

4. Capital adequacy

4.1. Regulatory framework

On 26 June 2013, the European Parliament and the Council approved the Directive 2013/36/EU and the Regulation (EU) no. 575/2013 (Capital Requirements Directive IV / Capital Requirements Regulation – CRD IV/CRR), which established new and stricter capital requirements to credit institutions, with effects from 1 January 2014.

These stricter requirements result from a narrower definition of own funds and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer and additional Pillar 2 requirements.

Additionally, supervisory authorities may impose a capital buffer to systemically important institutions given their dimension, importance to the economy, business complexity or degree of interconnection with other institutions of the financial sector and, in the event of insolvency, the potential contagion of these institutions to the rest of the non-financial and financial sectors. The Group has been considered an O-SII (other systemically important institution) and is obliged to comply with an additional buffer.

It is also predicted a countercyclical buffer, which aims to ensure that the banking sector has enough capital to absorb the losses generated in macroeconomic downturn conjectures, especially after periods of excess credit expansion, and to moderate these movements, given that this buffer depends on a discretionary decision of the competent authorities, based on their assessment regarding the underlying risks of the evolution of credit aggregates. This buffer may vary between zero and 2.5% for each institution and the need to achieve the defined goals may also impose restrictions in terms of distributions that go against an adequate capital conservation level. Pursuant to a decision of 30 September 2020, Banco de Portugal, in the exercise of its powers as national macroprudential authority, decided that the countercyclical buffer rate to be in force in the fourth quarter of 2020 would remain unchanged at 0% of the total risk exposure amount.

The CRD IV/CRR also predicts the possibility of institutions to gradually accommodate the new requirements, both in terms of own funds and compliance with minimum capital ratios, over determined maximum transition periods.

In March 12, 2020, the European Central Bank announced a set of measures intended to guarantee the continue financing of households and corporates experiencing temporary difficulties, due to the economic effects that are felt worldwide. These supervisory measures aim to support banks in serving the economy and addressing operational challenges ahead, including the pressure on their staff.

Capital buffers required by the regulator were established with the objective of allowing banks to face adverse shocks. While the European banking sector has built up a significant amount in capital buffers, the ECB has allowed 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). Furthermore, several National Supervisory Authorities have reduced or temporarily eliminated the need for the creation of countercyclical buffers (CCyB).

On the scope of the Supervisory Review and Evaluation Process the minimum Own Funds requirements for 2020 were as follows:

TABLE 8 – MINIMUM CAPITAL REQUIREMENTS FROM SREP

31/12/2020

	Minimum required Pillar 1	Additional requirements Pillar 2	Capital conservation buffer	O-SII capital buffer	Total
CET1	4.5%	1.27%	2.500%	0.563%	8.828%
T1	6.0%	1.69%	2.500%	0.563%	10.750%
Total	8.0%	2.25%	2.500%	0.563%	13.313%

The Bank complies with all supervisory requirements and other recommendations in this area.

The consolidated capital ratios, as of 31 December 2020, were calculated applying methodologies based on Internal Rating Based Models (IRB) for the calculation of capital requirements for credit and counterparty risks, covering a substantial part of both its retail portfolio in Portugal and Poland, and its corporate portfolio in Portugal. The advanced method (internal model) was used for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operating risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

4.2. Own funds and capital adequacy on 31 december of 2020 and 2019

Own funds, calculated according to the applicable regulatory norms, include tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1 (AT1).

Common equity tier 1 includes:

- (i) paid-up capital, share premium, reserves and retained earnings with the deduction of expected dividends and non-controlling interests.
- (ii) and deductions related to own shares and loans given to finance the acquisition of Bank's shares, the shortfall of value adjustments and provisions to expected losses concerning exposures whose capital requirements for credit risk are calculated under the IRB approach and goodwill and other intangible assets and the additional value adjustments required by applying prudent valuation requirements to all assets valued at fair value.

Reserves and retained earnings are adjusted by the reversal of unrealised gains and potential 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 capital requirements attributable to the minorities.

In addition, the deferred tax assets arising from unused tax losses 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 additional value adjustments under SREP as well as the irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage of non-productive exposures are also deducted.

Additional tier 1 comprises preference shares and other hybrid instruments that are compliant with CRR requirements and the minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 own funds include the subordinated debt that is compliant with the CRR requirements and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

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

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

By decision of the General Meeting of Shareholders the Bank decided to join the special regime applicable to the deferred tax assets. In terms of the tax treatment of credit impairments, the Bank remained within the adaptation period provided for in article 4 of Law No. 98/2019, of 4 September, and, in this context, the impairment losses of credits recorded in 2019 and 2020 were tax deductible in accordance with the rules set out in Regulatory Decree no. 13/2018, of 28 December, and in the previous Notice no. 3/95 of the Bank of Portugal.

The Bank has no restrictions applied to the own funds calculations, on the scope of the CRR article 437º e).

The Group does not qualify as a financial conglomerate; therefore, the capital requirements were not assessed.

