	224,953	(134,169)	90,784
Retail business	36,071	(12,866)	23,205	47,711	(17,150)	30,561
Wholesale business	42,168	(14,200)	27,968	36,213	(7,903)	28,310
Restaurants and hotels	64,362	(6,741)	57,621	87,261	(14,527)	72,734
Transports	6,343	(2,177)	4,166	4,015	(1,490)	2,525
Post offices	132	(58)	74	126	(9)	117
Telecommunications	15,388	(11,060)	4,328	17,971	(1,184)	16,787
Services						
Financial intermediation	156,447	(85,829)	70,618	532,983	(340,890)	192,093
Real estate activities	124,685	(44,871)	79,814	157,517	(42,968)	114,549
Consulting, scientific and technical activities	263,449	(62,847)	200,602	162,833	(92,367)	70,466
Administrative and support services activities	80,479	(55,775)	24,704	77,634	(56,618)	21,016
Public sector	3,020	(657)	2,363	5,811	(746)	5,065
Education	19,680	(4,667)	15,013	19,739	(4,605)	15,134
Health and collective service activities	24,998	(4,931)	20,067	10,021	(948)	9,073
Artistic, sports and recreational activities	152,032	(73,058)	78,974	89,969	(40,498)	49,471
Other services	242,723	(176,060)	66,663	243,589	(176,395)	67,194
Consumer credit	112,586	(30,123)	82,463	115,214	(19,554)	95,660
Mortgage credit	402,812	(12,161)	390,651	485,933	(10,455)	475,478
Other domestic activities	23	(1)	22	22	(1)	21
Other international activities	26,113	(21,699)	4,414	28,005	(22,546)	5,459
	2,171,145	(755,367)	1,415,778	2,515,493	(1,029,693)	1,485,800

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	1,890	376,970	10,636	387,606	(65,443)	322,163
Introduction of the grace period for capital and / or interest	1,860	386,499	341,058	727,557	(386,947)	340,610
Interest rate reduction	3,925	266,266	13,864	280,130	(117,215)	162,915
Payment plan change	1,173	110,661	729	111,390	(10,820)	100,570
Debt relief	307	2,998	6,808	9,806	(5,647)	4,159
Debt-asset swaps	15	26,032	26,242	52,274	(18,963)	33,311
Other restructured loans	13,222	477,891	124,491	602,382	(150,332)	452,050
	22,392	1,647,317	523,828	2,171,145	(755,367)	1,415,778

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	1,688	129,604	40,985	170,589	(34,005)	136,584
Introduction of the grace period for capital and / or interest	1,536	173,761	6,443	180,204	(57,465)	122,739
Interest rate reduction	3,587	51,227	7,247	58,474	(6,150)	52,324
Payment plan change	893	61,781	273	62,054	(295)	61,759
Debt relief	151	3,457	1,965	5,422	(1,495)	3,927
Debt-asset swaps	14	88,356	7,848	96,204	(68,177)	28,027
Other restructured loans	16,483	1,409,475	533,071	1,942,546	(862,106)	1,080,440
	24,352	1,917,661	597,832	2,515,493	(1,029,693)	1,485,800

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

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

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

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);

- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined;

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

The definition of Non Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 31 December 2020, the amount calculated is Euros 1,244,361,000 (31 December 2019: Euros 1,678,232,000).

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 2,349,918,000 (31 December 2019: Euros 3,234,081,000).

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

(Thousands of euros)

	2020	2019
Balance on 1 January	1,861,894	2,293,486
Transfer resulting from the merger of BII on BCP	—	49,179
Charge for the year in net income interest (note 2)	18,273	29,308
Other transfers	5,782	67,579
Impairment charge for the year (note 10)	437,075	454,520
Reversals for the year (note 10)	(85,308)	(169,181)
Loans charged-off	(764,939)	(863,099)
Exchange rate differences	(186)	102
Balance at the end of the year	1,472,591	1,861,894

As at 31 December 2020, the balance Other 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 for credit risks 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	271	3,751
Fisheries	359	4
Mining	17	3,844
Food, beverage and tobacco	2,313	6,013
Textiles	10,893	7,172
Wood and cork	2	2,710
Paper, printing and publishing	24	6,160
Chemicals	1,418	28,607
Machinery, equipment and basic metallurgical	2,194	23,343
Water	398	230
Construction	136,461	265,909
Retail business	13,449	74,013
Wholesale business	27,968	29,068
Restaurants and hotels	52,838	11,939
Transports	1,197	5,916
Post offices	5	6
Telecommunications	401	17,402
Services		
Financial intermediation	314,797	20,608
Real estate activities	42,924	61,841
Consulting, scientific and technical activities	119,316	167,111
Administrative and support services activities	9,222	5,781
Education	16	373
Health and collective service activities	383	551
Artistic, sports and recreational activities	(3,289)	3,448
Other services	303	1,496
Consumer credit	23,033	109,207
Mortgage credit	1,400	4,035
Other domestic activities	5,740	2,561
Other international activities	886	–
	764,939	863,099

In compliance with the accounting policy described in note 1 B1.3, loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

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

(Thousands of euros)

	2020	2019
Unsecured loans	743,182	853,957
Factoring operations	48	2,926
Finance leases	21,709	6,216
	764,939	863,099

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

(Thousands of euros)

	2020	2019
Agriculture and forestry	258	61
Mining	25	—
Food, beverage and tobacco	23	198
Textiles	36	384
Wood and cork	5	41
Paper, printing and publishing	—	292
Chemicals	435	484
Machinery, equipment and basic metallurgical	26	127
Construction	2,064	1,514
Retail business	630	1,322
Wholesale business	464	628
Restaurants and hotels	50	19
Transports	304	60
Post offices	11	—
Telecommunications	—	5
Services		
Financial intermediation	1,089	749
Real estate activities	61	1,217
Consulting, scientific and technical activities	13	2
Administrative and support services activities	7	169
Education	22	—
Health and collective service activities	1	2
Artistic, sports and recreational activities	—	257
Other services	8	6
Consumer credit	1,143	953
Mortgage credit	2	1
Other domestic activities	14	200
	6,691	8,691

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

(Thousands of euros)

	2020	2019
Unsecured loans	5,769	8,521
Foreign loans	919	9
Finance leases	3	161
	6,691	8,691

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

Traditional securitizations

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

Magellan Mortgages No.2

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

Synthetic securitizations

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

Caravela SME No. 3

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

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

20. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	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 (*)	3,758,015	137,330
Foreign issuers	5,666	8,173
Bonds issued by other entities		
Portuguese issuers	178,405	178,067
Foreign issuers	41,238	50,854
	3,983,324	374,424
Impairment	(3,404)	(532)
	3,979,920	373,892
	5,577,875	2,448,401

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

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

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 at 31 December 2020 amounts to Euros 3,544,918,000.

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	2,884,017	–	3,758,015
Foreign issuers	–	–	5,666	–	–	5,666
Other entities						
Portuguese issuers	25,628	–	113,351	39,426	–	178,405
Foreign issuers	–	–	–	41,238	–	41,238
	25,628	–	993,015	2,964,681	–	3,983,324
	1,015,682	381,564	1,001,084	3,192,209	1,761	5,592,300

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

The analysis of 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
Water	39,394	39,324
Transports (*)	99,504	99,402
Services		
Financial intermediation	41,238	50,854
Consulting, scientific and technical activities	13,483	13,550
	219,197	228,739
Government and Public securities	3,760,723	145,153
	3,979,920	373,892
	5,577,875	2,448,401

(*) corresponds to securities of 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
Other transfers	(7,756)	—
Impairment charge for the year (note 10)	6,293	1,717
Reversals for the year (note 10)	—	(907)
Loans charged-off	—	(28,420)
Exchange rate differences	(1)	—
Balance at the end of the year	11,021	12,431
Debt securities held not associated with credit operations		
Balance on 1 January	532	284
Impairment charge for the year (note 10)	2,908	447
Loans charged-off	—	(202)
Exchange rate differences	(36)	3
Balance at the end of the year	3,404	532

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

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

(Thousands of euros)

	2020	2019
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	425,880	51,452
Equity instruments	827	545
Trading derivatives	518,610	590,361
	945,317	642,358
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,277,826	1,444,772
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	8,024,989	8,006,771
Equity instruments	60,680	72,099
	8,085,669	8,078,870
	10,308,812	10,197,496

As at 31 December 2019, the balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1B.5. in the amount of Euros 956,000.

The portfolio of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2020, is analysed as follows:

(Thousands of euros)

	2020				
	Financial assets at fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	101	—	—	3,601,203	3,601,304
Foreign issuers	—	—	—	2,886,900	2,886,900
Bonds issued by other entities					
Portuguese issuers	837	16,778	—	900,018	917,633
Foreign issuers	46,994	11,536	—	636,868	695,398
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	377,948	—	—	—	377,948
Investment fund units (a)	—	1,242,597	—	—	1,242,597
Shares of foreign companies (b)	—	6,915	—	—	6,915
	425,880	1,277,826	—	8,024,989	9,728,695
Equity instruments					
Shares					
Portuguese companies	—	—	—	17,395	17,395
Foreign companies	—	—	—	8,891	8,891
Investment fund units (c)	—	—	—	34,394	34,394
Other securities	827	—	—	—	827
	827	—	—	60,680	61,507
Trading derivatives	518,610	—	—	—	518,610
	945,317	1,277,826	—	8,085,669	10,308,812
Level 1	421,754	—	—	7,717,765	8,139,519
Level 2	238,513	—	—	169,116	407,629
Level 3	285,050	1,277,826	—	198,788	1,761,664

(a) Under IFRS 9, the participation units held by the Bank on the transaction date, were considered as debt instruments because they not fall within the definition of equity instruments. As at 31 December 2020 this balance include Euros 346,236,000 related to units of real estate investment funds mainly owned by the Bank. Additionally, as of 31 December 2020, the Bank has recorded a provision for other risks and charges in the amount of Euros 42,874,000 in relation to the properties held by these real estate funds.

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

(c) Units of real estate investment funds mainly owned by the Bank. As at 31 December 2020, the Bank has recorded a provision for other risks and charges in the amount of Euros 13,989,000 in relation to the properties held by these real estate funds.

As at 31 December 2020, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2020, the balances Financial assets at fair value through other comprehensive income, Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets held for trading include the amount of Euros 61,454,000, Euros 11,536,000 and Euros 4,481,000, respectively, relating to bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 3 and No. 4, referred in note 1 C.

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 318,855,000 related to public sector companies.

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

(Thousands of euros)

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

(a) Under IFRS 9, the participation units held by the Bank on the transaction date, were considered as debt instruments because they not fall within the definition of equity instruments. As at 31 December 2019 this balance include Euros 404,230 related to units of real estate investment funds mainly owned by the Bank. Additionally, as of 31 December 2019, the Bank has recorded a provision for other risks and charges in the amount of Euros 52,038,000 in relation to the properties held by these real estate funds.

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

(c) Units of real estate investment funds mainly owned by the Bank. As at 31 December 2019, the Bank has recorded a provision for other risks and charges in the amount of Euros 11,389,000 in relation to the properties held by these real estate funds.

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

As at 31 December 2019, the balances Financial assets at fair value through other comprehensive income, Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets held for trading include the amount of Euros 64,998,000, Euros 13,596,000 and Euros 4,854,000, respectively, relating to bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 3 and No. 4, referred in note 1 C.

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

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

(Thousands of euros)

	2020			
	Amortised cost (a)	Fair value hedge adjustments (note 39)	Fair value adjustments (note 39)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	3,496,635	13,982	90,586	3,601,203
Foreign issuers	2,831,696	1,558	53,646	2,886,900
Bonds issued by other entities				
Portuguese issuers	860,369	20,130	19,519	900,018
Foreign issuers	570,994	15,179	50,695	636,868
	7,759,694	50,849	214,446	8,024,989
Equity instruments				
Shares				
Portuguese companies	43,700	–	(26,305)	17,395
Foreign companies	23,433	–	(14,542)	8,891
Investment fund units	49,354	–	(14,960)	34,394
	116,487	–	(55,807)	60,680
	7,876,181	50,849	158,639	8,085,669

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

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

(Thousands of euros)

	2019			
	Amortised cost (a)	Fair value hedge adjustments (note 39)	Fair value adjustments (note 39)	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	4,276,310	91,781	39,516	4,407,607
Foreign issuers	534,100	–	4,124	538,224
Bonds issued by other entities				
Portuguese issuers	764,721	17,622	19,924	802,267
Foreign issuers	295,951	5,281	40,464	341,696
Treasury bills				
(Public Issuers and Central Banks)				
Portuguese issuers	1,916,652	–	325	1,916,977
	7,787,734	114,684	104,353	8,006,771
Variable income:				
Shares				
Portuguese companies	50,771	–	(30,734)	20,037
Foreign companies	15,590	–	(5,952)	9,638
Investment fund units	42,424	–	–	42,424
Other securities	6,930	–	(6,930)	–
	115,715	–	(43,616)	72,099
	7,903,449	114,684	60,737	8,078,870

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

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2020 is as follows:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,517,537	83,767	–	3,601,304
Foreign issuers	2,886,900	–	–	2,886,900
Bonds issued by other entities				
Portuguese issuers	738,574	82,152	96,907	917,633
Foreign issuers	614,725	3,298	77,375	695,398
Treasury bills and other Government bonds				
Portuguese issuers	377,948	–	–	377,948
Investment fund units	–	–	1,242,597	1,242,597
Shares of foreign companies	–	–	6,915	6,915
	8,135,684	169,217	1,423,794	9,728,695
Variable income:				
Shares				
Portuguese companies	3,476	–	13,919	17,395
foreign companies	–	–	8,891	8,891
Investment fund units	–	–	34,394	34,394
Other securities	359	–	468	827
	3,835	–	57,672	61,507
Trading derivatives	–	238,412	280,198	518,610
	8,139,519	407,629	1,761,664	10,308,812

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

(Thousands of euros)

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

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

The item Investment fund units as level 3 include the amount of Euros 827,976,000 (31 December 2019: Euros 924,489,000) relating to units in restructuring funds (described in note 42) 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.

As at 31 December 2020, the Bank holds mainly investment fund units in Real Estate Investment Funds that are classified in level 3.

As at 31 December 2020, the amount recorded under the balance Financial assets at fair value through other comprehensive income, amounts to Euros 34,393,000 (31 December 2019: Euros 42,424,000), with unrealised net losses in the amount of Euros 14,960,000 (31 December 2019: Euros net losses 6,930,000), and in the balance Financial assets not held for trading mandatorily at fair value through profit or loss, amounts to Euros 366,293,000 (31 December 2019: Euros 424,808,000).

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 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
Fixed income						
Bonds issued by public entities						
Portuguese issuers	–	18,563	496,375	3,086,366	–	3,601,304
Foreign issuers	–	251,701	1,318,352	1,316,847	–	2,886,900
Bonds issued by other entities						
Portuguese issuers	54,305	35,736	411,143	416,449	–	917,633
Foreign issuers	1,510	44,812	178,215	470,861	–	695,398
Treasury bills and other						
Government bonds						
Portuguese issuers	166,329	211,619	–	–	–	377,948
Investment fund units	–	–	–	1,242,597	–	1,242,597
Shares of foreign companies	–	–	–	6,915	–	6,915
	222,144	562,431	2,404,085	6,540,035	–	9,728,695
Variable income						
Shares						
Portuguese companies	–	–	–	–	17,395	17,395
Foreign companies	–	–	–	–	8,891	8,891
Investment fund units	–	–	–	–	34,394	34,394
Other securities	–	–	–	–	827	827
	–	–	–	–	61,507	61,507
	222,144	562,431	2,404,085	6,540,035	61,507	9,790,202

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

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income						
Bonds issued by public entities						
Portuguese issuers	–	66,318	2,951,571	1,424,394	–	4,442,283
Foreign issuers	201,996	226,023	103,387	7,056	–	538,462
Bonds issued by other entities						
Portuguese issuers	44	–	382,496	436,505	–	819,045
Foreign issuers	495	–	155,864	246,967	–	403,326
Treasury bills and other						
Government bonds						
Portuguese issuers	782,058	1,134,919	–	–	–	1,916,977
Investment fund units	–	–	–	1,401,248	–	1,401,248
Shares of foreign companies	–	–	–	13,150	–	13,150
	984,593	1,427,260	3,593,318	3,529,320	–	9,534,491
Variable income						
Shares						
Portuguese companies	–	–	–	–	20,038	20,038
Foreign companies	–	–	–	–	9,638	9,638
Investment fund units	–	–	–	–	42,424	42,424
Other securities	–	–	–	–	544	544
	–	–	–	–	72,644	72,644
	984,593	1,427,260	3,593,318	3,529,320	72,644	9,607,135

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

(Thousands of euros)

	2020	2019
Balance on 1 January	–	3,722
Transfers	(10,362)	(1,194)
Reversals	(1,123)	(2,522)
Impairment against profit and loss	11,485	–
Amounts charged-off	–	(6)
Balance at the end of the year	–	–

As at 31 December 2020, the accumulated impairment associated with the financial assets at fair value through other comprehensive income amounts to Euros 13,822,000 and is recorded against Fair value reserves (31 December 2019: Euros 3,154,000).

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

(Thousands of euros)

	2020			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Paper, printing and publishing	54,207	—	—	54,207
Electricity and gas	16,239	—	—	16,239
Water	7,136	—	—	7,136
Construction	17,730	—	18,865	36,595
Wholesale business	53,355	—	—	53,355
Restaurants and hotels	—	871	—	871
Transports	222,982	—	—	222,982
Telecommunications	—	2,704	—	2,704
Services				
Financial intermediation (*)	767,827	20,062	1,242,956	2,030,845
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	—	—	469	469
Artistic, sports and recreational activities	16,683	—	—	16,683
Other services	—	22	—	22
	1,613,031	33,201	1,277,818	2,924,050
Government and Public securities	6,866,152	—	—	6,866,152
	8,479,183	33,201	1,277,818	9,790,202

(*) 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 42.

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

(Thousands of euros)

	2019			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Paper, printing and publishing	51,735	–	–	51,735
Electricity and gas	9,410	–	–	9,410
Water	7,000	–	–	7,000
Construction	17,611	–	23,252	40,863
Wholesale business	200,367	162	–	200,529
Restaurants and hotels	–	9,357	–	9,357
Transports	297,236	–	–	297,236
Telecommunications	–	4,619	–	4,619
Services				
Financial intermediation (*)	483,067	19,135	1,400,671	1,902,873
Real estate activities	–	–	19,749	19,749
Consulting, scientific and technical activities	129,301	140	–	129,441
Administrative and support services activities	9,961	9,391	–	19,352
Public sector	–	–	544	544
Artistic, sports and recreational activities	16,683	–	–	16,683
Other services	–	22	–	22
	1,222,371	42,826	1,444,216	2,709,413
Government and Public securities	4,980,745	–	1,916,977	6,897,722
	6,203,116	42,826	3,361,193	9,607,135

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 924,489,000 which are classified in the sector of activity Services - Financial intermediation but the core segment is disclosed in note 42.

The Bank, as part of the management process of the liquidity risk (note 48), had, 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 Bank operates, which includes fixed income securities. As at 31 December 2019, this caption included the amount of Euros 38,380,000, of securities included in the ECB's monetary policy pool.

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 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	438,600	1,238,122	4,437,458	6,114,180	215,133	232,519
Interest rate options (purchase)	–	83,417	130,981	214,398	9	–
Interest rate options (sale)	–	–	130,981	130,981	–	40
	438,600	1,321,539	4,699,420	6,459,559	215,142	232,559
Stock Exchange transactions:						
Interest rate futures	–	–	1,360,300	1,360,300	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	34,337	125,555	291	160,183	2,445	2,513
Currency swaps	986,552	118,228	–	1,104,780	8,247	5,974
	1,020,889	243,783	291	1,264,963	10,692	8,487
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	–	359,815	214,452	574,267	11,765	2,189
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	115,135	204,134	680,815	1,000,084	2,691	562
Shares/indexes options (sale)	–	–	18,401	18,401	–	–
Others shares/indexes options (purchase)	16,864	–	–	16,864	16,589	–
Others shares/indexes options (sale)	16,864	–	–	16,864	–	–
	148,863	204,134	699,216	1,052,213	19,280	562
Stock exchange transactions:						
Shares futures	–	–	667,738	667,738	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	275,720	275,720	261,731	–
Other credit derivatives (sale)	81,523	–	–	81,523	–	–
	81,523	–	275,720	357,243	261,731	–
Total derivatives traded in:						
OTC Market	1,689,875	2,129,271	5,889,099	9,708,245	518,610	243,797
Stock Exchange	–	–	2,028,038	2,028,038	–	–
Embedded derivatives					–	137
	1,689,875	2,129,271	7,917,137	11,736,283	518,610	243,934

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

(Thousands of euros)

	2019					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	146,000	1,348,807	5,184,287	6,679,094	296,357	238,048
Interest rate options (purchase)	–	83,417	134,529	217,946	19	–
Interest rate options (sale)	–	–	134,529	134,529	–	40
	146,000	1,432,224	5,453,345	7,031,569	296,376	238,088
Stock Exchange transactions:						
Interest rate futures	49,967	17,817	–	67,784	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	52,173	89,135	–	141,308	442	934
Currency swaps	1,661,166	228,136	–	1,889,302	3,401	19,199
Currency options (purchase)	24,979	2,274	–	27,253	632	–
Currency options (sale)	24,979	2,274	–	27,253	–	632
	1,763,297	321,819	–	2,085,116	4,475	20,765
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	–	462,072	136,723	598,795	–	8,057
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	304,513	1,179,093	1,027,987	2,511,593	4,271	1,910
Shares/indexes options (sale)	–	–	20,126	20,126	–	–
Others shares/indexes options (purchase)	16,864	–	–	16,864	16,442	–
Others shares/indexes options (sale)	16,864	–	–	16,864	–	–
	338,241	1,179,093	1,048,113	2,565,447	20,713	1,910
Stock exchange transactions:						
Shares futures	728,807	–	–	728,807	–	–
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	38	–	–	38	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	283,107	283,107	267,841	–
Other credit derivatives (sale)	–	–	78,484	78,484	–	–
	–	–	361,591	361,591	267,841	–
Total derivatives traded in:						
OTC Market	2,247,538	3,395,208	6,999,772	12,642,518	589,405	268,820
Stock Exchange	778,812	17,817	–	796,629	–	–
Embedded derivatives					956	346
	3,026,350	3,413,025	6,999,772	13,439,147	590,361	269,166

22. Hedging derivatives

This balance is analysed as follows:

(Thousands of euros)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Swaps	74,704	121,559	34,990	121,474

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

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

During 2020, the relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 1,842,000 (31 December 2019: negative amount of Euros 2,232,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2020, reclassifications were made 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 analysed as follows (note 48).

The analysis of hedging derivatives portfolio 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 33)
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	23,500	370,100	4,006,862	4,400,462	5,396	88,654
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	–	–	11,080,000	11,080,000	69,274	6,540
Total derivatives traded by:						
OTC Market	186,161	643,518	15,086,862	15,916,541	74,704	121,559
Stock Exchange	–	–	197,400	197,400	–	–

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

(Thousands of euros)

	2019					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	1,367,350	2,062,680	3,430,030	17,859	46,122
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,450,000	11,450,000	17,131	75,352
Total derivatives traded by:						
OTC Market	–	1,367,350	13,512,680	14,880,030	34,990	121,474

23. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Portuguese credit institutions	164,705	128,205
Foreign credit institutions	769,328	805,385
Other Portuguese companies	1,962,499	1,963,132
Other foreign companies	2,758,172	2,757,657
	5,654,704	5,654,379
Impairment for investments in:		
Subsidiary companies	(2,539,822)	(2,484,269)
Associated and other companies	(12,970)	(34,461)
	(2,552,792)	(2,518,730)
	3,101,912	3,135,649

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

(Thousands of euros)

	2020	2019
Banco ActivoBank, S.A.	164,705	128,205
Bank Millennium S.A.	611,208	651,959
Banque BCP, S.A.S.	37,389	33,210
Banque Privée BCP (Suisse) S.A.	120,731	120,216
BCP África, S.G.P.S., Lda.	683,032	683,032
BCP Capital - Sociedade de Capital de Risco, S.A.	29,773	29,773
BCP International B.V.	1,203,262	1,203,262
BCP Investment, B.V.	1,534,842	1,534,842
Cold River's Homestead, S.A.	20,211	20,211
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	1,500	1,500
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	355,475	355,475
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	20,068	19,553
Millennium bcp Imobiliária, S.A.	359,683	359,683
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	493,940	493,940
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	885	885
Millennium bcp - Prestação de Serviços, A.C.E.	18,000	18,000
Projepolska, S.A.	—	633
	5,654,704	5,654,379
Impairment for investments in subsidiary and associated companies		
BCP África, S.G.P.S., Lda.	(149,473)	(92,726)
BCP Capital - Sociedade de Capital de Risco, S.A.	(26,196)	(26,161)
BCP International B.V.	(148,477)	(145,988)
BCP Investment, B.V.	(1,529,324)	(1,530,314)
Cold River's Homestead, S.A.	(5,681)	(4,689)
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	(20,067)	(19,553)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	—	(22,537)
Millennium bcp Imobiliária, S.A.	(348,377)	(348,321)
Millennium bcp Participacões, S.G.P.S., Sociedade Unipessoal, Lda.	(324,424)	(327,049)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	(773)	(782)
Projepolska, S.A.	—	(610)
	(2,552,792)	(2,518,730)
	3,101,912	3,135,649

During 2020 the Bank sold Projepolska, S.A.

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

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

(Thousands of euros)

	2020	2019
Impairment for investments in subsidiary and associated companies:		
Balance on 1 January	2,518,730	2,550,346
Transfer to merge reserve resulting from the merger of BII on BCP (note 53)	—	(50,704)
Transfers	—	12,425
Impairment charge for the year (note 12)	34,606	11,944
Write-back for the year (note 12)	—	(4,540)
Loans charged-off	(610)	(750)
Exchange rate differences	66	9
Balance at the end of the year	2,552,792	2,518,730

As at 31 December 2020, the caption Impairment for investments in subsidiaries and associated companies - Loans charged-off results from the liquidation/dissolution of Servitrust - Trust Management Services S.A.

The Bank analysed the impairment related to the investments made in subsidiaries and associated as described in note 1 F). The Bank's subsidiaries and associated companies are presented in note 55.

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

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

The value in use was determined based on: (i) the business plan approved by each company board for the year 2020 and following years (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

	2020			2019		
	Discount rate	Discount rate	Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	8.875%	9.000%	0.000%	9.065%	9.250%	0.000%
Poland	8.875%	8.875%	2.370%	8.565%	8.750%	2.800%
Angola	23.000%	n.a.	n.a.	19.000%	19.000%	n.a.
Mozambique	21.000%	21.000%	6.723%	21.000%	21.000%	4.750%
Switzerland	9.125%	9.250%	2.019%	9.065%	9.250%	0.000%

Based on the analysis made, the Bank recognised in 2020 impairment for a group of companies, as follows:

(Thousands of euros)

	Balance on 1 January	Impairment charge (note 12)	Loans charged-off	Exchange rate differences	Balance on 31 December
BCP África, S.G.P.S., Lda.	92,726	56,747	—	—	149,473
BCP Capital - Sociedade de Capital de Risco, S.A.	26,161	35	—	—	26,196
BCP International B.V.	145,988	2,489	—	—	148,477
BCP Investment B.V.	1,530,314	(990)	—	—	1,529,324
Cold River's Homestead, S.A.	4,689	992	—	—	5,681
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	19,553	448	—	66	20,067
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	22,537	(22,537)	—	—	—
Millennium bcp Imobiliária, S.A.	348,321	56	—	—	348,377
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,049	(2,625)	—	—	324,424
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	782	(9)	—	—	773
Projepolska, S.A.	610	—	(610)	—	—
	2,518,730	34,606	(610)	66	2,552,792

24. 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 (note 48)	804,474	(140,227)	664,247	1,015,937	(182,646)	833,291
Assets for own use (closed branches)	3,512	(502)	3,010	3,584	(597)	2,987
Equipment and other	6,839	(4,887)	1,952	9,769	(6,329)	3,440
Subsidiaries acquired exclusively with the purpose of short-term sale	84,998	(20,097)	64,901	86,826	(21,511)	65,315
Other assets	20,053	—	20,053	24,033	—	24,033
	919,876	(165,713)	754,163	1,140,149	(211,083)	929,066

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

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from recovered loans or judicial being accounted for at the time the Bank assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 48.

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

In 2019, the Bank 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 Bank requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The referred balance includes real estate for which the Bank has already established contracts for the sale in the amount of Euros 27,200,000 (31 December 2019: Euros 33,846,000), which impairment associated is Euros 10,088,000 (31 December 2019: Euros 10,006,000), which was calculated taking into account the value of the respective contracts.

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

(Thousands of euros)

	2020	2019
Balance on 31 December	211,083	231,080
Transfer resulting from the merger of BII on BCP	—	24,413
Impairment for the year (note 12)	52,992	75,510
Loans charged-off	(96,946)	(120,233)
Exchange rate differences	(1,416)	313
Balance at the end of the year	165,713	211,083

25. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Land and buildings	466,252	479,172
Equipment		
Computer equipment	195,307	190,756
Security equipment	62,470	62,838
Interior installations	104,385	102,087
Machinery	18,196	17,864
Farniture	74,397	74,065
Motor vehicles	15,311	15,686
Other equipment	2,760	2,787
Right of use		
Real estate	235,573	219,624
Vehicles and equipment	82	81
Work in progress	1,961	2,297
Other tangible assets	30	30
	1,176,724	1,167,287
Accumulated depreciation		
Relative to the year (note 9)	(57,532)	(56,963)
Relative to the previous years	(752,341)	(714,554)
	(809,873)	(771,517)
	366,851	395,770

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

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

(Thousands of euros)

	Initial Balance	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	479,172	9	(12,879)	(9)	(41)	466,252
Equipment:						
Computer equipment	190,756	9,344	(4,782)	–	(11)	195,307
Security equipment	62,838	255	(621)	–	(2)	62,470
Interior installations	102,087	676	(989)	2,612	(1)	104,385
Machinery	17,864	337	(62)	62	(5)	18,196
Furniture	74,065	805	(479)	13	(7)	74,397
Motor vehicles	15,686	1,794	(2,161)	–	(8)	15,311
Other equipment	2,787	3	(30)	–	–	2,760
Right of use:						
Real estate	219,624	18,316	(2,385)	109	(91)	235,573
Vehicles and equipment	81	1	–	–	–	82
Work in progress	2,297	2,487	(37)	(2,786)	–	1,961
Other tangible assets	30	–	–	–	–	30
	1,167,287	34,027	(24,425)	1	(166)	1,176,724
Accumulated depreciation:						
Real estate	(326,304)	(8,314)	9,137	–	28	(325,453)
Equipment:						
Computer equipment	(169,359)	(9,459)	4,349	–	10	(174,459)
Security equipment	(58,773)	(755)	621	–	1	(58,906)
Interior installations	(91,185)	(1,795)	842	–	1	(92,137)
Machinery	(15,884)	(411)	62	–	5	(16,228)
Furniture	(67,012)	(1,632)	464	–	7	(68,173)
Motor vehicles	(7,810)	(1,646)	1,827	–	5	(7,624)
Other equipment	(2,744)	(8)	30	–	–	(2,722)
Right of use:						
Real estate	(32,380)	(33,475)	1,758	–	29	(64,068)
Vehicles and equipment	(37)	(37)	–	–	–	(74)
Other tangible assets	(29)	–	–	–	–	(29)
	(771,517)	(57,532)	19,090	–	86	(809,873)
	395,770	(23,505)	(5,335)	1	(80)	366,851

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

(Thousands of euros)

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

26. Intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Intangible assets		
Software	86,952	73,763
Other intangible assets	147	154
	87,099	73,917
Accumulated amortisation		
Relative to the year (note 9)	(20,273)	(13,565)
Relative to the previous years	(18,503)	(19,530)
	(38,776)	(33,095)
	48,323	40,822

The changes occurred in Intangible assets balance, during 2020, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Exchange differences	Balance on 31 December
Intangible assets					
Software	73,763	27,938	(14,719)	(30)	86,952
Other intangible assets	154	–	(1)	(6)	147
	73,917	27,938	(14,720)	(36)	87,099
Accumulated amortisation					
Software	(33,008)	(20,273)	14,568	18	(38,695)
Other intangible assets	(87)	–	–	6	(81)
	(33,095)	(20,273)	14,568	24	(38,776)
	40,822	7,665	(152)	(12)	48,323

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

(Thousands of euros)

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

27. 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	836,876	—	836,876	836,876	—	836,876
	1,820,053	—	1,820,053	1,820,053	—	1,820,053
Deferred taxes depending on the future profits						
Intangible assets	49	—	49	49	—	49
Other tangible assets	1,373	(3,055)	(1,682)	1,926	(3,118)	(1,192)
Impairment losses (b)	599,780	(50,303)	549,477	707,536	(50,303)	657,233
Employee benefits	50,008	(542)	49,466	41,552	(811)	40,741
Financial assets at fair value through other comprehensive income	28,251	(168,303)	(140,052)	47,111	(121,751)	(74,640)
Tax losses carried forward	147,819	—	147,819	109,964	—	109,964
Others	81,708	(37,648)	44,060	64,339	(31,644)	32,695
	908,988	(259,851)	649,137	972,477	(207,627)	764,850
Total deferred taxes	2,729,041	(259,851)	2,469,190	2,792,530	(207,627)	2,584,903
Offset between deferred tax assets and deferred tax liabilities	(259,851)	259,851	—	(207,627)	207,627	—
Net deferred taxes	2,469,190	—	2,469,190	2,584,903	—	2,584,903

(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.

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 beginning on or after 1 January 2016, nor to deferred tax assets to these associates.

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

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,471,591,000 (31 December 2019: Euros 1,391,072,000).

- 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 of an entity with headquarters in Portugal within the same perimeter of prudential consolidation or integrated into the same group of companies to which the Special Taxation Regime for Groups of Companies applies) 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 described 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 favor of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

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

The deferred tax rate is analysed as follows:

Description	2020	2019
Income tax	21.0%	21.0%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than Euros 1,500,000 to Euros 7,500,000	3.0%	3.0%
From more than Euros 7,500,000 to Euros 35,000,000	5.0%	5.0%
More than Euros 35,000,000	9.0%	9.0%

The tax applicable to deferred taxes related to tax losses is 21% (31 December 2019: 21%).

The average deferred tax rate associated with temporary differences of the Bank is 31.3% (31 December 2019: 31.3%).

Following the changes provided for in Law no. 27-A/2020, of July 24, under the Supplementary Budget for 2020, the deadline for carrying forward 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 determined in 2020 and 2021 have a reporting period of 12 years, which can 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.

The Bank 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 expire date, are presented as follows:

(Thousands of euros)

Expire date	2020	2019
2028	—	109,964
2030	104,000	—
2032	43,819	—
	147,819	109,964

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 taxable income for 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 to apply the new regime was not exercised.

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

Analysis of the recoverability of deferred tax assets

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

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 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) The reversals of impairment not accepted for tax purposes were estimated based on the Non Performing Assets 2019-2021 Reduction Plan submitted to the supervisory entity in March 2019, updated to 30 June 2020, and also based on the average percentage reversal observed in the years from 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 taking into account 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 based on 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 analysis of recoverability of deferred tax assets with reference to 31 December 2020 allows us to conclude that the recoverability of all deferred tax assets recognized are recoverable in reference to 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
2023	—	140,216
2024	—	35,391
2025	112,855	—
2026	42,424	212,833
2028	212,833	407,380
2030 and following	413,345	—
	781,457	795,820

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

(Thousands of euros)

	2020		2019		
	Net income for the year	Reserves	Net income for the year	Reserves	Merge BII
Deferred taxes					
not depending on the future profits					
Impairment losses	—	—	9,860	—	47,897
Employee benefits	—	—	102	232	1,308
	—	—	9,962	232	49,205
Deferred taxes					
depending on the future profits					
Intangible assets	—	—	10	—	39
Other tangible assets	(490)	—	15	—	—
Impairment losses	(107,756)	—	(12,030)	—	10,025
Employee benefits	5,652	3,073	5,694	(4,534)	29
Financial assets at fair value					
through other comprehensive income	—	(65,412)	—	(41,235)	(6,766)
Tax losses carried forward (a)	19,375	18,480	(161,693)	(48,111)	—
Others	11,509	(144)	(1,065)	1,277	1,313
	(71,710)	(44,003)	(169,069)	(92,603)	4,640
	(71,710)	(44,003)	(159,107)	(92,371)	53,845
Current taxes					
Actual year	(3,405)	—	(3,097)	—	—
Correction of previous years	(3,358)	—	14,490	—	—
	(6,763)	—	11,393	—	—
	(78,473)	(44,003)	(147,714)	(92,371)	53,845

(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 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.