The main aggregates of the consolidated own funds and own funds requirements, as of 31 December 2020 and 2019 as well as the respective capital ratios are shown in Table 9:

TABLE 9 - CAPITAL RATIO AND SUMMARY OF THE MAIN AGGREGATES

(Thousand euros)

	<i>Fully implemented</i>		<i>Phased-in</i>	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
OWN FUNDS				
Tier I	6,187,379	5,918,966	6,193,989	5,932,462
of which: Common Equity Tier I	5,651,316	5,415,326	5,657,289	5,428,513
Tier II	1,025,336	1,032,681	1,018,263	1,027,643
Total capital	7,212,715	6,951,648	7,212,252	6,960,105
RWA				
Credit risk and counterparty credit risk	39,912,807	39,468,942	40,003,475	39,528,525
Market risk	2,322,058	1,301,134	2,322,058	1,301,134
Operational risk	4,014,374	4,058,072	4,014,374	4,058,072
Credit Valuation Adjustments (CVA)	73,141	113,884	73,141	113,884
Total	46,322,379	44,942,031	46,413,048	45,001,614
CAPITAL RATIOS				
Common Equity Tier I	12.2%	12.0%	12.2%	12.1%
Tier I	13.4%	13.2%	13.3%	13.2%
Total capital	15.6%	15.5%	15.5%	15.5%

Note: The amounts and values presented at the 2020 Annual Report are different from those presented in this table, since the 2020 net profits were included in the case of the Annual Report.

The reported CET1 phased-in ratio, calculated according to our interpretation of CRD IV / CRR and the current prudential regulatory framework, stood at 12.2% on December 31, 2020 and 12.1% in the same period of 2019, exceeding, in both cases, the respective minimum regulatory levels.

The evolution of the CET1 phased-in ratio in 2020 mainly reflects the following impacts:

- Inclusion of the accumulated positive net income for the second half of 2019 (+17 basis points in the CET1 phased-in ratio).
- The changes in the pension fund recognized in reserves, after tax, led to a decrease in CET1 of 152 million euros (-34 basis points in the CET1 phased-in ratio).
- The increase in risk weighted assets, especially those related to market risk, by approximately 1.4 billion euros (-35 basis points in the CET1 phase-in ratio).
- The organic generation of capital, based on the positive net income of 2020 and on the valuation of the asset's portfolio accounted at fair value through other comprehensive income, overcame the negative impacts, keeping the ratios in line with the bank's medium-term objectives.

The table below shows the BCP Group risk weighted assets as at 31/12/20, 30/09/2020 and 31/12/2019.

TABLE 10 – TEMPLATE 4 / EU OV1 - OVERVIEW OF THE RISK WEIGHTED ASSETS (RWA)

(Thousand euros)						
	RWA			Minimum capital requirements		
	31 Dec 2020	30 Sep 2020	31 Dec 2019	31 Dec 2020	30 Sep 2020	31 Dec 2019
CREDIT RISK (EXCLUDING CCR)	37,159,709	37,253,428	36,871,770	2,972,777	2,980,274	2,949,742
of which:						
Standardised Approach	12,601,993	12,644,828	12,934,834	1,008,159	1,011,586	1,034,787
Foundation IRB (FIRB) Approach						
Advanced IRB (AIRB) Approach	24,557,716	24,608,600	23,936,936	1,964,617	1,968,688	1,914,955
Equity under the Simple Risk-weighted Approach						
CCR	342,825	367,835	522,857	27,426	29,427	41,829
of which:						
Mark to Market	269,684	291,124	408,973	21,575	23,290	32,718
Original exposure						
Standardised Approach						
Internal Model Method (IMM)						
Risk exposure amount for contributions to the default fund of a CCP						
CVA	73,141	76,711	113,884	5,851	6,137	9,111
SETTLEMENT RISK						
SECURITISATION EXPOSURES IN THE BANKING BOOK (AFTER THE CAP)	482,034	497,047	258,666	38,563	39,764	20,693
of which:						
IRB Approach	1,256	1,256	1,874	101	101	150
IRB Supervisory Formula Approach (SFA)	480,778	495,791	256,791	38,462	39,663	20,543
Internal Assessment Approach (IAA)						
Standardised Approach						
MARKET RISK	2,322,058	1,928,663	1,301,134	185,765	154,293	104,091
of which:						
Standardised Approach	1,640,364	990,002	433,699	131,229	79,200	34,696
IMA	681,694	938,660	867,435	54,536	75,093	69,395
LARGE EXPOSURES						
OPERATIONAL RISK	4,014,374	4,058,072	4,058,072	321,150	324,646	324,646
of which:						
Basic Indicator Approach						
Standardised Approach	4,014,374	4,058,072	4,058,072	321,150	324,646	324,646
Advanced Measurement Approach						
AMOUNTS BELOW THE THRESHOLDS FOR DEDUCTION (subject to 250% risk weight)	2,092,049	2,106,363	1,989,116	167,364	168,509	159,129
Floor Adjustment						
TOTAL	46,413,048	46,211,407	45,001,614	3,713,044	3,696,913	3,600,129

The following table presents the full reconciliation of own funds items to audited financial statements as at 31 December 2020 and 31 December 2019, according to the Commission Implementing Regulation (EU) No 1423/2013:

TABLE 11 – RECONCILIATION BETWEEN ACCOUNTING AND REGULATORY CAPITAL

(Thousand euros)

	31 Dec 2020	31 Dec 2019
1 Share capital	4,725,000	4,725,000
2 Own shares	-40	-102
3 Share premium	16,471	16,471
4 Preference shares		
5 Other capital instruments	400,000	400,000
6 Reserves and retained earnings	896,861	676,358
7 Net income for the period attributable to Shareholders	183,012	302,003
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	6,221,304	6,119,730
8 Non-controlling interests (minority interests)	1,131,248	1,225,870
TOTAL EQUITY	7,352,552	7,345,600
9 Own shares of CET1 not eligible instruments	-1,823	-3,010
10 Preference shares not eligible for CET1		
11 Other capital instruments not eligible for CET1	-400,000	-400,000
12 Subordinated debt fully subscribed by the Portuguese State eligible for CET1	-12,278	-157,692
13 Non-controlling interests not eligible for CET1	-442,927	-476,700
14 Other regulatory adjustments	-838,235	-879,685
Of which: Intangible assets	-44,436	-294,159
Of which: Goodwill	-184,990	-204,073
Of which: Deferred tax assets	-176,876	-120,283
Of which: Other	-431,933	-261,170
COMMON EQUITY TIER 1 (CET1)	5,657,289	5,428,513
15 Subordinated debt	400,000	400,000
16 CET1 transferred adjustments	136,700	103,949
17 T2 transferred adjustments		
18 Other Adjustments		
Of which: Intangible assets		
Of which: Shortfall of impairment to expected loss		
Of which: Residual amounts of CET1 instruments of financial entities in which the institution has a significant investment		
Of which: Other		
TIER 1 (T1)	6,193,989	5,932,462
19 Subordinated debt	765,490	821,704
20 Non-controlling interests eligible for T2	311,573	264,739
21 Preference shares eligible for T2		
22 Adjustments with impact in T2, including national filters	-58,800	-58,800
23 Adjustments that are transferred for T1 for insufficient T2 instruments		
TIER 2 (T2)	1,018,263	1,027,643
OWN FUNDS	7,212,252	6,960,105

Notes:

The sum of items 1, 2, 3 e 9 is equivalent to the item 1 of Template CC1.

Item 6 is equivalent to the sum of items 2 and 3 of Template CC1.

The sum of items 7 e 12 is equivalent to the item 5a of Template CC1.

Item 14 is equivalent to the item 28 of Template CC1.

Item 15 is equivalent to the item 30 of Template CC1.

Item 16 is equivalent to the item 34 of Template CC1.

Item 19 is equivalent to the item 46 of Template CC1.

Item 20 is equivalent to the item 48 of Template CC1.

Item 22 is equivalent to the item 55 of Template CC1.

In accordance with the instructions in the ITS (Implementing Technical Standards) issued by EBA (EBA / ITS / 2020/04), regarding the public disclosure of the information referred to in Titles II and III of part VIII of Regulation (EU) No. 575/2013, we present below the information referred to in Article 437, points a), d), e) and f), of Regulation (EU) No. 575/2013 using the EU CC1 and CC2 templates and detailed information about the main characteristics of the main equity funds instruments of level 1, additional level 1 and level 2, as defined in point 1 (b) of the said article, using the EU CCA template.

TABLE 12 – TEMPLATE EU CC1 – OWN FUNDS AT 31 DECEMBER 2020 (OWN FUNDS DISCLOSURE TEMPLATE)

(Thousand euros)

	31 Dec 20	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
COMMON EQUITY TIER 1 (CET1) CAPITAL: INSTRUMENTS AND RESERVES		
1 Capital instruments and the related share premium accounts	4,739,608	
of which: Instrument type 1	4,725,000	37
of which: Instrument type 2		
of which: Instrument type 3		
2 Retained earnings	721,731	41;43
3 Accumulated other comprehensive income (and other reserves)	175,131	41;43
3a Funds for general banking risk		
4 Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-58,410	45
5 Minority interests (amount allowed in consolidated CET1)	746,732	45
5a Independently reviewed interim profits net of any foreseeable charge or dividend	170,734	44
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	6,495,525	
COMMON EQUITY TIER 1 (CET1) CAPITAL: REGULATORY ADJUSTMENTS		
7 Additional value adjustments (negative amount)	-13,468	
8 Intangible assets (net of related tax liability) (negative amount)	-229,426	14;18
9 Empty set in the EU		
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-176,885	20
11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-39,479	43
12 Negative amounts resulting from the calculation of expected loss amounts	-24,730	
13 Any increase in equity that results from securitised assets (negative amount)		
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-408	43
15 Defined-benefit pension fund assets (negative amount)	-93,041	21
16 Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-37	
17 Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
20 Empty set in the EU		
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
20b of which: qualifying holdings outside the financial sector (negative amount)		
20c of which: securitisation positions (negative amount)		
20d of which: free deliveries (negative amount)		
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-52,915	20
22 Amount exceeding the 17,65% threshold (negative amount)	-145,614	
23 of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-59,656	14
24 Empty set in the EU		
25 of which: deferred tax assets arising from temporary differences	-85,959	20
25a Losses for the current financial year (negative amount)		
25b Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
26 Empty set in the EU		
27 Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	-62,231	14, 20, 21