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	129,106	287,010
Current tax rate (%)	31.30%	31.30%
Expected tax	(40,410)	(89,834)
Elimination of double economic taxation of dividends received	4,926	6,118
Non deductible impairment	(21,203)	(6,932)
Contribution to the banking sector	(11,011)	(9,914)
Interest from other capital instruments (a)	11,581	—
Fiscal gains and losses	(188)	6,591
Effect of tax rate difference and international double taxation (b)	(15,476)	15,577
Non-deductible expenses and other corrections	(1,658)	(699)
Effect of recognition / derecognition net of deferred taxes	122	(79,474)
Impact of the special tax regime for groups of companies	(3,405)	—
Correction of previous years	(678)	12,448
Autonomous tax	(1,073)	(1,595)
Total	(78,473)	(147,714)
Effective rate (%)	60.78 %	51.47 %

(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) It mainly concerns the difference in the deferred tax rate associated with tax losses.

28. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Debtors	209,164	76,355
Capital supplies	239,735	238,449
Capital supplementary contributions	165	165
Other financial investments	292	292
Gold and other precious metals	3,741	3,767
Deposit account applications	324,371	468,084
Debtors for futures and options transactions	281,991	98,965
Artistic patrimony	28,815	28,816
Amounts due for collection	74,103	74,451
Other recoverable tax	15,501	18,972
Subsidies receivables	9,739	9,416
Associated companies	2,904	5,671
Interest and other amounts receivable	34,091	28,110
Prepaid expenses	19,011	20,373
Amounts receivable on trading activity	498	5,732
Amounts due from customers	21,278	225,073
Obligations with post-employment benefits (note 45)	92,117	10,163
Sundry assets	31,162	27,223
	1,388,678	1,340,077
Impairment for other assets	(263,726)	(245,740)
	1,124,952	1,094,337

As referred in note 23, the Bank sold 51% of Planfipsa S.G.P.S. S.A. and a set of credit granted, which generated an income of Euros 10,386,000 (income before taxes of Euros 15,118,000 according to note 5, and a tax cost of Euros 4,732,000).

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

The caption Supplementary capital contributions is analysed as follows:

(Thousands of euros)

	2020	2019
Others	165	165
	165	165

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

(Thousands of euros)

	2020	2019
Balance on 1 January	245,740	312,773
Transfer resulting from the merger of BII on BCP	—	1
Transfers	17,184	(8,721)
Impairment for the year (note 12)	6,156	7,469
Write back for the year (note 12)	(471)	—
Amounts charged-off	(4,883)	(65,782)
Balance at the end of the year	263,726	245,740

29. 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	–	92,341	92,341	–	106,715	106,715
	–	7,602,354	7,602,354	–	4,047,211	4,047,211
Resources from credit institutions in Portugal						
Sight deposits	302,960	–	302,960	218,975	–	218,975
Term Deposits	–	1,463,612	1,463,612	–	1,207,589	1,207,589
CIRS and IRS operations collateralised by deposits (*)	–	120	120	–	1,060	1,060
Other resources	–	229	229	–	–	–
	302,960	1,463,961	1,766,921	218,975	1,208,649	1,427,624
Resources from credit institutions abroad						
Very short-term deposits	–	–	–	–	28,756	28,756
Sight deposits	164,488	–	164,488	127,979	–	127,979
Term Deposits	–	1,050,306	1,050,306	–	1,032,182	1,032,182
Loans obtained	–	351,459	351,459	–	1,504,052	1,504,052
CIRS and IRS operations collateralised by deposits (*)	–	16,190	16,190	–	8,200	8,200
Other resources	–	8,459	8,459	–	5,861	5,861
	164,488	1,426,414	1,590,902	127,979	2,579,051	2,707,030
	467,448	10,492,729	10,960,177	346,954	7,834,911	8,181,865

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

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2020	2019
Up to 3 months	1,902,222	1,861,569
3 to 6 months	158,450	3,524,850
6 to 12 months	196,950	1,044,411
1 to 5 years	8,341,537	1,145,164
Over 5 years	361,018	605,871
	10,960,177	8,181,865

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

Considering the characteristics of the financing and the nature of the respective lender, the Bank accounts for the TLTRO III operation under IFRS 9. The Bank 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 Bank 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 Deposit 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.

30. 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	26,099,958	382,188	26,482,146	21,860,155	425,247	22,285,402
Term deposits	—	9,208,859	9,208,859	—	9,529,571	9,529,571
Saving accounts	—	5,278,113	5,278,113	—	4,270,512	4,270,512
Cheques and orders to pay	351,152	—	351,152	346,394	—	346,394
Other	—	60,188	60,188	—	60,186	60,186
	26,451,110	14,929,348	41,380,458	22,206,549	14,285,516	36,492,065

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

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

(Thousands of euros)

	2020	2019
Deposits repayable on demand	26,482,146	22,285,402
Term deposits and saving accounts		
Up to 3 months	7,038,144	6,645,037
3 to 6 months	4,886,825	4,285,470
6 to 12 months	2,525,849	2,762,628
1 to 5 years	35,937	106,705
Over 5 years	217	243
	14,486,972	13,800,083
Cheques and orders to pay		
Up to 3 months	351,152	346,394
Other		
Up to 3 months	188	186
Over 5 years	60,000	60,000
	60,188	60,186
	41,380,458	36,492,065

31. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Debt securities at amortised cost		
Bonds	714,543	392,190
Covered bonds	997,765	995,977
MTNs	91,511	98,814
	1,803,819	1,486,981
Accruals	10,834	9,527
	1,814,653	1,496,508

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

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at amortised cost 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 of 0.75%	1,000,000	997,766
Bcp Mill Cabaz 3 Acoes Fev 2021-Smtn Sr 6	February, 2018	February, 2021	Indexed to a portfolio of 3 shares	10,854	10,849
Tit Div Mill Cabaz 3 Acoes Mar 2021-Smtn Sr 7	March, 2018	March, 2021	Indexed to a portfolio of 3 shares	24,230	24,208
Bcp Part Euro Acoes 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 Acoes Mai 2021-Smtn Sr10	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	31,781	31,733
Bcp Perfor Cabaz Ponder 18/17.05.21-Smtn Sr14	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	790	787
Bcp Obrigacoes Janeiro 2026	January, 2019	January, 2026	Euribor 6M+3,5%	360,000	360,000
Bcp Rend Min Cb Multi Set Iii19 28Mar22 Smtn Sr36	March, 2019	March, 2022	Indexed to a portfolio of 3 shares	3,000	3,000
Bcp Eur Sect. Retorno Garant. Iv 19 May22 Smtn37	May, 2019	May, 2022	Indexed to 3 indexes	3,960	3,960
Bcp Acoes Euro Zona Ret. Min.V19 31Mai22 Smtn39	May, 2019	May, 2022	Indexed to a portfolio of 3 shares	2,480	2,480
Bcp Rend. Min. Eur Setores Vi 19Jun22 Smtn Sr41	June, 2019	June, 2022	Indexed to 3 indexes	3,150	3,150
Bcp Eur Cabaz Acoes Ret.Min.Vii 19Ago22 Smtn Sr43	July, 2019	August, 2022	Indexed to a portfolio of 3 shares	2,220	2,204
Bcp Cabaz Acoes America Ret Min 10Out22 Smtn 45	October, 2019	October, 2022	Indexed to a portfolio of 3 shares	1,610	1,610
Bcp Cabaz Acoes Europa Retorno Min.Xii19 Smtn 46	December, 2019	December, 2022	Indexed to a portfolio of 3 shares	6,210	6,210
Obrigacoes Bcp Senior Fev 2027	February, 2020	February, 2027	Euribor 6M + 1,5%	350,000	350,000
					1,803,819
Accruals					10,834
					1,814,653

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
Debt securities at amortised cost						
Bonds	—	2,543	—	2,000	710,000	714,543
Covered bonds	—	—	—	997,765	—	997,765
MTNs	36,377	32,520	—	22,614	—	91,511
	36,377	35,063	—	1,022,379	710,000	1,803,819

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

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	—	—	27,641	4,549	360,000	392,190
Covered bonds	—	—	—	995,977	—	995,977
MTNs	—	—	6,318	92,496	—	98,814
	—	—	33,959	1,093,022	360,000	1,486,981

32. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Bonds		
Non Perpetual	961,804	1,094,087
Perpetual	—	22,035
	961,804	1,116,122
Accruals	15,078	8,931
	976,882	1,125,053

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						
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3,75%	114,000	114,000	5,573
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3,75%	64,100	64,100	3,241
BCP Ob Sub 3S abr 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 ref. (i)	300,000	299,016	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See ref. (ii)	450,000	449,688	450,000
					961,804	760,972
Accruals					15,078	—
					976,882	760,972

(*) 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 per cent during the first 5.5 years (corresponding to a spread of 4.231 per cent over the 5.5 year mid-swap rate, for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

As at 31 December 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 (*)
Obrigações não perpétuas						
BCP Ob Sub mar 2021-EMTN 804	March, 2011	March, 2021	Euribor 3M+3,75%	114,000	114,000	28,373
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3,75%	64,100	64,100	16,061
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M+3,75%	35,000	35,000	9,158
MBCP Subord jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate 7,15%	14,000	14,042	101
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 7,01%	23,000	23,210	741
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9%	51,000	51,611	2,635
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9,15%	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	Fixed rate 9% (ii)	300,000	298,742	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	Ver ref. (iii)	450,000	441,389	450,000
					1,094,087	811,140
Perpetual Bonds						
TOPS BPSM 1997	December, 1997	See ref. (i)	Euribor 6M+0.9%	22,035	22,035	–
					22,035	–
Accruals					8,931	–
					1,125,053	811,140

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

References:

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

(i) June 2020

Interest rate

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

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	–	26,668
1 to 5 years	–	213,100
Over 5 years	748,704	740,131
Undetermined	–	22,035
	961,804	1,116,122
Accruals	15,078	8,931
	976,882	1,125,053

33. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of euros)

	2020	2019
Trading derivatives (note 22):		
Swaps	241,244	267,213
Options	40	672
Embedded derivatives	137	347
Forwards	2,513	934
	243,934	269,166
Level 2	241,171	269,166
Level 3	2,763	–

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

As at 31 December 2020, the balance Financial liabilities held for trading includes, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 B.5, in the amount of Euros 137,000 (31 December 2019: Euros 346,000). This note should be analysed together with note 22.

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

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Deposits from customers	258,528	1,720,135
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	3,201,310

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
Bcp Euro Dividendos Cupao Memoria Iii18-Smtn Sr.9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	1,933
Bcp Rend Multi Set Eur Autocallable Abr21-Smtn11	April, 2018	April, 2021	Indexed to 3 shares portfolio	1,230	1,225
Mill Cabaz 3 Acoes Junho 2023 - Smtn Sr 13	June, 2018	June, 2023	Indexed to 3 shares portfolio	85,847	85,529
Bcp Rend Cabaz Sect Autocall 28Jun2021-Smtn Sr15	June, 2018	June, 2021	Indexed to 3 shares portfolio	1,580	1,566
Bcp Inv. Eur Acoes Cupao Lock 28Jun21-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50	2,130	2,088
Bcp Tit Div Mill Cabaz 3 Acoes 25Jul2023-Smtn Sr 17	July, 2018	July, 2023	Indexed to 3 shares portfolio	15,066	15,315
Bcp Ret Sect Europa Autcall Vii18 26Jul21-Smtn Sr18	July, 2018	July, 2021	Indexed to 3 indexes	1,270	1,262
Bcp Tit Div Mill Cabaz 3Acoes 10 Set 23- Smtn Sr 20	September, 2018	September, 2023	Indexed to 3 shares portfolio	29,390	29,288
Bcp Rend Sectores Ix 18/27092021 - Smtn 22	September, 2018	September, 2021	Indexed to 3 indexes	1,070	1,066
Cabaz Multi Sect Eur.Autocall Xi18 29Oct21-Smtn23	October, 2018	October, 2021	Indexed to 3 shares portfolio	3,910	3,913
Rembolsos Parciais Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indexed to EuroStoxx Telecoms	312	297
Bcp Perfor. Euro Dividendos 29Nov2021 Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,252
Bcp Tit Divida Mill Cabaz 3 Acoes 3Dez2023 Smtn25	December, 2018	December, 2023	Indexed to 3 shares portfolio	95,875	95,914
Bcp Rend Acoes Eur Cupao Min Autoc Ii19 Smtn Sr32	February, 2019	February, 2022	Indexed to 3 shares portfolio	8,140	8,198
Bcp Cabaz 3 Acoes Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to 3 shares portfolio	75,288	75,648
Bcp Acoes Eur Rend Min Aut Iii19 12Mar22 Smtn34	March, 2019	March, 2022	Indexed to 3 shares portfolio	5,650	5,711
Bcp Tit Div Mill Cabaz 3 Acoes 8Abr24 Smtn Sr35	April, 2019	April, 2024	Indexed to 3 shares portfolio	68,593	68,688
Bcp Tit Div Mill Cabaz 4 Acoes 5Junho24 Smtn Sr38	June, 2019	June, 2024	Indexed to 4 shares portfolio	85,165	85,656
Bcp Tit Div Mill Cabaz 5 Ac 26Julho2024 Smtn42	July, 2019	July, 2024	Indexed to 5 shares portfolio	78,914	79,046
Bcp Tit Div Millennium Cabaz 5 Ac 6Dez24 Smtn 44	December, 2019	December, 2024	Indexed to 5 shares portfolio	97,836	98,421
					662,016
Accruals					1
					662,017

As at 31 December 2020, the analysis of this balance, by remaining period, 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	318,904	433,281	734,858	233,092	—	1,720,135
Debt securities at fair value through profit and loss						
Bonds	262	—	—	—	—	262
Medium Term Notes (MTNs)	—	31,797	3,776	699,149	—	734,722
	262	31,797	3,776	699,149	—	734,984
Certificates	—	—	—	—	745,390	745,390
	319,166	465,078	738,634	932,241	745,390	3,200,509

35. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Provision for guarantees and other commitments	89,678	102,068
Other provisions for liabilities and charges	180,757	158,378
	270,435	260,446

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

(Thousands of euros)

	2020	2019
Balance on 1 January	102,068	163,363
Transfer resulting from the merger of BII on BCP	—	10,165
Other transfers (note 19)	(14,885)	(67,083)
Charge for the year (note 13)	2,498	5
Reversals for the year (note 13)	—	(4,382)
Exchange rate differences	(3)	—
Balance at the end of the year	89,678	102,068

As at 31 December 2020, the balance Other 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.

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

(Thousands of euros)

	2020	2019
Balance on 1 January	158,378	150,505
Transfer resulting from the merger of BII on BCP	—	7,230
Transfers	41	188
Charge for the year (note 13)	35,178	3,395
Reversals for the year (note 13)	(182)	(12)
Amounts charged-off	(12,658)	(2,928)
Balance at the end of the year	180,757	158,378

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 61,720,000 (31 December 2019: Euros 68,224,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

36. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Creditors:		
Suppliers	28,628	42,978
From factoring operations	40,045	35,948
Deposit account applications and others applications	36,820	58,468
For futures and options transactions	6,852	11,039
Obligations not covered by the Group Pension Fund - amounts payable by the Bank	10,205	11,634
Rents to pay	157,806	175,598
Other creditors		
Residents	45,815	40,250
Non-residents	6,372	3,136
Public sector	28,371	33,218
Interests and other amounts payable	38,801	35,640
Deferred income	6,436	7,153
Holiday pay and subsidies	42,629	44,026
Amounts payable on trading activity	50,821	81,464
Operations to be settled - foreign, transfers and deposits	19,931	230,189
Other liabilities	94,745	94,256
	614,277	904,997

The balance Obligations not covered by the Group Pension Fund - amounts payable by the Bank includes the amount of Euros 4,072,000 (31 December 2019: Euros 5,448,000) 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 45.

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

The Bank has several operating leases for properties, and accounts for, in the balance Rents to pay, the amount of lease liabilities recognised under IFRS 16, according to the accounting policy 1 H and note 52. The analyse of this balance, by maturity, is as follows:

(Thousands of euros)

	2020	2019
Until 1 year	833	9,389
1 to 5 years	69,043	61,467
Over 5 years	97,389	116,316
	167,265	187,172
Accrued costs recognised in Net interest income	(9,459)	(11,574)
	157,806	175,598

37. Share capital 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 without nominal value, fully subscribed and paid up.

Pursuant the resolutions of the General Meeting of the Bank of 5 November 2018, the share capital of the Bank was reduced from Euros 5,600,738,053.72 to Euros 4,725,000,000 maintaining the number of shares. The reduction in share capital of Euros 875,738,053.72 was made by incorporation of reserves including actuarial differences.

As at 31 December 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 (31 December 2019: 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.

In December 2019, the Bank reimbursed 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each, in the amount of Euros 2,922,000.

Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as Additional Tier 1 core capital instrument, in the amount of Euros 400,000,000. This issue was classified as a equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1D.

The operation, in the amount of Euros 400 million and with no fixed term, has the option of early repayment by the Bank as of the end of the 5th year, and an interest rate of 9.25% per annum during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

As at 31 December 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
Grupo Fosun - Chiado (Luxembourg) S.a.r.l. detida pela Fosun International Holdings Ltd	4,523,384,503	29.93%	29.93%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, diretamente	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	423,574,988	2.80%	2.80%
Fundo de Pensões EDP (**)	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.

38. 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).

Under the appropriation of net income for the 2018 financial year, in 2019 the Bank distributed the Statutory reserves in the amount of Euros 30,000,000.

39. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 21)		
Debt instruments (*)	214,448	104,353
Equity instruments	(55,809)	(43,616)
Cash-flow hedge	270,367	156,629
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	593	132
	429,599	217,498
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(67,100)	(32,037)
Equity instruments	11,673	6,422
Cash-flow hedge	(84,625)	(49,025)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(186)	(41)
	(140,238)	(74,681)
	289,361	142,817
Other reserves and retained earnings	245,857	228,321
	535,218	371,138
Legal reserve (note 38)	254,464	240,535
	789,682	611,673

(*) 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 B.