28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-838,235	
29	Common Equity Tier 1 (CET1) capital	5,657,289	
ADDITIONAL TIER 1 (AT1) CAPITAL: INSTRUMENTS			
30	Capital instruments and the related share premium accounts	400,000	40
31	of which: classified as equity under applicable accounting standards	400,000	
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR		
33a	Amount of qualifying items referred to in Article 494a (1) CRR subject to phase out from AT1		
33b	Amount of qualifying items referred to in Article 494b (1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	136,700	45
35	of which: instruments issued by subsidiaries subject to phase out	636	45
36	Additional Tier 1 (AT1) capital before regulatory adjustments	536,700	
ADDITIONAL TIER 1 (AT1) CAPITAL: REGULATORY ADJUSTMENTS			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
42a	Other regulatory adjustments to AT1 capital		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital		
44	Additional Tier 1 (AT1) capital	536,700	
45	Tier 1 capital (T1 = CET1 + AT1)	6,193,989	
TIER 2 (T2) CAPITAL: INSTRUMENTS			
46	Capital instruments and the related share premium accounts	765,490	26
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		
47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	311,573	26, 45
49	of which: instruments issued by subsidiaries subject to phase out	-7,073	
50	Credit risk adjustments		
51	Tier 2 (T2) capital before regulatory adjustments	1,077,063	
TIER 2 (T2) CAPITAL: REGULATORY ADJUSTMENTS			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
54a	Empty set in the EU		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-58,800	5
56	Empty set in the EU		
56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
56b	Other regulatory adjustments to T2 capital		
57	Total regulatory adjustments to Tier 2 (T2) capital	-58,800	
58	Tier 2 (T2) capital	1,018,263	
59	Total capital (TC = T1 + T2)	7,212,252	
60	Total Risk exposure amount	46,413,048	

CAPITAL RATIOS AND BUFFERS		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	12.2%
62	Tier 1 (as a percentage of total risk exposure amount)	13.3%
63	Total capital (as a percentage of total risk exposure amount)	15.5%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	8.8%
65	of which: capital conservation buffer requirement	2.5%
66	of which: countercyclical buffer requirement	0.0%
67	of which: systemic risk buffer requirement	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.6%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.69%
69	[non relevant in EU regulation]	
70	[non relevant in EU regulation]	
71	[non relevant in EU regulation]	
AMOUNTS BELOW THE THRESHOLDS FOR DEDUCTION (BEFORE RISK WEIGHTING)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	50,462
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	414,808
74	Empty set in the EU	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	511,657
APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	158,942
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	155,818
CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN 1 JAN 2014 AND 1 JAN 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

TABLE 13 – TEMPLATE EU CC2 – RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS

(Thousand euros)

	Balance sheet as in published financial statements 31 Dec 20	Under regulatory scope of consolidation 31 Dec 20	Reference to Template CC1
ASSETS			
1 Cash and deposits at Central Banks	5,303,864	5,303,862	
2 Loans and advances to credit institutions repayable on demand	262,395	261,374	
3 Financial assets at amortised cost			
4 Loans and advances to credit institutions	1,015,087	1,006,140	
5 Loans and advances to customers	52,120,815	52,134,631	
Of which:			
Subordinated loans		58,800	55
6 Debt instruments	6,234,545	6,214,057	
7 Financial assets at fair value through profit or loss			
8 Financial assets held for trading	1,031,201	1,025,062	
9 Financial assets not held for trading mandatorily at fair value through profit or loss	1,315,467	1,626,336	
10 Financial assets designated at fair value through profit or loss			
11 Financial assets at fair value through other comprehensive income	12,140,392	12,160,599	
12 Assets with repurchase agreement			
13 Hedging derivatives	91,249	91,249	
14 Investments in associated companies	434,959	466,674	
Of which:			
Direct, indirect, and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		59,656	23
Other regulatory adjustments to CET1 capital		23	27a
Goodwill		37,249	8
15 Non-current assets held for sale	1,026,481	793,533	
16 Investment property	7,909	2,891	
17 Other tangible assets	640,824	569,619	
18 Goodwill and intangible assets	245,954	245,203	
Of which:			
Goodwill and intangible assets, excluding software classified as intangible assets not within the scope of article 13a of Regulation 241/2014		192,178	8
19 Current tax assets	11,676	11,662	
20 Deferred tax assets	2,633,790	2,628,727	
Of which:			
Deferred tax assets that rely on future profitability excluding those arising from temporary differences		176,885	10
Arising from temporary differences (amount above 10% threshold)		52,915	21
Arising from temporary differences (amount above 17,75% threshold)		85,959	25
Other regulatory adjustments to CET1 capital		-6,624	27a
21 Other assets	1,296,811	1,262,856	
Of which:			
Defined-benefit pension fund assets		93,041	15
Single resolution fund		17,276	27a
Total Assets	85,813,420	85,804,474	
LIABILITIES			
22 Financial liabilities at amortised cost			
23 Resources from credit institutions	8,898,759	8,898,759	
24 Resources from customers	63,000,829	63,047,962	
25 Non subordinated debt securities issued	1,388,849	1,388,849	
26 Subordinated debt	1,405,172	1,405,172	
Of which:			
Capital instruments and the related share premium accounts		765,490	46
Qualifying own funds instruments issued by subsidiaries and held by third parties		129,307	48, 49
27 Financial liabilities at fair value through profit or loss			
28 Financial liabilities held for trading	278,851	278,851	
29 Financial liabilities at fair value through profit or loss	1,599,405	1,599,405	

31	Hedging derivatives	285,766	285,766	
32	Non-current liabilities held for sale			
33	Provisions	443,799	408,146	
34	Current tax liabilities	14,827	15,522	
35	Deferred tax liabilities	7,242	7,222	
36	Other liabilities	1,103,651	1,116,267	
Total Liabilities		78,427,150	78,451,921	
EQUITY				
37	Share capital	4,725,000	4,725,000	1
38	Share premium	16,471	16,471	1
39	Preference shares			
40	Other equity instruments	400,000	400,000	31
41	Legal and statutory reserves	254,464	254,464	2;3
42	Treasury shares	-40	-40	1
43	Reserves and retained earnings	642,397	642,397	2;3;11;14
44	Net income for the year attributable to Shareholders	183,012	183,012	5a
Total Equity attributable to Shareholders		6 221 304	6,221,304	
45	Non-controlling interests	1,164,966	1,131,248	
	Of which:			
	Amount allowed in consolidated CET1		688,322	4, 5
	Amount allowed in consolidated AT1		137,336	34, 35
	Amount allowed in consolidated T2		175,193	48, 49
Total Equity		7,386,270	7,352,552	
Total Liabilities and Equity		85,813,420	85,804,474	

TABLE 14 – TEMPLATE EU CCA – MAIN FEATURES OF OWN FUNDS' INSTRUMENTS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1 Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	BCP Finance Bank, Ltd.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	PTBIVXOM0013	PTBIVXOM0077	PTBIUGOM0072	X0686774752	PTBCPWOM0034	PTBIT3OM0098	PLBIG0000453	PLBIG0000461	PTBCPFOM0043	PTBCPOAM0015
2a Public or private placement	Private placement	Private placement	Private placement	Public placement	Public placement	Public placement	Public placement	Public placement	Public placement	Public placement
3 Governing law(s) of the instrument	English and Portuguese law	English and Portuguese law	English and Portuguese law	English law	English and Portuguese law	English and Portuguese law	Polish law	Polish law	English and Portuguese law	Portuguese law
3a Contractual recognition of write down and conversion powers of resolution authorities	No	No	No	No	Yes	Yes	N/A	N/A	Yes	N/A
REGULATORY TREATMENT										
4 Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Common Equity Tier 1
5 Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Common Equity Tier 1
6 Eligible at solo/(sub-)consolidated/ solo/(sub-)consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated
7 Instrument type (types to be specified by each jurisdiction)	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Other Capital Instruments	Ordinary Shares
8 Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	5 573 333	3 240 611	2 158 333	4 517 410	300 000 000	450 000 000	59 160 098	70 146 974	399 999 980	4 723 137
9 Nominal amount of instrument	114 000 000	64 100 000	35 000 000	98 850 000	300 000 000	450 000 000	PLN 700.000.000 (153.498.673)	PLN 830.000.000 (182.005.570)	400 000 000	N/A
9a Issue price	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A
9b Redemption price	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A
10 Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity	Shareholders' equity
11 Original date of issuance	28 March 2011	1 April 2011	21 April 2011	13 October 2011	07 December 2017	27 September 2019	07 December 2017	30 January 2019	31 January 2019	N/A
12 Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Perpetual	No maturity
13 Original maturity date	28 March 2021	1 April 2021	21 April 2021	13 October 2021	07 December 2027	27 March 2030	07 December 2027	30 January 2029	N/A	N/A
14 Issuer call subject to prior supervisory approval	Yes	Yes	Yes	N/A	Yes	Yes	Yes	Yes	Yes	N/A
15 Optional call date, contingent call dates and redemption amount	In case of Capital Disqualification Redemption Event. The Notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The Notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The Notes will be redeemed at par.	N/A.	07 December 2022. Existence of call option, at any moment, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	27 March 2025. Existence of call option, at any moment, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	08 December 2022. Existence of call option, on each interest payment date, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	30 January 2024. Existence of call option, on each interest payment date, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	First date: 31 January 2024. Existence of call option, on each interest payment date, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	N/A
16 Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	First call date and on each interest payment date thereafter	N/A