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 31 December 2019	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 (note 21)						
Debt instruments						
Portuguese public debt securities	39,840	29,644	76,241	1,826	(56,940)	90,611
Others	64,513	77,601	(12,406)	8,536	(14,407)	123,837
	104,353	107,245	63,835	10,362	(71,347)	214,448
Equity instruments	(43,616)	(17,534)	—	—	5,341	(55,809)
	60,737	89,711	63,835	10,362	(66,006)	158,639

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 31 December 2018	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2019
Financial assets at fair value through other comprehensive income (note 21)						
Debt instruments						
Portuguese public debt securities	(45,633)	99,875	58,559	(2,718)	(70,243)	39,840
Others	25,662	79,118	(16,470)	538	(24,335)	64,513
	(19,971)	178,993	42,089	(2,180)	(94,578)	104,353
Equity instruments	(34,107)	(19,387)	—	—	9,878	(43,616)
	(54,078)	159,606	42,089	(2,180)	(84,700)	60,737

40. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2020	2019
Guarantees granted		
Guarantees	3,281,193	3,509,180
Stand-by letter of credit	46,084	44,982
Open documentary credits	208,913	203,623
Bails and indemnities	137,135	137,695
Other liabilities	108,850	108,850
	3,782,175	4,004,330
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	150,000	–
Irrevocable credit lines	2,080,170	1,497,679
Securities subscription	75,362	83,842
Other irrevocable commitments	116,088	114,165
Revocable commitments		
Revocable credit lines	5,455,500	5,025,527
Bank overdraft facilities	959,392	551,556
Other revocable commitments	112,363	88,337
	8,948,875	7,361,106
Guarantees received	23,886,504	22,712,077
Commitments from third parties	12,649,232	10,254,809
Securities and other items held for safekeeping	66,845,519	55,706,145
Securities and other items held under custody by the Securities Depository Authority	81,733,478	65,410,519
Other off balance sheet accounts	123,848,449	124,162,888

The guarantees granted by the Bank may be related to loans transactions, where the Bank grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 35).

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

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

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

41. Assets under management and custody

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

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

(Thousands of euros)

	2020	2019
Assets under deposit	62,891,829	51,826,908
Wealth management (*)	2,901,172	2,610,678
	65,793,001	54,437,586

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

42. Transfers of assets

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

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

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

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

The value of the junior securities is equivalent to the difference between the fair value 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 Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

As at 31 December 2020, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2020			
	Senior securities	Junior securities		
	Participation units (note 21)	Capital supplies (note 28)	Capital supplementary contributions (note 28) (*)	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 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 Bank 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 Bank 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, on this date, the Bank had recognised in the first semester of 2020, a negative impact of Euro 67,500,000 on this balance.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Bank still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

As at 31 December 2019, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2019			
	Senior securities	Junior securities		
	Participation units (note 21)	Capital supplies (note 28)	Capital supplementary contributions (note 28) (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	276,247	32,669	–	308,916
Impairment and other fair value adjustments	(51,360)	(32,669)	–	(84,029)
	224,887	–	–	224,887
Fundo Reestruturação Empresarial FCR				
Gross value	88,402	–	33,280	121,682
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 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		
Corporate restructuring funds	**Subscribed capital**	**Capital realized**	**Subscribed and unpaid capital**	**Subscribed capital**	**Capital realized**	**Subscribed and unpaid capital**
Fundo Recuperação Turismo FCR	292,000	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

43. 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 the COVID-19 pandemic is presented in note 54.

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.

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:			Fully implemented	of which:		
BCP Solo	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***		**Pilar 1**	**Pilar 2**	***Buffers***
CET1	7.00%	4.50%	0%	2.50%	7.00%	4.50%	0%	2.50%
T1	8.50%	6.00%	0%	2.50%	8.50%	6.00%	0%	2.50%
Total	10.50%	8.00%	0%	2.50%	10.50%	8.00%	0%	2.50%

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 fulfilment of the future O-SII reserve requirement of 1.00%, as communicated by Banco de Portugal on its website on 8 May 2020.

44. Fair value

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

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

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at central banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -0.5% 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	0.84%	2.54%	1.81%	2.23%	-0.18%	0.25%	-0.17%	-0.07%
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.	n.a.	n.a.	n.a.	n.a.	-0.37%	-0.35%
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	0.45%	n.a.	3.19%	3.88%	n.a.	n.a.	0.28%	1.01%
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%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.79%	2.08%
PLN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.42%	1.84%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.29%	0.44%
USD	0.62%	2.10%	1.26%	2.83%	0.58%	1.91%	0.51%	2.05%
ZAR	n.a.	7.25%	n.a.	n.a.	n.a.	n.a.	6.28%	7.16%

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 instruments

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

Hedging and trading derivatives

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

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

Debt securities non subordinated issued and Subordinated debt

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

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

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

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

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of subordinated issues placed in the institutional market was 5.68% (31 December, 2019: 5.23%). Regarding the subordinated issues placed on the retail market it was determined a discount rate of 1.90% (31 December, 2019: 3.88%). For senior and collateralised securities placed on the retail market, the average discount rate was -0.10% (31 December 2019: 0.10%).

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 287,000 (31 December 2019: a positive amount of Euros 22,994,000), and includes a payable amount of Euros 137,000 (31 December 2019: a receivable amount of Euros 610,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2020 and 2019, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Bank:

	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 Bank, as at 31 December 2020:

(Thousands of euros)

	2020				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	4,650,772	4,650,772	4,650,772
Loans and advances to credit institutions repayable on demand	–	–	101,809	101,809	101,809
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	350,896	350,896	350,415
Loans and advances to customers (i)	–	–	35,029,071	35,029,071	35,081,003
Debt instruments	–	–	5,577,875	5,577,875	5,665,739
Financial assets at fair value through profit or loss					
Financial assets held for trading	945,317	–	–	945,317	945,317
Financial assets not held for trading mandatorily at fair value through profit or loss	1,277,826	–	–	1,277,826	1,277,826
Financial assets at fair value through other comprehensive income	–	8,085,669	–	8,085,669	8,085,669
Hedging derivatives (ii)	74,704	–	–	74,704	74,704
	2,297,847	8,085,669	45,710,423	56,093,939	56,233,254
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	10,960,177	10,960,177	11,042,050
Resources from customers (i)	–	–	41,380,458	41,380,458	41,385,408
Non subordinated debt securities issued (i)	–	–	1,814,653	1,814,653	1,814,940
Subordinated debt (i)	–	–	976,882	976,882	972,121
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	243,934	–	–	243,934	243,934
Financial liabilities designated at fair value through profit or loss	1,599,405	–	–	1,599,405	1,599,405
Hedging derivatives (ii)	121,559	–	–	121,559	121,559
	1,964,898	–	55,132,170	57,097,068	57,179,417

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

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

(Thousands of euros)

	2019				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	—	—	4,049,676	4,049,676	4,049,676
Loans and advances to credit institutions repayable on demand	—	—	126,050	126,050	126,050
Financial assets at amortised cost					
Loans and advances to credit institutions	—	—	514,309	514,309	513,367
Loans and advances to customers (i)	—	—	32,386,351	32,386,351	32,459,652
Debt instruments	—	—	2,448,401	2,448,401	2,462,053
Financial assets at fair value through profit or loss					
Financial assets held for trading	642,358	—	—	642,358	642,358
Financial assets not held for trading mandatorily at fair value through profit or loss	1,444,772	—	—	1,444,772	1,444,772
Financial assets designated at fair value through profit or loss	31,496	—	—	31,496	31,496
Financial assets at fair value through other comprehensive income	—	8,078,870	—	8,078,870	8,078,870
Hedging derivatives (ii)	34,990	—	—	34,990	34,990
	2,153,616	8,078,870	39,524,787	49,757,273	49,843,284
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	—	—	8,181,865	8,181,865	8,216,520
Resources from customers (i)	—	—	36,492,065	36,492,065	36,501,585
Non subordinated debt securities issued (i)	—	—	1,496,508	1,496,508	1,519,502
Subordinated debt (i)	—	—	1,125,053	1,125,053	1,196,452
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	269,166	—	—	269,166	269,166
Financial liabilities designated at fair value through profit or loss	3,201,310	—	—	3,201,310	3,201,310
Hedging derivatives (ii)	121,474	—	—	121,474	121,474
	3,591,950	—	47,295,491	50,887,441	51,026,009

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

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

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

Level 1 - With quotation in active market

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

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

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

Level 2 - Valuation methods and techniques based on market data

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

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

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

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

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

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

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

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

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2020:

(Thousands of euros)

	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	4,650,772	–	–	4,650,772
Loans and advances to credit institutions repayable on demand	101,809	–	–	101,809
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	350,415	350,415
Loans and advances to customers	–	–	35,081,003	35,081,003
Debt instruments	3,796,492	229,830	1,639,417	5,665,739
Financial assets at fair value through profit or loss				
Financial assets held for trading	421,754	238,513	285,050	945,317
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	1,277,826	1,277,826
Financial assets at fair value through other comprehensive income	7,717,765	169,116	198,788	8,085,669
Hedging derivatives	–	74,704	–	74,704
	16,688,592	712,163	38,832,499	56,233,254
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	11,042,050	11,042,050
Resources from customers	–	–	41,385,408	41,385,408
Non subordinated debt securities issued	–	–	1,814,940	1,814,940
Subordinated debt	–	–	972,121	972,121
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	–	241,171	2,763	243,934
Financial liabilities designated at fair value through profit or loss	678,860	–	920,545	1,599,405
Hedging derivatives	–	121,559	–	121,559
	678,860	362,730	56,137,827	57,179,417

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

(Thousands of euros)

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

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 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 on 1 January	291,722	1,444,772	208,126	–
Gains / (losses) recognised in:				
Results on financial operations	(452)	(101,402)	–	–
Net interest income	22	–	1,234	–
Transfers between levels	151	–	7,003	2,763
Increase / (reduction) share capital	–	(1,500)	–	–
Purchases	(6,393)	(64,044)	(4,682)	–
Gains / (losses) recognised in reserves	–	–	(12,829)	–
Accruals of interest	–	–	(64)	–
Balance as at 31 December	285,050	1,277,826	198,788	2,763

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

(Thousands of euros)

	2019			
	Financial assets			
	held for trading	not held for trading mandatorily at fair value through profit or loss	at fair value through other comprehensive income	Financial liabilities held for trading
Balance on 1 January	293,968	1,589,899	153,968	18
Gains / (losses) recognised in:				
Results on financial operations	519	(43,002)	–	–
Net interest income	16	–	586	–
Transfers between levels	(3,378)	–	83,815	(14)
Purchases	597	(102,125)	(26,676)	(4)
Gains / (losses) recognised in reserves	–	–	(3,743)	–
Accruals of interest	–	–	176	–
Balance as at 31 December	291,722	1,444,772	208,126	–

45. Post-employment benefits and other long-term benefits

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

As at 31 December 2020 and 2019, the number of participants of Bank in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2020	2019
Pensioners	17,003	16,953
Former attendees acquired rights	3,161	3,139
Employees	6,923	7,129
	27,087	27,221

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

(Thousands of euros)

	2020	2019
Actual amount of the past services		
Pensioners	2,430,504	2,309,366
Former attendees acquired rights	242,245	220,064
Employees	955,677	935,161
	3,628,426	3,464,591
Pension Fund Value	(3,720,543)	(3,474,754)
Net (assets) in balance sheet (note 28)	(92,117)	(10,163)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,645,840	3,558,797

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which in the scope of the fund is called an Additional Complement, which in December 2020 amounted to Euros 285,421,000 (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 53,464,000 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 received in the meantime regarding the 2020 update of the Salary Tables and other clauses of pecuniary expression of the Collective Labor 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 process developed in 2020 with several unions subscribing to the Collective Labor Agreements in force for the Banco Comercial Português Group, 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 Labor 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	3,464,591	3,040,405
Service cost	(14,948)	(15,068)
Interest cost / (income)	49,475	57,344
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	30,980	99,611
Arising from changes in actuarial assumptions	195,438	362,836
Payments	(115,825)	(111,275)
Early retirement programmes and terminations by mutual agreement	11,708	18,537
Contributions of employees	7,714	7,926
Transfer from / (to) other plans (a)	(707)	4,275
Balance at the end of the year	3,628,426	3,464,591

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

As at 31 December 2020, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 115,825,000 (31 December 2019: Euros 111,275,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 333,102,000 as at 31 December 2020 (31 December 2019: Euros 325,405,000).

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 the 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	3,474,754	3,050,346
Actuarial gains / (losses)	139,375	180,687
Contributions to the Fund	171,594	289,250
Payments	(115,825)	(111,275)
Expected return on plan assets	43,212	52,829
Employees' contributions	7,714	7,926
Transfer from / (to) other plans (a)	(707)	4,307
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	426	684
Balance at the end of the year	3,720,543	3,474,754

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

The elements that make up the share value of the Bank in the assets of the Pension Fund are 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	417,205	104,254	521,459	301,171	111,067	412,238
Bonds and other fixed income securities	1,919,334	4,571	1,923,905	1,732,315	4,372	1,736,687
Participations units in investment funds	–	395,548	395,548	–	546,624	546,624
Participation units in real estate funds	–	259,480	259,480	–	264,236	264,236
Properties	–	237,924	237,924	–	243,561	243,561
Loans and advances to credit institutions and others	–	382,227	382,227	–	271,408	271,408
	2,336,539	1,384,004	3,720,543	2,033,486	1,441,268	3,474,754

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 102,812,000 (31 December 2019: Euros 109,635,000). 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 237,924,000 (31 December 2019: Euros 243,561,000).

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	409,930	26,336
Bonds and other fixed income securities	12,132	12,186
	422,062	38,522

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

(Thousands of euros)

	2020	2019
Balance as at 1 January	(10,163)	(9,941)
Recognised in the income statement:		
Service cost	(14,948)	(15,068)
Interest cost / (income) net of the balance liabilities coverage	6,263	4,515
Cost with early retirement programs	11,708	18,537
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(684)
	2,597	7,300
Recognised in the Statement of Comprehensive Income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(139,375)	(180,687)
Difference between expected and effective obligations	30,980	99,611
Arising from changes in actuarial assumptions	195,438	362,836
	87,043	281,760
Contributions to the fund	(171,594)	(289,250)
Transfer from / (to) other plans	—	(32)
Balance at the end of the year	(92,117)	(10,163)

The estimated contributions to be made in 2021, by the employees, for the Defined Benefit Plan amount to Euros 7,379,000.

In accordance with IAS 19, during 2020 and 2019, the Group accounted cost/(income) with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2020	2019
Current service cost	(14,948)	(15,068)
Net interest cost in the liability coverage balance	6,263	4,515
Cost with early retirement programs	11,708	18,537
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(684)
(Income) / Cost of the year	2,597	7,300

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

Board of directors plan

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

In accordance with the policy associated with the retirement regulations of former Board of Directors, the Bank registered the responsibility of supporting the cost with: (i) the retirement pensions of former Group's Executive Board Members; and (ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations. The Bank recognised 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 Bank considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2020	2019
Salary growth rate	0.75%	0.75%
Pensions growth rate	0.50%	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	1.00%	1.00%

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
Difference between expected and actual liabilities		30,980		99,610
Changes on the assumptions:				
Discount rate		195,437		362,837
Difference between expected income and income from funds	5.77%	(139,374)	8.13%	(180,687)
		87,043		281,760

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	150,862	(141,956)	144,668	(136,109)
Pensions increase rate	(157,490)	166,119	(153,884)	163,333
Increase in future compensation levels	(39,926)	43,280	(35,487)	44,492

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2020		2019	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table (*)	137,659	(136,650)	124,900	(124,408)

(*) The impact of the 1 year reduction in the mortality table implies an increase in the average life expectancy.

Defined contribution plan

According to what is described in accounting policy 1 S3), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during the year of 2020 and 2019, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. As at 31 December 2020, the Bank accounted as staff costs the amount of Euros 218,000 (31 December 2019: Euros 170,000) related to this contribution.

46. Related parties

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 55 - List of subsidiary and associated companies of Banco Comercial Português S.A., the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

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

A) Transactions with qualified shareholders

The balances reflected in assets of individual 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	65,971	99,564
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
Other Assets	53	53
	343,479	372,663
Liabilities		
Resources from customers	303,263	119,530
	303,263	119,530

Loans and advances to customers are net of impairment in the amount of Euros 363,000 (31 December 2019: Euros 210,000).

During the 2020 and 2019, the transactions with qualified shareholders, reflected in the individual income statement items, are as follows:

(Thousands of euros)

	2020	2019
Income		
Interest and similar income	11,903	12,547
Commissions income	8,812	5,447
	20,715	17,994
Costs		
Interest and similar expenses	2	8
Commissions expenses	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	57,977	67,500
Irrevocable credit lines	151,000	150,000
	253,150	317,292

B) 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 individual 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	258	277	1,575	419
Controlled entities	–	–	31	30
Key management members				
Key management members	6,910	6,047	8,856	8,744
Closely related people	823	916	4,306	3,272
Controlled entities	8	12	2,298	1,801
	8,080	7,361	23,543	22,789

(*) The balance Loans and advances to customers corresponds to the mortgage credit granted previously to the respective election and to the amount used from private credit cards that is of mandatory liquidation on the maturity date.

In accordance with Article 85, no. 9, of RGICSF, in the year of 2020 no credits were attributed.

During the 2020 and 2019, the balances with related parties discriminated in the following table, included in income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	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 the 2020 and 2019, the balances with related parties discriminated in the following table, included in cost items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	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

Revocable and irrevocable credit lines granted by the Bank 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 (*)	161	157
Closely related people	24	27
Key management members		
Key management members	665	616
Closely related people	189	154
Controlled entities	22	20
	1,108	1,013

(*) 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 remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2020	2019	2020	2019	2020	2019
Fixed remunerations	2,947	2,961	1,876	1,804	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
	4,424	4,765	2,469	2,318	8,972	9,223
Beneficiary Number	6	6	11	11	47	46

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 1 S4) and 1 S5).

In the current financial year of 2020, the variable remuneration attributed to the Executive Committee regarding the financial year of 2019 amounted 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 regarding the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	Key management members				
	Retail	Corporate	Private Banking	Others	Total
Fixed remunerations	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
Beneficiary Number	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 severance pay was paid to key management elements.