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1 Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	BCP Finance Bank, Ltd.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
COUPONS/DIVIDENDS										
17 Fixed or floating dividend/coupon	Floating	Floating	Floating	Fixed	Fixed (reset)	Fixed (reset)	Floating	Floating	Fixed	Floating
18 Coupon rate and any related index	Euribor 3m + 3.75%	Euribor 3m + 3.75%	Euribor 3m + 3.75%	13.00%	First 5 years: 4.5% Refixing at the end of the 5th year: MS 5y rate + Initial Margin (4.267%)	First 5.5 years: 3.871% Refixing at the end of the 5.5th year: MS 5y rate + Initial Margin (4.231%)	Wibor 6M + 2.30%	Wibor 6M + 2.30%	MS 5y rate + 941.4 bps First 5 years; Refixing every 5 years. Until 31 January 2019: 9.25%	N/A
19 Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	N/A
20a Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary	Fully discretionary
20b Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary	N/A
21 Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No	N/A
22 Noncumulative or cumulative	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Noncumulative	Noncumulative
23 Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible
24 If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25 If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26 If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27 If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28 If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29 If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1 Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	BCP Finance Bank, Ltd.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
30 Write-down Features	No	No	No	No	N/A	No	N/A	No	Yes	No
31 If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	CET1 ratio below 5.125%	N/A
32 If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Partial	N/A
33 If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Permanent or temporary	N/A
34 If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(3)	N/A
34a Type of subordination (only for eligible liabilities)	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual	Contractual	Legal
34b Ranking of the instrument in normal insolvency proceedings	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Tier 1
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Senior Debt Non-Preferred	Tier 2	Additional Tier 1
36 Non-compliant transitioned features	No	No	No	No	N/A	No	N/A	N/A	N/A	Não
37 If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37a Link to the full term and conditions of the instrument (signposting)	Debt / Issue - Millenniumbcp						Seria-C-Warunki-Emisji-EBK-C-01122021.pdf (bankmillennium.pl)	NOTA_INFORMACYJNA_Millennium_seriaW.pdf (gpwcatalyst.pl)	FINAL_Offering_Circular_29012019.pdf (millenniumbcp.pt)	N/A

¹⁴ Amount included in the calculation of Bank's Own Funds (phased-in) as of 31 December 2020

¹⁵ On the Issue Date

¹⁶ Always subject to compliance with the regulations in force and with the terms and conditions of the issue, if, at any moment, while the issued bonds are written down, the issuer records a profit, he can, at his exclusive and absolute discretion, Decide to increase the nominal value of the bonds by an amount stipulated by him.

TABLE 15 – UNIFORM DISCLOSURE OF IFRS9 TRANSITIONAL ARRANGEMENTS

Given that the Bank decided to adopt the option of recognizing the impacts of IFRS9 in stages, in accordance with the provisions of article 473-A of the CRR, the following is a model for comparing own funds, own funds and leverage ratios of institutions with and without the application of the IFRS9 transitional regime or similar expected credit losses, as referred to in the EBA / GL / 2018/01 guidelines, regarding the uniform disclosure of the transitional regime to reduce the impact of the introduction of IFRS 9 on funds own. On the other hand, under the guidelines EBA / GL / 2020/12, the Bank decided not to apply the temporary treatment regime for unrealized gains and losses valued at fair value through other comprehensive income, in accordance with article 468s of CRR.

(Thousand euros)		31 Dec 2020	30 Sep 2020	30 Jun 20	31 Mar 20	31 Dec 2019
AVAILABLE CAPITAL (AMOUNTS)						
1	Common Equity Tier 1 (CET1) capital	5 657 289	5 654 579	5 604 550	5 415 019	5 428 513
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5 642 174	5 547 734	5 547 734	5 401 299	5 405 558
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied					
3	Tier 1 capital	6 193 989	6 186 791	6 137 886	5 941 612	5 932 462
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6 181 374	6 081 070	6 081 070	5 927 539	5 909 199
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					
5	Total capital	7 212 252	7 206 485	7 172 128	6 977 631	6 960 105
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7 209 990	7 115 312	7 115 312	6 964 960	6 938 635
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					
RISK-WEIGHTED ASSETS (AMOUNTS)						
7	Total risk-weighted assets	46 413 048	46 211 407	46 218 107	45 547 033	45 001 614
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	46 316 405	46 196 676	46 196 676	45 487 553	44 932 277
CAPITAL RATIOS						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	12,2%	12,2%	12,1%	11,9%	12,1%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12,2%	12,0%	12,0%	11,9%	12,0%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					
11	Tier 1 (as a percentage of risk exposure amount)	13,3%	13,4%	13,3%	13,0%	13,2%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13,3%	13,2%	13,2%	13,0%	13,2%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					
13	Total capital (as a percentage of risk exposure amount)	15,5%	15,6%	15,5%	15,3%	15,5%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15,6%	15,4%	15,4%	15,3%	15,4%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					
LEVERAGE RATIO						
15	Leverage ratio total exposure measure	92 784 123	93 001 905	93 544 670	85 510 155	86 268 722
16	Leverage ratio	6,68%	6,65%	6,56%	6,95%	6,88%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,67%	6,62%	6,50%	6,93%	6,85%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied					

The main objective of the countercyclical reserve is to ensure that the Bank has an adequate capital buffer to allow it to absorb unexpected losses in a situation of negative systemic shock, thus not compromising the granting of credit to the real economy. Banco de Portugal is responsible for defining the value of the countercyclical reserve, measured as a percentage of the total amount of exposures (between 0% and 2.5%). As mentioned in section 4.1, Banco de Portugal decided that the percentage of countercyclical capital reserve to be in force in the 4th quarter of 2020 would be 0%, for counterparties domiciled in Portugal. In compliance with the information disclosure requirements provided in Article 440, paragraph 1, point a) of the CRR, table 16 shows the geographic distribution of the credit risk positions relevant for calculating the cyclical reserve of own funds and in the table 17 the determination of the countercyclical reserve for capital requirements (cf. Delegated Regulation (EU) 2015/1555).

TABLE 16- GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

(Thousand euros)

31/12/2020

Country code	Country	Own		Trading book exposures		Securitisation exposures		Own funds requirements				Own funds requirements weights	Countercyclical capital buffer
		Exposure value for Standardised Approach	Exposure value IRB Approach	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for Standardised Approach	Exposure value IRB Approach	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
DE	Germany	10 537	95 230					6 817			6 817	0,2844%	0,0000%
AO	Angola	66 258	244 710					9 949			9 949	0,4151%	0,0000%
BR	Brazil	27 767	119 906					2 611			2 611	0,1089%	0,0000%
ES	Spain	149 143	206 099					24 967			24 967	1,0417%	0,0000%
US	United States	26 782	136 417					16 793			16 793	0,7006%	0,0000%
FR	France	10 853	356 451					12 825			12 825	0,5351%	0,0000%
KW	Kuwait	5	8 941					2 430			2 430	0,1014%	0,0000%
LU	Luxembourg	95 477	63 937					7 018			7 018	0,2928%	0,2500%
MO	Macao										0		
MZ	Mozambique	415 752	128 986					24 257			24 257	1,0121%	0,0000%
NL	Netherlands	11 119	964 348					54 131			54 131	2,2585%	0,0000%
PL	Poland	9 839 559	6 968 993					637 184			637 184	26,5847%	0,0000%
PT	Portugal	4 509 424	43 016 154	473 353			1 533 593	1 543 856	58	38 563	1 582 477	66,0244%	0,0000%
GB	United Kingdom	38 448	264 084					4 505			4 505	0,1880%	0,0000%
CH	Switzerland	5 827	395 886					4 463			4 463	0,1862%	0,0000%
TOTAL		15 297 704	53 025 864	473 353	0	0	1 533 593	2 358 184	58	38 563	2 396 805	100,0%	-

TABLE 17 – CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

	(Thousand euros)
	31/12/2020
Total amount of exposures for determining the countercyclical capital buffer	46 413 048
Countercyclical capital buffer rate (institution-specific)	0,000731967%
Countercyclical capital buffer (institution-specific)	340

4.3. Leverage ratio on 31 december 2020

The calculation of the regulatory leverage ratio is specified in article 429 of the CRR, modified by the Delegated Act no. 62/2015 of 10 October 2014.

The leverage ratio is defined as the proportion of tier 1 capital (either in a phased-in or fully implemented mode) divided by the exposure measure, i.e. balance sheet and off-balance-sheet assets after certain value adjustments, related namely to intra-group exposures, to securities financing transactions (SFT's), to items deducted from the total capital ratio's numerator and off-balance-sheet items, to account for different risk profiles of each type of exposure (in SFT's and derivatives add-ons for future risks are considered while in off-balance sheet items different CCFs are considered according to the risk of the exposure).

The following table shows the values of the consolidated leverage ratio, on a phased-in basis, on December 2020 and June 2020:

TABLE 18 – LEVERAGE RATIO ON 31 DECEMBER 2020 AND ON 30 JUNE 2020

		(Thousand euros)	
		31/12/2020	30/06/2020
Summary reconciliation of accounting assets and leverage ratio exposures		Applicable amount	Applicable amount
1	Total assets as per published financial statements	85,813,421	86,556,426
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-3,315	-14,105
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	
4	Adjustments for derivative financial instruments	0	
5	Adjustment for securities financing transactions (SFTs)	0	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	7,223,383	6,678,132
UE-6a	Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013	0	
UE-6b	Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013	0	
7	Other adjustments	-249,366	324,218
8	Leverage ratio total exposure measure	92,784,123	93,544,670