In 2019, the remunerations and social security charges supported regarding the Bank's key management members are, by segment, as follows:

(Thousands of euros)

	Key management members				
	Retail	Corporate	Private Banking	Others	Total
Fixed remunerations	855	1,656	451	3,713	6,675
Variable remuneration	148	211	55	605	1,019
Post-employment benefits	(41)	21	9	(112)	(123)
Other mandatory social security charges	211	414	109	918	1,652
	1,173	2,302	624	5,124	9,223
Beneficiary Number	6	9	2	29	46

As described in accounting policies 1 S4) and 1 S5), in 2019 in accordance with the remuneration policies for employees considered key management members, approved for 2018, it was assigned to key management members a variable remuneration deferred over a 3-year period in the amount of Euros 542,000.

During 2019, variable remuneration was paid to 46 key management members and it was provided severance pay to three key management members in the amount of Euros 1,077,000, being the highest one in the amount of Euros 657,000.

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:

Shareholders/Bondholders	Security	Number of securities 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 subsidiaries and associated companies, detailed in note 55

As at 31 December 2020, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euros)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost		Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-curent assets held for sale	Other assets	Total
		Loans and advances to credit institutions	Loans and advances to customers	held for trading	not held for trading mandatorily at fair value through profit or loss					
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	-	100	100
Banco Millennium Atlântico, S.A.	134	271	-	31	-	-	-	-	-	436
Banque BCP, S.A.S.	5	50,043	-	-	-	-	-	-	-	50,048
BCP Finance Bank Ltd	-	5	-	-	-	3,298	-	-	-	3,303
Bichorro–Empreendimentos Turísticos e Imobiliários,S.A.	-	-	3,925	-	-	-	-	-	-	3,925
BIM - Banco Internacional de Moçambique, S.A.R.L.	188	-	-	-	-	-	-	-	1,895	2,083
Cold River's Homestead, S.A.	-	-	-	-	-	-	1,793	-	-	1,793
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Exposado - Comércio e Ind. de Produtos do Mar, S.A.	-	-	658	-	-	-	-	-	-	658
Fiparso- Sociedade Imobiliária Lda.	-	-	65	-	-	-	-	-	5	70
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	2	2
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	-	16	16
Fundo Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	-	9	9
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	-	-	3	3
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	-	-	3	3
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	1	1
Group Bank Millennium (Poland)	5,096	-	-	72	-	-	-	-	-	5,168
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	-	30	30
Magellan Mortgages No. 3 PLC	-	-	-	4,385	11,536	61,454	-	-	-	77,375
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	59,073	53,521	-	-	257,250	-	12,830	382,674
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	18,000	-	2,894	20,894
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	18,595	-	-	18,595
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	-	-	-	-	166,287	-	-	166,287
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	-	-	-	-	-	-	-	2	2
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	1	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	9,824	-	-	-	-	-	5	9,829
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	43,782	2	43,784
Sciense4You S.A.	-	-	3,745	-	-	-	-	-	-	3,745
UNICRE - Instituição Financeira de Crédito, S.A.	-	31,691	33	-	-	-	-	-	-	31,724
Webspectator Corporation	-	-	-	-	-	-	-	15,743	-	15,743
	5,423	82,010	77,323	58,009	11,536	64,752	461,925	59,525	17,801	838,304

(*) Regarding supplies

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

(Thousands of euros)

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

(*) Regarding supplies

As at 31 December 2020, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	held for trading	at fair value through profit or loss	Other liabilities	Total
Banco ActivoBank, S.A.	1,355,861	—	716,400	—	—	—	19,796	2,092,057
Banco Millennium Atlântico, S.A.	80,649	—	—	—	—	—	—	80,649
Banque BCP, S.A.S.	1,662	—	—	—	—	—	—	1,662
Banque Privée BCP (Suisse) S.A.	18,146	—	—	—	—	—	—	18,146
BCP África, S.G.P.S., Lda.	—	169,328	—	—	—	—	—	169,328
BCP Capital - Sociedade de Capital de Risco, S.A.	—	3,583	—	—	—	—	—	3,583
BCP Finance Bank Ltd	611,910	—	—	—	—	—	—	611,910
BCP Finance Company, Ltd	—	117,437	—	—	—	—	—	117,437
BCP International, B.V.	—	94,777	—	—	—	—	—	94,777
BCP Investment, B.V.	—	29,046	—	—	—	—	—	29,046
BIM - Banco Internacional de Moçambique, S.A.R.L.	15,048	—	—	—	—	—	9	15,057
Cold River's Homestead, S.A.	—	1,489	—	—	—	—	—	1,489
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	—	247	—	—	—	—	—	247
DP Invest - Fundo Especial de Invest. Imobiliário Fechado	—	595	—	—	—	—	—	595
Finalgarve- Sociedade Promoção Imobiliária Turística, S.A.	—	230	—	—	—	—	—	230
Fundial - Fundo Especial de Invest. Imobiliário Fechado	—	2,310	—	—	—	—	—	2,310
Fundipar - Fundo Especial de Invest. Imobiliário Fechado	—	637	—	—	—	—	—	637
Fundo de Investimento Imobiliário Fechado Gestimo	—	1,028	—	—	—	—	—	1,028
Fundo de Investimento Imobiliário Imorenda	—	2,541	—	—	—	—	—	2,541
Fundo de Investimento Imobiliário Imosotto Acumulação	—	3,797	—	—	—	—	—	3,797
Fundo Especial de Invest. Imobiliário Fechado Sand Capital	—	652	—	—	—	—	—	652
Fundo Especial de Invest. Imobiliário Fechado Stone Capital	—	1,237	—	—	—	—	—	1,237
Fundo Especial de Investimento Imobiliário Oceânico II	—	1,301	—	—	—	—	—	1,301
Funsita - Fundo Especial de Invest. Imobiliário Fechado	—	457	—	—	—	—	—	457
Grupo Bank Millennium (Poland)	268	—	—	—	—	—	—	268
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	7,375	—	—	—	—	—	7,375
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	407,940	17,855	213,312	43,224	—	8	682,339
Millennium bcp - Prestação de Serviços, A.C.E.	—	4,504	—	—	—	—	720	5,224
Millennium bcp Bank & Trust	319,163	—	—	—	—	—	—	319,163
Millennium bcp Imobiliária, S.A.	—	5,259	—	—	—	—	—	5,259
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	13,430	—	—	—	—	—	13,430
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	114	—	—	—	—	—	114
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	6,623	—	—	—	—	—	6,623
Monumental Residence - Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	194	—	—	—	—	—	194
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	1,744	—	—	—	—	—	1,744
Predicapital - Fundo Especial de Invest. Imobiliário Fechado	—	1,390	—	—	—	—	—	1,390
Sciense4you S.A.	—	448	—	—	—	—	—	448
Setelote-Aldeamentos Turísticos, S.A.	—	127	—	—	—	—	—	127
SIBS, S.G.P.S., S.A.	—	12,976	—	—	—	—	—	12,976
UNICRE - Instituição Financeira de Crédito, S.A.	11,729	—	—	—	—	—	—	11,729
	2,414,436	892,816	734,255	213,312	43,224	—	20,533	4,318,576

As at 31 December 2020, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 17,568,000.

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

(Thousands of euros)

	Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss			
	Resources from credit Institutions	Resources from customers	Non subordinated debt securities issued	Subordinated debt	held for trading	at fair value through profit or loss	Other liabilities	Total
Banco ActivoBank, S.A.	1,221,849	—	365,021	—	—	—	15,784	1,602,654
Banco Millennium Atlântico, S.A.	16,239	—	—	—	30	—	—	16,269
Banque BCP, S.A.S.	104,752	—	—	—	—	—	—	104,752
Banque Privée BCP (Suisse) S.A.	14,077	—	—	—	—	—	—	14,077
BCP África, S.G.P.S., Lda.	—	134,262	—	—	—	—	—	134,262
BCP Capital - Sociedade de Capital de Risco, S.A.	—	3,565	—	—	—	—	—	3,565
BCP Finance Bank Ltd	609,973	—	—	—	—	—	—	609,973
BCP Finance Company, Ltd	—	117,455	—	—	—	—	—	117,455
BCP International, B.V.	—	94,836	—	—	—	—	—	94,836
BCP Investment, B.V.	—	28,941	—	—	—	—	—	28,941
BIM - Banco Internacional de Moçambique, S.A.R.L.	4,392	—	—	—	—	—	—	4,392
Cold River's Homestead, S.A.	—	1,283	—	—	—	—	—	1,283
Exporsado-Comércio e Indústria de Produtos do Mar, S.A.	—	327	—	—	—	—	—	327
DP Invest – Fundo Especial de Invest. Imobiliário Fechado	—	546	—	—	—	—	—	546
Finalgarve- Sociedade Promoção Imobiliária Turística, S.A.	—	104	—	—	—	—	—	104
Fundial – Fundo Especial de Invest. Imobiliário Fechado	—	1,395	—	—	—	—	—	1,395
Fundipar – Fundo Especial de Invest. Imobiliário Fechado	—	627	—	—	—	—	—	627
Fundo de Investimento Imobiliário Fechado Gestimo	—	133	—	—	—	—	—	133
Fundo de Investimento Imobiliário Gestão Imobiliária	—	194	—	—	—	—	—	194
Fundo de Investimento Imobiliário Imorenda	—	697	—	—	—	—	—	697
Fundo de Investimento Imobiliário Imosotto Acumulação	—	1,126	—	—	—	—	—	1,126
Fundo Especial de Investimento Imobiliário Fechado Intercapital	—	272	—	—	—	—	—	272
Fundo Especial de Invest. Imobiliário Fechado Sand Capital	—	1,354	—	—	—	—	—	1,354
Fundo Especial de Invest. Imobiliário Fechado Stone Capital	—	1,372	—	—	—	—	—	1,372
Fundo Especial de Investimento Imobiliário Oceânico II	—	591	—	—	—	—	—	591
Funsita - Fundo Especial de Invest. Imobiliário Fechado	—	285	—	—	—	—	—	285
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	—	599	—	—	—	—	—	599
Grupo Bank Millennium (Poland)	25,119	—	—	—	—	—	—	25,119
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	5,151	—	—	—	—	—	5,151
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	606,902	45,622	355,236	18,417	31,070	7	1,057,254
Millennium bcp - Prestação de Serviços, A.C.E.	—	4,498	—	—	—	—	3,188	7,686
Millennium bcp Bank & Trust	316,957	—	—	—	—	—	—	316,957
Millennium bcp Imobiliária, S.A.	—	1,744	—	—	—	—	—	1,744
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	10,692	—	—	—	—	—	10,692
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	113	—	—	—	—	—	113
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	6,748	—	—	—	—	—	6,748
Monumental Residence - Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	428	—	—	—	—	—	428
MULTI24, Sociedade Especial de Invest. Imobiliário de Capital Fixo, SICAFI, S.A.	—	2,376	—	—	—	—	—	2,376
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	—	1,223	—	—	—	—	—	1,223
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	—	23	—	—	—	—	—	23
Predicapital – Fundo Especial de Invest. Imobiliário Fechado	—	1,790	—	—	—	—	—	1,790
Sciense4you S.A.	—	1,008	—	—	—	—	—	1,008
Setelote-Aldeamentos Turísticos, S.A.	—	139	—	—	—	—	—	139
SIBS, S.G.P.S., S.A.	—	7,468	—	—	—	—	—	7,468
UNICRE - Instituição Financeira de Crédito, S.A.	8	—	—	—	—	—	—	8
	2,313,366	1,040,267	410,643	355,236	18,447	31,070	18,979	4,188,008

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

As at 31 December 2020, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Banco Millennium Atlântico, S.A.	2,521	787	188	–	–	3,496
Banque BCP, S.A.S.	43	–	–	–	4,178	4,221
Banque Privée BCP (Suisse) S.A.	–	1,158	42	–	5,922	7,122
BCP Capital - Sociedade de Capital de Risco, S.A.	–	2	–	–	–	2
BCP Finance Bank Ltd	373	–	–	–	–	373
Bichorro-Empreendimentos Turísticos e Imobiliários S.A.	59	–	–	–	–	59
BIM - Banco Internacional de Moçambique, S.A.R.L.	214	203	9,524	–	–	9,941
Cold River's Homestead, S.A.	–	5	4	–	–	9
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	–	12	–	–	–	12
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	–	6	–	–	–	6
Fiparso- Sociedade Imobiliária Lda.	1	–	–	–	–	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	–	14	–	–	–	14
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	–	18	–	–	–	18
Fundo de Investimento Imobiliário Fechado Gestimo	–	5	–	–	–	5
Fundo de Investimento Imobiliário Imorenda	–	113	3	–	–	116
Fundo de Investimento Imobiliário Imosotto Acumulação	–	106	1	–	–	107
Fundo Especial de Investimento Imobiliário Fechado Intercapital	–	4	–	–	–	4
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	–	33	–	–	–	33
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	–	8	–	–	–	8
Fundo Especial de Investimento Imobiliário Oceânico II	–	79	–	–	–	79
Funsita - Fundo Especial de Investimento Imobiliário Fechado	–	61	–	–	–	61
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	–	3	–	–	–	3
Grupo Bank Millennium (Poland)	1	3	–	20	–	24
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	–	319	34	–	1,102	1,455
Magellan Mortgages No. 3 PLC	3,071	340	–	–	–	3,411
Millennium bcp Bank & Trust	–	2	–	–	–	2
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,696	56,304	237	10,647	–	69,884
Millennium bcp Imobiliária, S.A.	–	1	–	–	–	1
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	–	–	–	–	575	575
Millennium bcp - Prestação de Serviços, A.C.E.	–	139	4,809	–	–	4,948
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	–	–	–	–	11	11
Millennium Fundo de Capitalização - Fundo de Capital de Risco	–	5	–	–	–	5
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	–	12	–	–	–	12
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	100	60	–	–	–	160
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	–	29	–	–	–	29
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	–	–	170	–	–	170
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	–	18	–	–	–	18
Sciense4you S.A.	66	17	1	–	–	84
SIBS, S.G.P.S., S.A.	–	12	–	–	–	12
UNICRE - Instituição Financeira de Crédito, S.A.	517	679	3	–	80	1,279
	9,662	60,557	15,016	10,667	11,868	107,770

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

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Dividends	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	–	5	–	–	–	5
Banco Millennium Atlântico, S.A.	9,648	1,495	155	–	–	11,298
Banque BCP, S.A.S.	–	5	–	–	3,007	3,012
Banque Privée BCP (Suisse) S.A.	–	919	49	–	7,610	8,578
BCP Capital - Sociedade de Capital de Risco, S.A.	–	2	–	–	–	2
BCP Finance Bank Ltd	336	–	–	–	–	336
Bichorro-Empreendimentos Turísticos e Imobiliários S.A.	57	–	–	–	–	57
BIM - Banco Internacional de Moçambique, S.A.R.L.	43	121	11,546	–	–	11,710
Cold River's Homestead, S.A.	–	1	–	–	–	1
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	–	14	–	–	–	14
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	–	6	–	–	–	6
Fiparso- Sociedade Imobiliária Lda.	1	–	–	–	–	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	–	12	–	–	–	12
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	–	23	–	–	–	23
Fundo de Investimento Imobiliário Fechado Gestimo	–	9	–	–	–	9
Fundo de Investimento Imobiliário Gestão Imobiliária	–	1	–	–	–	1
Fundo de Investimento Imobiliário Imorenda	–	119	–	–	–	119
Fundo de Investimento Imobiliário Imosotto Acumulação	–	134	–	–	–	134
Fundo Especial de Investimento Imobiliário Fechado Intercapital	2	6	–	–	–	8
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	–	33	–	–	–	33
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	–	7	–	–	–	7
Fundo Especial de Investimento Imobiliário Oceânico II	–	80	–	–	–	80
Funsita - Fundo Especial de Investimento Imobiliário Fechado	–	61	–	–	–	61
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	–	6	–	–	–	6
Grupo Bank Millennium (Poland)	16	3	–	48	–	67
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	–	317	41	–	3,668	4,026
Magellan Mortgages No. 2 PLC	1,171	94	–	–	–	1,265
Magellan Mortgages No. 3 PLC	3,898	379	–	–	–	4,277
Millennium bcp Bank & Trust	–	–	–	29	–	29
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,828	54,447	244	10,363	–	67,882
Millennium bcp Imobiliária, S.A.	–	1	1	–	–	2
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	–	–	–	–	4,976	4,976
Millennium bcp - Prestação de Serviços, A.C.E.	–	139	4,889	–	–	5,028
Millennium Fundo de Capitalização - Fundo de Capital de Risco	–	5	–	–	–	5
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	–	15	–	–	–	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	100	62	–	–	–	162
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	–	30	–	–	–	30
Mundotêxtil - Indústrias Têxteis, S.A.	111	28	–	–	–	139
Planfipsa S.G.P.S., S.A. (Group)	348	9	2	–	–	359
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	–	–	332	–	–	332
Predicapital - Fundo Especial de Investimento Imobiliário Fechado	–	18	–	–	–	18
Sciense4you S.A.	70	8	10	–	–	88
SIBS, S.G.P.S., S.A.	1	21	–	–	–	22
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	–	1	–	–	286	287
UNICRE - Instituição Financeira de Crédito, S.A.	602	1,062	3	–	130	1,797
	19,232	59,698	17,272	10,440	19,677	126,319

As at 31 December 2020, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	16,021	7,018	(42)	—	—	22,997
Banco Millennium Atlântico, S.A.	13	3	—	—	—	16
Banque BCP, S.A.S.	64	—	—	—	—	64
BCP Finance Bank Ltd	14,461	—	—	—	—	14,461
BIM - Banco Internacional de Moçambique, S.A.R.L.	123	12	—	—	—	135
Fundo de Investimento Imobiliário Imorenda	—	—	3	—	—	3
Group Bank Millennium (Poland)	(50)	23	—	—	—	(27)
Millennium bcp Bank & Trust	3,083	—	—	—	—	3,083
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	19,794	3	6	112	10,563	30,478
Millennium bcp - Prestação de Serviços, A.C.E.	—	—	—	4,216	—	4,216
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	15	—	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	10	—	10
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	—	—	—	293	—	293
Sciense4you S.A.	—	1	—	—	—	1
UNICRE - Instituição Financeira de Crédito, S.A.	—	10	180	3	—	193
	53,509	7,070	147	4,649	10,563	75,938

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

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	11,995	8,523	(34)	—	—	20,484
Banco Millennium Atlântico, S.A.	302	4	—	—	—	306
Banque BCP, S.A.S.	892	—	—	—	—	892
BCP Capital - Sociedade de Capital de Risco, S.A.	39	—	—	—	—	39
BCP Finance Bank Ltd	13,197	—	—	—	—	13,197
BIM - Banco Internacional de Moçambique, S.A.R.L.	732	10	—	—	—	742
Fundo de Investimento Imobiliário Imosotto Acumulação	—	—	—	11	—	11
Group Bank Millennium (Poland)	(11)	49	—	—	2	40
Imábida - Imobiliária da Arrábida, S.A.	—	—	—	28	—	28
Millennium bcp Bank & Trust	3,215	—	—	—	23	3,238
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	40,569	3	—	313	13,411	54,296
Millennium bcp - Prestação de Serviços, A.C.E.	—	—	—	3,377	—	3,377
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	15	—	15
Millennium Fundo de Capitalização - Fundo de Capital de Risco	1	—	—	—	—	1
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	9	—	9
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	—	—	—	928	—	928
SIBS, S.G.P.S., S.A.	1	—	—	—	—	1
Sciense4you S.A.	—	1	—	—	—	1
UNICRE - Instituição Financeira de Crédito, S.A.	—	10	1,136	1	—	1,147
	70,932	8,600	1,102	4,682	13,436	98,752

As at 31 December 2020, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco ActivoBank, S.A.	—	—	150,000	—	150,000
Banco Millennium Atlântico, S.A.	7,615	—	600	—	8,215
Banque Privée BCP (Suisse) S.A.	—	200,000	—	9,963	209,963
BCP Finance Bank Ltd	108,850	—	—	—	108,850
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	—	72	—	—	72
BIM - Banco Internacional de Moçambique, S.A.R.L.	497	—	—	—	497
Cold River's Homestead, S.A.	271	1,793	—	—	2,064
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	40	6	—	—	46
Fiparso- Sociedade Imobiliária Lda.	—	15	—	—	15
Group Bank Millennium (Poland)	93	—	—	9,585	9,678
Millennium bcp Bank & Trust	—	—	—	419	419
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	—	316,264	—	—	316,264
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	170	—	—	—	170
Sciense4you S.A.	62	—	—	—	62
SIBS, S.G.P.S., S.A.	50	—	—	—	50
UNICRE - Instituição Financeira de Crédito, S.A.	—	9,200	—	—	9,200
	117,648	527,350	150,600	19,967	815,565

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

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco Millennium Atlântico, S.A.	7,422	—	600	—	8,022
Banque BCP, S.A.S.	—	—	—	4,907	4,907
Banque Privée BCP (Suisse) S.A.	—	200,000	—	9,966	209,966
BCP Finance Bank Ltd	108,850	—	—	—	108,850
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	—	53	—	—	53
BIM - Banco Internacional de Moçambique, S.A.R.L.	601	—	—	—	601
Cold River's Homestead, S.A.	323	1,793	—	—	2,116
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	40	5	—	—	45
Fiparso- Sociedade Imobiliária Lda.	—	28	—	—	28
Fundo de Investimento Imobiliário Imosotto Acumulação	—	—	695	—	695
Group Bank Millennium (Poland)	97	—	—	9,589	9,686
Millennium bcp Bank & Trust	—	—	—	1,244	1,244
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	20	—	—	105
Sciense4you S.A.	62	17	—	—	79
SIBS, S.G.P.S., S.A.	50	—	—	—	50
UNICRE - Instituição Financeira de Crédito, S.A.	—	3,909	—	—	3,909
	117,530	205,825	1,295	25,706	350,356

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

(Thousands of euros)

	2020	2019
Life insurance		
Saving products	34,388	35,742
Mortgage and consumer loans	17,528	19,925
Others	30	31
	51,946	55,698
Non - Life insurance		
Accidents and health	18,970	18,548
Motor	4,047	3,919
Multi-Risk Housing	6,874	6,674
Others	1,470	1,303
	31,361	30,444
	83,307	86,142

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

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

(Thousands of euros)

	2020	2019
Funds receivable for payment of life insurance commissions	12,795	13,810
Funds receivable for payment of non-life insurance commissions	8,097	7,643
	20,892	21,453

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

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

D) Transactions with the pension fund

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

(Thousands of euros)

	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
Subordinated debt	1,772	—
	440,352	45,817

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

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

(Thousands of euros)

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

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

At 31 December 2020, the amount of Guarantees granted by the Bank to the Pension Fund amounted to Euros 5,000 (31 December 2019: Euros 5,000).

47. Solvency

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

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

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

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

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

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

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

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

2020 Minimum Capital Requirements								
		of which:			Fully	of which:		
BCP Solo	Phased-in	Pilar 1	Pilar 2	*Buffers*	implemented	Pilar 1	Pilar 2	*Buffers*
CET1	7.00%	4.50%	0.00%	2.50%	7.00%	4.50%	0.00%	2.50%
T1	8.50%	6.00%	0.00%	2.50%	8.50%	6.00%	0.00%	2.50%
Total	10.50%	8.00%	0.00%	2.50%	10.50%	8.00%	0.00%	2.50%

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

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

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

(Thousands of euros)

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

The 2020 and 2019 amounts include the accumulated net income.

48. Risk management

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

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

Main types ok risk

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

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

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

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

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

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

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

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

Internal organisation

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

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

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

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

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

Risk assessment

Credit Risk

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

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

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

(Thousands of euros)

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

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

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

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

a) Collaterals and Guarantees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Risk grades

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

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

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

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

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

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

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

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

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2020 and 2019 integrates the general principles defined in International Financial Reporting Standards (IFRS 9 as at 1 January 2018 and IAS 39 as at 31 December 2017) and the guidelines issued by the Bank of Portugal through a Circular Letter "CC/2018/00000062", in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2020, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1 B1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

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

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

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

(Thousands of euros)

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

(Thousands of euros)

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

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

(Thousands of euros)

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

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

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

(Thousands of euros)

	2019				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	160	208	–	–	368
Loans and advances to customers (note 19)	23,898	138,780	1,699,216	–	1,861,894
Debt instruments (note 20)	3,101	382	9,480	–	12,963
Guarantees and other commitments (note 35)	1,272	4,170	96,626	–	102,068
Total	28,431	143,540	1,805,322	–	1,977,293

(Thousands of euros)

	2019				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	511,511	2,798	–	–	514,309
Loans and advances to customers (note 19)	24,941,222	5,911,868	1,530,036	3,225	32,386,351
Debt instruments (note 20)	2,374,199	74,133	69	–	2,448,401
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	8,006,771	–	–	–	8,006,771
Guarantees and other commitments (notes 35 and 40)	9,095,770	1,598,335	371,256	–	11,065,361
Total	44,929,473	7,587,134	1,901,361	3,225	54,421,193

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

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

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

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

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

(Thousands of euros)

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

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

(Thousands of euros)

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

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

(Thousands of euros)

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

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

(Thousands of euros)

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

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

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

(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	47,839	53,080

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

(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	14,788,613	2,031,902	70,278	29,660	2,131,840	196,190	186,708	382,898	1,602	17,304,953
Individuals-Other	3,324,659	463,906	19,254	7,522	490,682	104,024	136,780	240,804	175	4,056,320
Financial Companies	2,054,502	435,198	37	1	435,236	145,897	90,861	236,758	–	2,726,496
Non-financial comp.- Corporate	5,961,180	915,159	2,195	–	917,354	151,953	461,518	613,471	–	7,492,005
Non-financial comp.- SME-Corporate	8,090,449	2,382,361	5,030	1,145	2,388,536	754,748	195,336	950,084	–	11,429,069
Non-financial comp.-SME-Retail	4,964,239	1,362,536	13,651	2,285	1,378,472	255,315	108,480	363,795	3	6,706,509
Non-financial comp.-Other	345,439	–	–	–	–	–	40	40	–	345,479
Other loans	4,728,268	45,662	–	–	45,662	–	1	1	–	4,773,931
Total	44,257,349	7,636,724	110,445	40,613	7,787,782	1,608,127	1,179,724	2,787,851	1,780	54,834,762
Impairment										
Individuals-Mortgage	2,389	9,994	336	196	10,526	8,673	39,514	48,187	–	61,102
Individuals-Other	2,514	8,484	1,009	861	10,354	39,676	70,944	110,620	–	123,488
Financial Companies	3,134	6,433	4	–	6,437	124,059	66,087	190,146	–	199,717
Non-financial comp.- Corporate	13,194	23,269	91	–	23,360	86,075	312,732	398,807	–	435,361
Non-financial comp.- SME-Corporate	36,823	90,351	567	232	91,150	252,743	128,024	380,767	–	508,740
Non-financial comp.-SME-Retail	35,873	40,845	1,594	354	42,793	114,810	49,559	164,369	–	243,035
Non-financial comp.-Other	22	–	–	–	–	–	28	28	–	50
Other loans	3,695	1,809	–	–	1,809	–	1	1	–	5,505
Total	97,644	181,185	3,601	1,643	186,429	626,036	666,889	1,292,925	–	1,576,998
Net exposure										
Individuals-Mortgage	14,786,224	2,021,908	69,942	29,464	2,121,314	187,517	147,194	334,711	1,602	17,243,851
Individuals-Other	3,322,145	455,422	18,245	6,661	480,328	64,348	65,836	130,184	175	3,932,832
Financial Companies	2,051,368	428,765	33	1	428,799	21,838	24,774	46,612	–	2,526,779
Non-financial comp.- Corporate	5,947,986	891,890	2,104	–	893,994	65,878	148,786	214,664	–	7,056,644
Non-financial comp.- SME-Corporate	8,053,626	2,292,010	4,463	913	2,297,386	502,005	67,312	569,317	–	10,920,329
Non-financial comp.-SME-Retail	4,928,366	1,321,691	12,057	1,931	1,335,679	140,505	58,921	199,426	3	6,463,474
Non-financial comp.-Other	345,417	–	–	–	–	–	12	12	–	345,429
Other loans	4,724,573	43,853	–	–	43,853	–	–	–	–	4,768,426
Total	44,159,705	7,455,539	106,844	38,970	7,601,353	982,091	512,835	1,494,926	1,780	53,257,764
% of impairment coverage										
Individuals-Mortgage	0.02%	0.49%	0.48%	0.66%	0.49%	4.42%	21.16%	12.58%	0.00%	0.35%
Individuals-Other	0.08%	1.83%	5.24%	11.45%	2.11%	38.14%	51.87%	45.94%	0.00%	3.04%
Financial Companies	0.15%	1.48%	10.81%	0.00%	1.48%	85.03%	72.73%	80.31%	0.00%	7.33%
Non-financial comp.- Corporate	0.22%	2.54%	4.15%	0.00%	2.55%	56.65%	67.76%	65.01%	0.00%	5.81%
Non-financial comp.- SME-Corporate	0.46%	3.79%	11.27%	20.26%	3.82%	33.49%	65.54%	40.08%	0.00%	4.45%
Non-financial comp.-SME-Retail	0.72%	3.00%	11.68%	15.49%	3.10%	44.97%	45.68%	45.18%	0.00%	3.62%
Non-financial comp.-Other	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	70.00%	70.00%	0.00%	0.01%
Other loans	0.08%	3.96%	0.00%	0.00%	3.96%	0.00%	100.00%	100.00%	0.00%	0.12%
Total	0.22%	2.37%	3.26%	4.05%	2.39%	38.93%	56.53%	46.38%	0.00%	2.88%

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

(Thousands of euros)

	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	18,113,272	2,495,808	89,532	37,182	2,622,522	300,214	323,489	623,703	1,777	21,361,274
Non-financial comp.- Trade	3,561,188	745,882	4,724	683	751,289	108,517	53,396	161,913	—	4,474,390
Non-financial comp.- Construction	1,679,428	694,394	2,613	77	697,084	392,132	78,170	470,302	—	2,846,814
Non-finan. comp.- Manufacturing ind.	4,042,117	813,142	5,365	1,123	819,630	110,634	68,726	179,360	—	5,041,107
Non-financial comp.-Other activities	1,314,558	396,155	279	10	396,444	159,169	76,880	236,049	—	1,947,051
Non-financial comp.- Other services	8,764,017	2,010,484	7,895	1,537	2,019,916	391,564	488,201	879,765	3	11,663,701
Other Services /Other activities	6,782,769	480,859	37	1	480,897	145,897	90,862	236,759	—	7,500,425
Total	44,257,349	7,636,724	110,445	40,613	7,787,782	1,608,127	1,179,724	2,787,851	1,780	54,834,762
Impairment										
Loans to individuals	4,902	18,479	1,345	1,057	20,881	48,349	110,459	158,808	—	184,591
Non-financial comp.- Trade	12,853	24,600	432	73	25,105	37,421	34,487	71,908	—	109,866
Non-financial comp.- Construction	8,277	15,712	548	13	16,273	113,696	36,815	150,511	—	175,061
Non-finan. comp.- Manufacturing ind.	16,069	24,682	438	234	25,354	45,996	37,060	83,056	—	124,479
Non-financial comp.-Other activities	4,528	13,184	52	2	13,238	82,218	35,784	118,002	—	135,768
Non-financial comp.- Other services	44,185	76,288	783	263	77,334	174,297	346,198	520,495	—	642,014
Other Services /Other activities	6,830	8,240	4	—	8,244	124,057	66,088	190,145	—	205,219
Total	97,644	181,185	3,602	1,642	186,429	626,034	666,891	1,292,925	—	1,576,998
Net exposure										
Loans to individuals	18,108,370	2,477,329	88,187	36,125	2,601,641	251,865	213,030	464,895	1,777	21,176,683
Non-financial comp.- Trade	3,548,335	721,282	4,292	610	726,184	71,096	18,909	90,005	—	4,364,524
Non-financial comp.- Construction	1,671,151	678,682	2,065	64	680,811	278,436	41,355	319,791	—	2,671,753
Non-finan. comp.- Manufacturing ind.	4,026,048	788,460	4,927	889	794,276	64,638	31,666	96,304	—	4,916,628
Non-financial comp.-Other activities	1,310,030	382,971	227	8	383,206	76,951	41,096	118,047	—	1,811,283
Non-financial comp.- Other services	8,719,832	1,934,196	7,112	1,274	1,942,582	217,267	142,003	359,270	3	11,021,687
Other Services /Other activities	6,775,939	472,619	33	1	472,653	21,840	24,774	46,614	—	7,295,206
Total	44,159,705	7,455,539	106,843	38,971	7,601,353	982,093	512,833	1,494,926	1,780	53,257,764
% of impairment coverage										
Loans to individuals	0.03%	0.74%	1.50%	2.84%	0.80%	16.10%	34.15%	25.46%	0.00%	0.86%
Non-financial comp.- Trade	0.36%	3.30%	9.14%	10.69%	3.34%	34.48%	64.59%	44.41%	0.00%	2.46%
Non-financial comp.- Construction	0.49%	2.26%	20.97%	16.88%	2.33%	28.99%	47.10%	32.00%	0.00%	6.15%
Non-finan. comp.- Manufacturing ind.	0.40%	3.04%	8.16%	20.84%	3.09%	41.57%	53.92%	46.31%	0.00%	2.47%
Non-financial comp.-Other activities	0.34%	3.33%	18.64%	20.00%	3.34%	51.65%	46.55%	49.99%	0.00%	6.97%
Non-financial comp.- Other services	0.50%	3.79%	9.92%	17.11%	3.83%	44.51%	70.91%	59.16%	0.00%	5.50%
Other Services /Other activities	0.10%	1.71%	10.81%	0.00%	1.71%	85.03%	72.73%	80.31%	0.00%	2.74%
Total	0.22%	2.37%	3.26%	4.04%	2.39%	38.93%	56.53%	46.38%	0.00%	2.88%

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

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	14,212,753	2,287,388	120,935	25,992	2,434,315	241,184	271,844	513,028	3,221	17,163,317
Individuals-Other	3,330,637	526,860	34,229	8,761	569,850	78,517	115,927	194,444	4	4,094,935
Financial Companies	2,274,746	425,519	85	9	425,613	217,568	253,927	471,495	–	3,171,854
Non-financial comp.- Corporate	5,548,424	791,966	500	437	792,903	401,462	537,404	938,866	–	7,280,193
Non-financial comp.- SME-Corporate	6,662,320	2,129,450	20,122	3,489	2,153,061	748,748	269,881	1,018,629	–	9,834,010
Non-financial comp.-SME-Retail	3,538,444	1,163,769	35,113	11,062	1,209,944	393,672	167,721	561,393	–	5,309,781
Non-financial comp.-Other	411,377	22,676	9	–	22,685	7,006	1,821	8,827	–	442,889
Other loans	972,432	122,303	–	–	122,303	–	1	1	–	1,094,736
Total	36,951,133	7,469,931	210,993	49,750	7,730,674	2,088,157	1,618,526	3,706,683	3,225	48,391,715
Impairment										
Individuals-Mortgage	590	5,639	671	194	6,504	5,434	36,218	41,652	–	48,746
Individuals-Other	2,163	6,734	1,621	782	9,137	23,768	56,064	79,832	–	91,132
Financial Companies	1,498	5,198	10	1	5,209	142,056	203,236	345,292	–	351,999
Non-financial comp.- Corporate	5,923	16,254	2	34	16,290	255,891	341,085	596,976	–	619,189
Non-financial comp.- SME-Corporate	12,988	74,365	2,103	575	77,043	245,125	208,182	453,307	–	543,338
Non-financial comp.-SME-Retail	4,687	25,442	1,851	702	27,995	189,071	96,347	285,418	–	318,100
Non-financial comp.-Other	18	228	–	–	228	1,111	1,734	2,845	–	3,091
Other loans	564	1,134	–	–	1,134	–	–	–	–	1,698
Total	28,431	134,994	6,258	2,288	143,540	862,456	942,866	1,805,322	–	1,977,293
Net exposure										
Individuals-Mortgage	14,212,163	2,281,749	120,264	25,798	2,427,811	235,750	235,626	471,376	3,221	17,114,571
Individuals-Other	3,328,474	520,126	32,608	7,979	560,713	54,749	59,863	114,612	4	4,003,803
Financial Companies	2,273,248	420,321	75	8	420,404	75,512	50,691	126,203	–	2,819,855
Non-financial comp.- Corporate	5,542,501	775,712	498	403	776,613	145,571	196,319	341,890	–	6,661,004
Non-financial comp.- SME-Corporate	6,649,332	2,055,085	18,019	2,914	2,076,018	503,623	61,699	565,322	–	9,290,672
Non-financial comp.-SME-Retail	3,533,757	1,138,327	33,262	10,360	1,181,949	204,601	71,374	275,975	–	4,991,681
Non-financial comp.-Other	411,359	22,448	9	–	22,457	5,895	87	5,982	–	439,798
Other loans	971,868	121,169	–	–	121,169	–	1	1	–	1,093,038
Total	36,922,702	7,334,937	204,735	47,462	7,587,134	1,225,701	675,660	1,901,361	3,225	46,414,422
% of impairment coverage										
Individuals-Mortgage	0.00%	0.25%	0.55%	0.75%	0.27%	2.25%	13.32%	8.12%	0.00%	0.28%
Individuals-Other	0.06%	1.28%	4.74%	8.93%	1.60%	30.27%	48.36%	41.06%	0.00%	2.23%
Financial Companies	0.07%	1.22%	11.76%	11.11%	1.22%	65.29%	80.04%	73.23%	0.00%	11.10%
Non-financial comp.- Corporate	0.11%	2.05%	0.40%	7.78%	2.05%	63.74%	63.47%	63.58%	0.00%	8.51%
Non-financial comp.- SME-Corporate	0.19%	3.49%	10.45%	16.48%	3.58%	32.74%	77.14%	44.50%	0.00%	5.53%
Non-financial comp.-SME-Retail	0.13%	2.19%	5.27%	6.35%	2.31%	48.03%	57.44%	50.84%	0.00%	5.99%
Non-financial comp.-Other	0.00%	1.01%	0.00%	0.00%	1.01%	15.86%	95.22%	32.23%	0.00%	0.70%
Other loans	0.06%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%	0.00%	0.00%	0.16%
Total	0.08%	1.81%	2.97%	4.60%	1.86%	41.30%	58.25%	48.70%	0.00%	4.09%

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

(Thousands of euros)

	2019									
		Stage 2				Stage 3				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	17,543,390	2,814,248	155,163	34,752	3,004,163	319,702	387,771	707,473	3,225	21,258,251
Non-financial comp.- Trade	2,925,641	492,828	13,433	2,158	508,419	144,383	56,115	200,498	–	3,634,558
Non-financial comp.- Construction	1,378,484	629,234	5,150	1,008	635,392	489,727	198,132	687,859	–	2,701,735
Non-finan. comp.- Manufacturing ind.	3,367,167	613,710	12,101	5,264	631,075	97,026	57,647	154,673	–	4,152,915
Non-financial comp.-Other activities	1,135,697	382,994	4,567	493	388,054	158,705	9,716	168,421	–	1,692,172
Non-financial comp.- Other services	7,353,576	1,989,093	20,494	6,066	2,015,653	661,048	655,214	1,316,262	–	10,685,491
Other Services /Other activities	3,247,178	547,824	85	9	547,918	217,568	253,929	471,497	–	4,266,593
Total	36,951,133	7,469,931	210,993	49,750	7,730,674	2,088,159	1,618,524	3,706,683	3,225	48,391,715
Impairment										
Loans to individuals	2,754	12,373	2,292	976	15,641	29,202	92,282	121,484	–	139,879
Non-financial comp.- Trade	4,309	10,766	807	251	11,824	68,296	31,078	99,374	–	115,507
Non-financial comp.- Construction	2,950	7,780	589	32	8,401	134,212	151,023	285,235	–	296,586
Non-finan. comp.- Manufacturing ind.	5,743	15,025	1,004	720	16,749	42,169	21,829	63,998	–	86,490
Non-financial comp.-Other activities	1,094	10,848	69	92	11,009	72,393	2,799	75,192	–	87,295
Non-financial comp.- Other services	9,520	71,871	1,486	216	73,573	374,127	440,620	814,747	–	897,840
Other Services /Other activities	2,061	6,332	10	1	6,343	142,056	203,236	345,292	–	353,696
Total	28,431	134,995	6,257	2,288	143,540	862,455	942,867	1,805,322	–	1,977,293
Net exposure										
Loans to individuals	17,540,636	2,801,875	152,871	33,776	2,988,522	290,500	295,489	585,989	3,225	21,118,372
Non-financial comp.- Trade	2,921,332	482,062	12,626	1,907	496,595	76,087	25,037	101,124	–	3,519,051
Non-financial comp.- Construction	1,375,534	621,454	4,561	976	626,991	355,515	47,109	402,624	–	2,405,149
Non-finan. comp.- Manufacturing ind.	3,361,424	598,685	11,097	4,544	614,326	54,857	35,818	90,675	–	4,066,425
Non-financial comp.-Other activities	1,134,603	372,146	4,498	401	377,045	86,312	6,917	93,229	–	1,604,877
Non-financial comp.- Other services	7,344,056	1,917,222	19,008	5,850	1,942,080	286,921	214,594	501,515	–	9,787,651
Other Services /Other activities	3,245,117	541,492	75	8	541,575	75,512	50,693	126,205	–	3,912,897
Total	36,922,702	7,334,936	204,736	47,462	7,587,134	1,225,704	675,657	1,901,361	3,225	46,414,422
% of impairment coverage										
Loans to individuals	0.02%	0.44%	1.48%	2.81%	0.52%	9.13%	23.80%	17.17%	0.00%	0.66%
Non-financial comp.- Trade	0.15%	2.18%	6.01%	11.63%	2.33%	47.30%	55.38%	49.56%	0.00%	3.18%
Non-financial comp.- Construction	0.21%	1.24%	11.44%	3.17%	1.32%	27.41%	76.22%	41.47%	0.00%	10.98%
Non-finan. comp.- Manufacturing ind.	0.17%	2.45%	8.30%	13.68%	2.65%	43.46%	37.87%	41.38%	0.00%	2.08%
Non-financial comp.-Other activities	0.10%	2.83%	1.51%	18.66%	2.84%	45.61%	28.81%	44.65%	0.00%	5.16%
Non-financial comp.- Other services	0.13%	3.61%	7.25%	3.56%	3.65%	56.60%	67.25%	61.90%	0.00%	8.40%
Other Services /Other activities	0.06%	1.16%	11.76%	11.11%	1.16%	65.29%	80.04%	73.23%	0.00%	8.29%
Total	0.08%	1.81%	2.97%	4.60%	1.86%	41.30%	58.25%	48.70%	0.00%	4.09%

As at 31 December 2020, the exposure by type of financial instrument, internal rating and by 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	25,152,472	6,612,176	2,216,651	–	2,239	33,983,538	93,279	33,890,259
stage 2	1,037,497	1,513,753	2,919,442	201,350	425,235	6,097,277	179,538	5,917,739
stage 3	–	–	–	2,362,566	1	2,362,567	1,214,503	1,148,064
POCI	33	11	86	1,605	45	1,780	–	1,780
	26,190,002	8,125,940	5,136,179	2,565,521	427,520	42,445,162	1,487,320	40,957,842
Debt instruments at fair value through other comprehensive income (*)								
stage 1	7,882,434	104,997	–	–	37,558	8,024,989	–	8,024,989
	7,882,434	104,997	–	–	37,558	8,024,989	–	8,024,989
Guarantees and other commitments								
stage 1	6,577,009	2,755,912	884,156	–	56,734	10,273,811	4,365	10,269,446
stage 2	300,674	488,972	629,160	55,560	216,139	1,690,505	6,891	1,683,614
stage 3	–	–	–	425,284	–	425,284	78,422	346,862
	6,877,683	3,244,884	1,513,316	480,844	272,873	12,389,600	89,678	12,299,922
Total	40,950,119	11,475,821	6,649,495	3,046,365	737,951	62,859,751	1,576,998	61,282,753

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

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

(Thousands of euros)

	2019							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	19,301,643	6,266,627	2,277,314	1	8,506	27,854,091	27,159	27,826,932
stage 2	1,064,753	1,497,166	2,744,781	322,561	498,908	6,128,169	139,370	5,988,799
stage 3	1,040	3,349	66,081	3,094,211	74,120	3,238,801	1,708,696	1,530,105
POCI	–	–	43	3,178	4	3,225	–	3,225
	20,367,436	7,767,142	5,088,219	3,419,951	581,538	37,224,286	1,875,225	35,349,061
Debt instruments at fair value through other comprehensive income (*)								
stage 1	7,917,745	88,792	184	–	50	8,006,771	–	8,006,771
	7,917,745	88,792	184	–	50	8,006,771	–	8,006,771
Guarantees and other commitments								
stage 1	6,203,291	2,112,908	650,278	–	130,565	9,097,042	1,272	9,095,770
stage 2	150,984	316,279	621,382	63,260	450,600	1,602,505	4,170	1,598,335
stage 3	9	9	18,415	447,853	1,596	467,882	96,626	371,256
	6,354,284	2,429,196	1,290,075	511,113	582,761	11,167,429	102,068	11,065,361
Total	34,639,465	10,285,130	6,378,478	3,931,064	1,164,349	56,398,486	1,977,293	54,421,193

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

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

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

(Thousands of euros)

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

(Thousands of euros)

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

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank has concluded that there is no objective evidence of impairment.

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment and by sector of activity, are presented in the following tables:

(Thousands of euros)

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

(Thousands of euros)

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

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank has concluded that there is no objective evidence of impairment.

As at 31 December 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	15,237	20,856	234,750	350,468	84	621,395
Value (Euros '000)	979,897	2,978,208	8,965,576	763,545	2,064	13,689,290
Impairment constituted (Euros '000)	68,832	76,322	38,874	14,595	1	198,624
2011						
Number of operations	1,184	1,783	4,753	44,722	1	52,443
Value (Euros '000)	53,759	177,429	246,664	89,453	20	567,325
Impairment constituted (Euros '000)	4,838	4,772	457	959	—	11,026
2012						
Number of operations	961	1,533	2,816	48,435	174	53,919
Value (Euros '000)	78,588	136,655	117,212	69,579	8,259	410,293
Impairment constituted (Euros '000)	3,430	3,727	360	487	6	8,010
2013						
Number of operations	1,469	2,388	5,522	69,600	13	78,992
Value (Euros '000)	69,535	482,040	236,171	99,713	1,571	889,030
Impairment constituted (Euros '000)	4,245	25,091	607	795	53	30,791
2014						
Number of operations	1,458	3,675	3,823	67,035	70	76,061
Value (Euros '000)	81,732	565,414	204,394	102,031	182,189	1,135,760
Impairment constituted (Euros '000)	3,700	30,654	172	835	110	35,471
2015						
Number of operations	2,055	5,455	5,774	76,269	89	89,642
Value (Euros '000)	119,000	694,515	365,544	125,916	5,888	1,310,863
Impairment constituted (Euros '000)	4,346	33,545	183	2,173	5	40,252
2016						
Number of operations	2,516	7,626	7,842	86,407	39	104,430
Value (Euros '000)	198,602	1,482,707	533,710	186,555	3,673	2,405,247
Impairment constituted (Euros '000)	9,559	93,210	347	3,276	3	106,395
2017						
Number of operations	3,189	9,843	12,385	88,640	86	114,143
Value (Euros '000)	302,687	1,583,266	1,001,857	233,144	38,649	3,159,603
Impairment constituted (Euros '000)	5,865	28,414	257	5,224	26	39,786
2018						
Number of operations	6,175	17,397	17,582	169,083	163	210,400
Value (Euros '000)	919,972	2,473,924	1,647,157	504,918	362,900	5,908,871
Impairment constituted (Euros '000)	7,646	29,306	343	8,467	67	45,829
2019						
Number of operations	9,398	23,855	19,078	447,170	77	499,578
Value (Euros '000)	1,100,422	2,560,487	1,884,065	934,200	137,753	6,616,927
Impairment constituted (Euros '000)	11,776	90,226	241	9,435	57	111,735
2020						
Number of operations	12,973	45,216	16,153	177,891	127	252,360
Value (Euros '000)	1,937,296	7,157,986	1,751,145	683,789	253,224	11,783,440
Impairment constituted (Euros '000)	17,913	89,306	1,884	8,663	151	117,917
Total						
Number of operations	56,615	139,627	330,478	1,625,720	923	2,153,363
Value (Euros '000)	5,841,490	20,292,631	16,953,495	3,792,843	996,190	47,876,649
Impairment constituted (Euros '000)	142,150	504,573	43,725	54,909	479	745,836

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

As at 31 December 2019, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2019					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2009 and previous						
Number of operations	15,965	22,875	237,261	338,670	73	614,844
Value (Euros '000)	1,000,320	3,054,608	9,155,121	711,714	1,948	13,923,711
Impairment constituted (Euros '000)	102,077	115,483	32,867	9,578	—	260,005
2010						
Number of operations	1,417	2,008	13,102	49,884	16	66,427
Value (Euros '000)	146,692	300,328	724,651	105,693	43	1,277,407
Impairment constituted (Euros '000)	9,862	10,882	1,812	797	—	23,353
2011						
Number of operations	1,352	2,153	5,040	48,301	2	56,848
Value (Euros '000)	57,793	293,017	270,225	94,644	35	715,714
Impairment constituted (Euros '000)	5,817	10,572	392	746	—	17,527
2012						
Number of operations	1,174	2,006	3,015	52,606	185	58,986
Value (Euros '000)	83,859	182,871	129,888	71,437	8,783	476,838
Impairment constituted (Euros '000)	3,742	12,473	414	509	3	17,141
2013						
Number of operations	1,794	3,029	6,014	77,558	13	88,408
Value (Euros '000)	74,456	563,433	267,049	108,564	1,512	1,015,014
Impairment constituted (Euros '000)	5,280	38,573	622	759	—	45,234
2014						
Number of operations	1,746	4,762	4,102	74,785	69	85,464
Value (Euros '000)	96,824	661,606	227,704	118,573	181,956	1,286,663
Impairment constituted (Euros '000)	6,982	34,277	132	860	41	42,292
2015						
Number of operations	2,721	7,656	6,193	90,669	97	107,336
Value (Euros '000)	163,496	918,573	401,536	201,207	10,036	1,694,848
Impairment constituted (Euros '000)	20,926	53,101	239	2,041	4	76,311
2016						
Number of operations	3,201	10,465	8,364	101,011	43	123,084
Value (Euros '000)	235,284	1,716,183	587,504	254,860	31,627	2,825,458
Impairment constituted (Euros '000)	14,077	87,145	201	3,256	6	104,685
2017						
Number of operations	3,825	12,560	13,191	106,245	104	135,925
Value (Euros '000)	476,222	1,800,594	1,098,957	325,899	94,790	3,796,462
Impairment constituted (Euros '000)	40,385	69,068	337	4,082	27	113,899
2018						
Number of operations	6,975	20,842	18,540	191,120	187	237,664
Value (Euros '000)	1,208,373	3,059,734	1,793,911	617,921	402,646	7,082,585
Impairment constituted (Euros '000)	7,309	43,284	229	5,158	29	56,009
2019						
Number of operations	14,329	45,792	19,786	536,971	91	616,969
Value (Euros '000)	1,482,718	5,453,698	1,996,586	1,295,203	164,133	10,392,338
Impairment constituted (Euros '000)	10,482	100,326	1,389	4,461	23	116,681
Total						
Number of operations	54,499	134,148	334,608	1,667,820	880	2,191,955
Value (Euros '000)	5,026,037	18,004,645	16,653,132	3,905,715	897,509	44,487,038
Impairment constituted (Euros '000)	226,939	575,184	38,634	32,247	133	873,137

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

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

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

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

As at 31 December 2019, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	2019					
	Construction and CRE		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**	**Real Estate**	**Other real Collateral (*)**
< 0,5 M€						
Number	6,185	1,891	9,004	7,100	260,207	402
Value (Euros '000)	798,829	91,703	1,255,316	290,238	35,043,380	22,170
>= 0,5 M€ and < 1 M€						
Number	647	35	1,037	87	3,869	6
Value (Euros '000)	450,180	21,839	721,631	56,740	2,517,184	3,487
>= 1 M€ and < 5 M€						
Number	446	43	770	81	539	2
Value (Euros '000)	932,308	69,063	1,518,322	151,602	798,827	3,105
>= 5 M€ and < 10 M€						
Number	67	3	97	17	6	—
Value (Euros '000)	465,997	23,184	661,996	114,119	39,768	—
>= 10 M€ and < 20 M€						
Number	35	1	55	14	—	—
Value (Euros '000)	485,611	13,009	740,103	207,088	—	—
>= 20 M€ and < 50 M€						
Number	25	—	24	2	—	—
Value (Euros '000)	718,625	—	709,533	57,393	—	—
>= 50 M€						
Number	3	—	9	4	—	—
Value (Euros '000)	171,131	—	745,204	863,177	—	—
Total						
Number	7,408	1,973	10,996	7,305	264,621	410
Value (Euros '000)	4,022,681	218,798	6,352,105	1,740,357	38,399,159	28,762

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

As at 31 December 2020, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

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

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

(Thousands of euros)

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

As at 31 December 2020 and 2019, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 24), by type of asset:

(Thousands of euros)

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

Market risk

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

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

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

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

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

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

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

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

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

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

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

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

(Thousands of euros)

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

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

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

Interest rate risk

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

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

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

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

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

(Thousands of euros)

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

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

(Thousands of euros)

	2019			
Currency	-200 bp(*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	340	340	684	1,335
EUR	53,904	53,904	(4,092)	(510)
PLN	(1,736)	(1,100)	1,086	2,159
USD	(14,592)	(8,388)	8,085	15,878
	37,916	44,756	5,763	18,862

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

Foreign exchange and equity risk in the banking book

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

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

The amount of the investment in Bank Millennium (Poland) subject to hedging is PLN 2,570,017,000 (31 December 2019: PLN 2,570,017,000), with the equivalent amount of Euros 563,563,000 (31 December 2019: Euros 604,454,000), with the hedging instrument in the same amount.

The amount of the investment Banque Privée BCP (Suisse) S.A subject to hedging is CHF 100,000,000 (31 December 2019: CHF 100,000,000), with the equivalent amount of Euros 92,492,000 (31 December 2019: Euros 91,976,000), with the hedging instrument in the amount of CHF 76,359,000 (31 December 2019: CHF 76,493,000) with the equivalent amount of Euros 70,626,000 (31 December 2019: Euros 70,355,000).

These hedging relationships were considered effective during the entire period of 2020, as described in the accounting policy in note 1 B.4.

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

Liquidity risk

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

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

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

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

Considering the prudential criteria adopted by the Group for liquidity management and the decision to reinforce the liquidity buffer at the ECB in reaction to the COVID-19 crisis, the portfolio of assets available for discount with this entity ended the period at 31 December 2020 with a value of Euros 22,502,496,000 (31 December 2019: Euros 17,060,132,000), of which Euros 9,783,715,000 were mobilized in the ECB monetary policy pool.

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

(Thousands of euros)

	2020	2019
European Central Bank	9,783,715	7,328,153

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

Liquidity coverage ratio

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

Hedging accounting

As at 31 December 2020, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

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

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

As at 31 December 2019, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2019			
	Hedging instruments			
		Book value		
Type of hedging	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	3,430,030	17,859	46,122	(105,957)
	3,430,030	17,859	46,122	(105,957)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	11,450,000	17,131	75,352	(123,734)
	11,450,000	17,131	75,352	(123,734)
Total	14,880,030	34,990	121,474	(229,691)

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

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

(Thousands of euros)

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

(A) Changes in fair value used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

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

(Thousands of euros)

	2019							
	Hedged items							
							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Type of hedging		Assets	Liabilities	Assets	Liabilities			
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	449,137	—	5,102	—	623	n.a.	n.a.
	(H)	89,953	—	856	—	856	n.a.	n.a.
	(C)	2,075,608	—	(26,689)	—	104,716	n.a.	n.a.
	(D)	—	260,000	—	9,950	1,470	n.a.	n.a.
	(E)	—	180,650	—	5,149	(6,407)	n.a.	n.a.
	(F)	—	2,554	—	54	(43)	n.a.	n.a.
	(G)	—	441,389	—	(6,974)	6,974	n.a.	n.a.
		2,614,698	884,593	(20,731)	8,179	108,189	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	11,450,000	—	—	—	123,734	(60,682)	217,311
Total		14,064,698	884,593	(20,731)	8,179	231,923	(60,682)	217,311

(A) Changes in fair value used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

As at 31 December 2020, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

	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.	1,842		n.a.	n.a.
Interest rate futures	(D)	n.a.	(264)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	33		n.a.	n.a.
		n.a.	1,611		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps		—	—	(E)	72,606	—
		—	—		72,606	—
Total		—	1,611		72,606	—

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

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

(C) but which are no longer expected to occur

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

(E) Interest and similar income

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

(Thousands of euros)

	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.	2,232		n.a.	n.a.
		n.a.	2,232		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps		—	—	(E)	44,882	—
		—	—		44,882	—
Total		—	2,232		44,882	—

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

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

(C) but which are no longer expected to occur

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

(E) Interest and similar income

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

(Thousands of euros)

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

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

(Thousands of euros)

	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	–	1,367,350	2,062,680	3,430,030	17,859	46,122
Fixed interest rate (average)		-0.13%	0.74%	0.39%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,450,000	11,450,000	17,131	75,352
Total derivatives traded by:						
OTC Market	–	1,367,350	13,512,680	14,880,030	34,990	121,474

Operational Risk

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

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

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred.

In 2020, the usual operational risk management activities continued to be executed by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group's management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts. It should also be noted that the average ratio between gross losses and the relevant indicator for TSA (gross income) has consistently presented values below 1%, which compares very favourably with international benchmarking and attests the robustness of the operational control environment of the Group. The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilisation to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade

49. Contingent liabilities and other commitments

In accordance with accounting policy 1.V3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority (PCA) initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ('BCP' or 'Bank') and other credit institutions, where 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 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 Bank made regular contributions to the Resolution Fund in the amount of Euros 15,040 thousand. The amount related to the contribution on the banking sector, registered during the financial year of 2020, was Euros 35,180 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 Bank made an initial contribution in the amount of Euros 30,843 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Bank in the financial year of 2020 was Euros 22,758 thousand, of which the Bank delivered Euros 19,344 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 Bank.

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 Comitee will submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement.

At the General Meeting of 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 favor 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.

50. 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 Bank'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 Bank's report, neither its Management Board nor any other corporate body 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 final verdict of those lawsuits, as well as the possible implementation of the solution suggested by the Chairman of PFSA still under analysis, as well as the uncertainty of the awaited decisions of the Supreme Court, it is difficult to safely estimate the potential impacts of such outcomes and their influence on the date of publication of the Bank's financial statements.

51. 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 Bank 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.

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 Bank'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 Bank'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 Bank'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 Bank's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future exercises

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

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 Bank 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 Bank 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 Bank:

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.

52. Application of IFRS 16 – Leases

As described in note 1 A. Basis of presentation and accounting policy 1 H, the Bank adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. IFRS 16 was approved by EU in October 2017. The Bank did not adopt any of the requirements of IFRS 16 in prior periods.

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

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

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

Transition

On 1 January 2019, the Bank carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Bank applied this standard retrospectively, with its transition impacts recognised on 1 January 2019. This way, comparative information has not been restated.

By applying the practical expedient provided on the transition to IFRS 16, the Bank recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right to-use by the lease liability amount.

For contracts in which a sublease is identified, the Bank recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and a financial asset related to the sublease.

The following assumptions considered in the implementation of this standard were:

- lease term: this component was evaluated by categories of contracts, being each contract enforceable. In the evaluation of the enforceability, the particular clauses of the contracts as well as the current legislation regarding the urban lease (Arrendamento Urbano) are taken into consideration;
- discount rate: it was used the lessee's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Bank's risk spread, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Bank identified that the main lease contracts covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles.

The adoption of the standard implies changes in the Bank's financial statements, namely:

- in income statement:

(i) in the net interest income, the record of interest expenses related to lease liabilities, as referred to in note 2. Net interest income, balance Interest and similar charges - Interest on leases;
(ii) in Other Administrative Expenses, the record of the amounts relating to short-term lease contracts and low value assets lease contracts, as referred to in note 8. Other administrative expenses, balance Rents and leases; and
(iii) in Amortisations, the record of depreciation costs of right-of-use assets, as referred in note 9. Amortisations and depreciations, balance item Right-of-use.

- in the balance sheet:

(i) in Other tangible assets, the recognition of right-of-use assets, as referred in note 25. Other tangible assets, balance Right of use; and
(ii) in Other liabilities, the record of the amount of recognised lease liabilities, as referred in note 36. Other liabilities, balance Rents to pay.

- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to suppliers and employees includes amounts related to short-term leases and to leases of low-value assets. The balance Increase / (Decrease) in other sundry liabilities includes amounts relating to payments of capital portions of lease liabilities, as detailed in the Separate statement of cash flows.

Until 31 December 2018, and according to IAS 17, every payment of operating leases was presented as Cash flows arising from operating activities. Following the IFRS 16's adoption, Cash flows arising from operating activities changed to Cash flows arising from financing activities in the amount of Euros 9,381,000. IFRS 16's adoption didn't cause an impact in the Bank's net cash flows.

The reconciliation between the balance sheets of 31 December 2018 and 1 January 2019, according to IFRS 16, is detailed as following:

(Thousands of euros)

	IAS 17 31 Dec 2018	Impact of IFRS 16	IFRS 16 1 Jan 2019
ASSETS			
Cash and deposits at Central Banks	1,682,922	—	1,682,922
Loans and advances to credit institutions repayable on demand	186,477	—	186,477
Financial assets at amortised cost			
Loans and advances to credit institutions	2,044,730	—	2,044,730
Loans and advances to customers	30,988,338	—	30,988,338
Debt securities	2,641,291	—	2,641,291
Financial assets at fair value through profit or loss			
Financial assets held for trading	695,752	—	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	1,589,899	—	1,589,899
Financial assets designated at fair value through profit or loss	33,034	—	33,034
Financial assets at fair value through other comprehensive income	6,996,892	—	6,996,892
Hedging derivatives	92,891	—	92,891
Investments in associated companies	3,147,973	—	3,147,973
Non-current assets held for sale	1,252,654	—	1,252,654
Other tangible assets	220,171	160,644	380,815
Intangible assets	29,683	—	29,683
Current tax assets	18,375	—	18,375
Deferred tax assets	2,782,536	—	2,782,536
Other assets	946,549	—	946,549
TOTAL ASSETS	55,350,167	160,644	55,510,811
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	8,372,537	—	8,372,537
Resources from customers	34,217,917	—	34,217,917
Non subordinated debt securities issued	1,198,767	—	1,198,767
Subordinated debt	825,624	—	825,624
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	295,695	—	295,695
Financial liabilities at fair value through profit or loss	3,603,647	—	3,603,647
Hedging derivatives	68,486	—	68,486
Provisions	313,868	—	313,868
Current tax liabilities	1,620	—	1,620
Other liabilities	860,843	160,644	1,021,487
TOTAL LIABILITIES	49,759,004	160,644	49,919,648
EQUITY			
Share capital	4,725,000	—	4,725,000
Share premium	16,471	—	16,471
Other equity instruments	2,922	—	2,922
Legal and statutory reserves	264,608	—	264,608
Reserves and retained earnings	522,895	—	522,895
Net income for the year	59,267	—	59,267
TOTAL EQUITY	5,591,163	—	5,591,163
TOTAL LIABILITIES AND EQUITY	55,350,167	160,644	55,510,811

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

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

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

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

Reason and objectives of the merger

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

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

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

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

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

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

Until 2006, BII mainly concentrated the Real Estate Leasing and real estate credit business and the Group's real estate development. As of 2006, the business started to be promoted directly by BCP, with BII limiting itself to managing the portfolio it held to date, which it has been doing fully supported by BCP's own structures.

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

The balance sheets transcribed below correspond to the balance sheets for the year ended 31 December 2018. These include the values of the assets and liabilities to be transferred to BCP:

(Thousands of euros)

	BCP SA (31 December 2018)	BII SA (31 December 2018)	Intragroup balances	Merger reserve	BCP SA after merger (1 January 2019)
ASSETS					
Cash and deposits at Central Banks	1,682,922	—	—	—	1,682,922
Loans and advances to credit institutions repayable on demand	186,477	157,387	(157,387)	—	186,477
Financial assets at amortised cost					
Loans and advances to credit institutions	2,044,730	17,260	(1,558,468)	—	503,522
Loans and advances to customers	30,988,338	1,133,353	—	—	32,121,691
Debt securities	2,641,291	—	—	—	2,641,291
Financial assets at fair value through profit or loss					
Financial assets held for trading	695,752	—	(17,792)	—	677,960
Financial assets not held for trading mandatorily at fair value through profit or loss	1,589,899	1,846	—	—	1,591,745
Financial assets designated at fair value through profit or loss	33,034	—	—	—	33,034
Financial assets at fair value through other comprehensive income	6,996,892	1,818,421	—	—	8,815,313
Hedging derivatives	92,891	—	—	—	92,891
Investments in subsidiaries and associated companies	3,147,973	—	—	(209,531)	2,938,442
Non-current assets held for sale	1,252,654	118,422	—	—	1,371,076
Other tangible assets	220,171	—	—	—	220,171
Intangible assets	29,683	—	—	—	29,683
Current tax assets	18,375	—	—	—	18,375
Deferred tax assets	2,782,536	53,843	—	—	2,836,379
Other assets	946,548	8,241	(27,100)	—	927,689
TOTAL ASSETS	55,350,166	3,308,773	(1,760,747)	(209,531)	56,688,661
LIABILITIES					
Financial liabilities at amortised cost					
Resources from credit institutions	8,372,537	2,916,606	(1,680,845)	—	9,608,298
Resources from customers	34,217,917	1	—	—	34,217,918
Non subordinated debt securities issued	1,198,767	—	—	—	1,198,767
Subordinated debt	825,624	35,010	(35,010)	—	825,624
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	295,695	34	(34)	—	295,695
Financial liabilities at fair value through profit or loss	3,603,648	—	—	—	3,603,648
Hedging derivatives	68,486	17,758	(17,758)	—	68,486
Provisions	313,868	17,395	—	—	331,263
Current tax liabilities	1,620	1,349	—	—	2,969
Other liabilities	860,841	23,349	(27,100)	—	857,090
TOTAL LIABILITIES	49,759,003	3,011,502	(1,760,747)	—	51,009,758
EQUITY					
Share capital	4,725,000	17,500	—	(17,500)	4,725,000
Share premium	16,471	—	—	—	16,471
Other equity instruments	2,922	—	—	—	2,922
Legal and statutory reserves	264,608	14,822	—	(14,822)	264,608
Merger reserve	—	—	—	63,901	63,901
Fair value reserves related to the merger (*)	—	—	—	23,839	23,839
Reserves and retained earnings	582,162	264,949	—	(264,949)	582,162
TOTAL EQUITY	5,591,163	297,271	—	(209,531)	5,678,903
TOTAL LIABILITIES AND EQUITY	55,350,166	3,308,773	(1,760,747)	(209,531)	56,688,661

(*) The amount determined corresponds to the fair value reserves of the securities registered with Banco Investimento Imobiliário, S.A. as of 31 December 2018 and of the fair value reserves related to securities transactions prior to 31 December 2018 between the two entities.

54. 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 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 including Portugal where the state of emergency was declared on March 18, 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 750 billion euros 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. On 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.

Measures to support the economy

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 September 30, 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 no78/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.

On 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 10 April, 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.

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 on 2 April 2020 (EBA/GL/2020/02) and updated on 25 June 2020 and thereafter on 2 December 2020;

- IFRS 9 in the context of the coronavirus (COVID-19) pandemic, issued on 1 April 2020 by ECB;

- 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).

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

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 Bank of 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.

The tables presented below systematise the updates performed in December 2020 for Portugal 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)

	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 %

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	
Scenario	**December 2019**	**December 2020**
Central	60 %	60 %
Upside	20 %	10 %
Downside	20 %	30 %

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 510 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.

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, which also continued to be implemented.

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 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 of 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 areas, 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 29/2/2020 and 31/12/2020 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 87% 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 December 2020					
		Households			Corporates		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Exposure 29 February 2020	Stage 1	2,877,986	141,844	6,132	2,163,464	420,538	25,033
	Stage 2	266,504	576,829	40,370	257,782	1,000,176	71,511
	Stage 3	2,989	40,668	45,248	465	9,318	444,745
	n.a	39,320	6,511	743	103,762	7,.631	5,911
	Total	3,186,799	765,852	92,493	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 the loans and advances subject to moratorium, with reference to 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	7,983,788	491,415	2,271,516	639,691	503,464	633,158	8,623,479
of which: Households	3,952,651	136,670	765,851	92,492	48,770	87,266	4,045,143
of which: Collateralised by residential immovable property	3,574,234	121,793	687,960	74,625	40,541	70,856	3,648,859
of which: Non-financial corporations	3,956,215	353,395	1,459,449	526,473	433,971	525,166	4,482,688
of which: Small and Medium-sized Enterprises	3,605,874	323,470	1,324,993	501,709	415,758	500,402	4,107,583
of which: Collateralised by commercial immovable property	1,439,642	79,947	648,336	198,606	150,430	198,552	1,638,248

The analysis of the impairment amount of the loans and advances subject to moratorium is as follows:

(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	102,119	29,687	83,736	281,433	245,626	280,949	35,276
of which: Households	5,202	908	4,621	6,565	3,597	6,196	5,158
of which: Collateralised by residential immovable property	2,168	483	2,063	1,962	1,256	1,902	3,308
of which: Non-financial corporations	94,608	28,377	76,892	255,237	222,401	255,122	30,118
of which: Small and Medium-sized Enterprises	87,150	26,168	71,252	241,496	212,568	241,381	30,118
of which: Collateralised by commercial immovable property	32,042	3,014	28,207	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 already defaulted moratoriums) is as follows:

(Thousands of euros)

	Number of obligors	Gross carrying amount		
			Of which: legislative moratoria	Of which: expired
Loans and advances for which moratorium was offered	76,249	8,953,040		
Loans and advances subject to moratorium (granted)	75,961	8,921,422	8,190,460	297,943
of which: Households		4,149,444	3,418,482	104,301
of which: Collateralised by residential immovable property		3,731,429	3,351,770	82,570
of which: Non-financial corporations		4,674,796	4,674,796	192,108
of which: Small and Medium-sized Enterprises		4,261,385	4,261,385	153,802
of which: Collateralised by commercial immovable property		1,690,487	1,690,487	52,239

The analysis of the loans and advances which moratorium was offered and was granted by residual maturity of moratoria 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)	625,690	81,994	7,915,795	8,623,479
of which: Households	625,690	81,994	3,337,459	4,045,143
of which: Collateralised by residential immovable property	375,700	93	3,273,067	3,648,860
of which: Non-financial corporations	—	—	4,482,688	4,482,688
of which: Small and Medium-sized Enterprises	—	—	4,107,583	4,107,583
of which: Collateralised by commercial immovable property	—	—	1,638,248	1,638,248

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	2,261,689	18	1,931,615	3,653
of which: Households	14,128		12,514	—
of which: Collateralised by residential immovable property	260		234	—
of which: Non-financial corporations	2,244,898	18	1,916,959	3,653
of which: Small and Medium-sized Enterprises	2,141,546		1,834,277	2,648
of which: Collateralised by commercial immovable property	75,741		62,819	1,501

Use of judgments and estimates in the preparation of financial statements

The preparation of 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 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 financial statements of BCP have been prepared on a going concern basis, as the Executive Committee considers that the Bank 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'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 Bank, 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.

- **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. 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 cost** - 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 27. 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 Bank.

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.

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 Bank. 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%).

55. List of subsidiary and associated companies of Banco Comercial Português S.A.

As at 31 December 2020, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Banco ActivoBank, S.A.	Lisbon	101,000,000	EUR	Banking	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	59,538,679	BRL	Financial Services	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	30,300,000	EUR	Real-estate management	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	88.2
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100.0
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0

As at 31 December 2020, the Banco Comercial Português, S.A. investment and venture capital funds, are as follows:

Investment funds	Head office	Share capital	Currency	Activity	% held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	90,295,185	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,307,377	EUR	Real estate investment fund	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real estate investment fund	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real estate investment fund	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real estate investment fund	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	63.3
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real estate investment fund	60.0

(*) Company classified as non-current assets held for sale.

During 2020, the Group settled Fundo Especial de Investimento Imobiliário Fechado Intercapital, Fundo de Investimento Imobiliário Gestão Imobiliária 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.

As at 31 December 2020, the Bank's associated insurance companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Life reinsurance	49.0

As at 31 December 2020, the Bank's associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Banque BCP, S.A.S.	Paris	173,380,354	EUR	Banking	19.8
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1

During 2020 the Bank sold Projepolska, S.A. and the entity PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E was settled.

56. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 Z), 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.