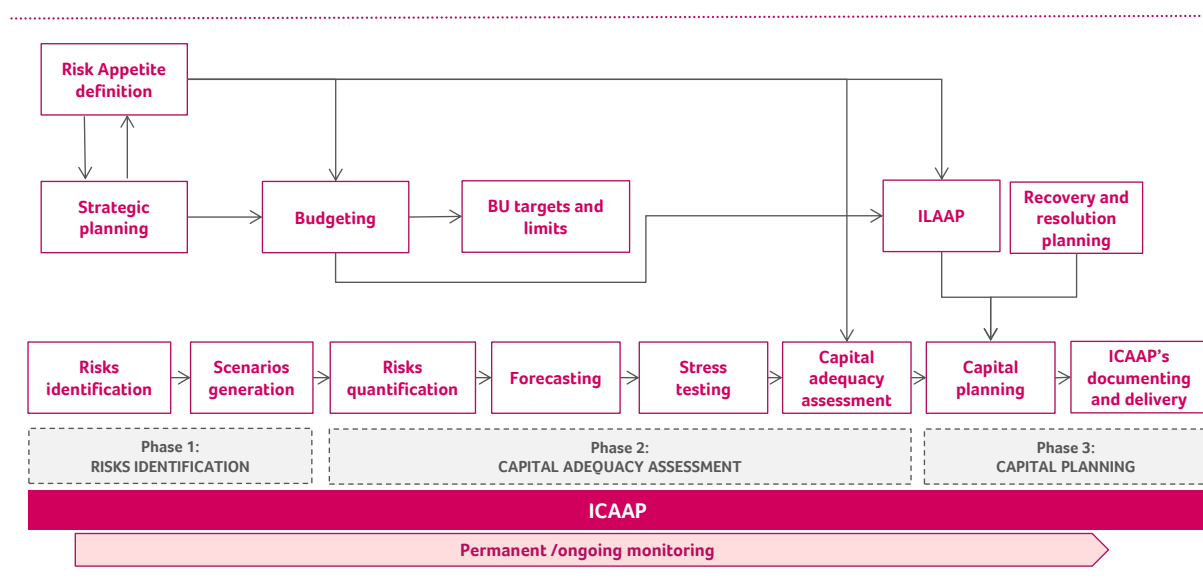
Leverage ratio common disclosure		31/12/2020	30/06/2020
		Applicable amount	Applicable amount
ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFT AND FIDUCIARY ASSETS)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	85,851,688	86,999,329
2	Asset amounts deducted in determining Tier 1 capital	-825,493	-878,712
3	Total of on-balance exposures (excluding derivatives, SFT and fiduciary assets) = sum of lines 1 and 2	85,026,195	86,120,617
ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFT AND FIDUCIARY ASSETS)			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	376,749	437,485
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	274,156	425,477
UE-5a	Exposure determined under the Original Exposure Method	0	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	

7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	-132,910	-129,380
8	Exempted CCP leg of client-cleared trade exposures	0	
9	Adjusted effective notional amount of written credit derivatives	2,000	2,000
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	0	
11	Total of derivatives exposures = sum of lines 4 to 10	519,995	735,582
SFT EXPOSURES			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	14,550	14,711
13	Netted amounts of cash payables and cash receivables of gross SFT assets	0	
14	Counterparty credit risk exposure for SFT assets	0	
UE-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0	
15	Agent transaction exposures	0	
UE-15a	Exempted CCP leg of client cleared SFT exposure	0	
16	Total of SFT exposures = sum of lines 12 to 15a	14,550	14,711
OTHER OFF-BALANCE SHEET EXPOSURES			
17	Off-balance sheet exposures at gross notional amount	15,790,203	14,397,646
18	Adjustments for conversion to credit equivalent amounts	-8,566,820	-7,719,514
19	Total of other off-balance sheet exposures = sum of lines 17 and 18	7,223,383	6,678,132
EXEMPTED EXPOSURES IN ACCORDANCE WITH ARTICLE 429 (7) AND (14) OF REGULATION (EU) NO 575/2013 (ON AND OFF-BALANCE SHEET)			
UE-19a	Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet)	0	0
UE-19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off-balance sheet)	0	0
EXEMPTED EXPOSURES IN ACCORDANCE WITH ARTICLE 429 (7) AND (14) OF REGULATION (EU) NO 575/2013 (ON AND OFF-BALANCE SHEET)			
20	Tier 1 capital	6,193,989	6,137,886
21	Leverage ratio total exposure measure	92,784,123	93,549,040
LEVERAGE RATIO			
22	Leverage ratio	6.7%	6.6%
CHOICE ON TRANSITIONAL ARRANGEMENTS AND AMOUNT OF DERECOGNISED FIDUCIARY ITEMS			
UE-23	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
UE-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0	0

Breakdown of on-balance sheet exposures (excluding derivatives, SFT and exempted exposures)		31-12-20	30-06-20
UE-1	Total on-balance sheet exposures (excluding derivatives, SFT, and exempted exposures), of which:	85,851,688	86,999,329
UE-2	Trading book exposures	550,303	1,699,904
UE-3	Banking book exposures, of which:	85,301,385	85,299,425
	Covered bonds	0	0
	Exposures treated as sovereigns	19,413,325	18,540,034
	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	1,402,853	1,265,311
	Institutions	1,279,122	1,521,617
	Secured by mortgages of immovable properties	26,492,603	26,470,479
	Retail exposures	10,208,239	9,726,205
	Corporate	15,111,551	15,078,528
	Exposures in default	2,508,637	3,362,750
	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	8,885,055	9,334,502

4.4. Internal capital adequacy assessment process (ICAAP)

The Bank's internal capital adequacy to cover the level of risks to which the Group's activity is subject is subject to permanent monitoring in the scope of the ICAAP (Internal Capital Adequacy Assessment Process). The following figure summarizes the process in question:



The ICAAP is a key process within the BCP Group's risk management function and is developed under an internal governance model that guarantees the involvement of the Board of Directors (the body responsible for approving the results) and its Committee for Risk Assessment (CAvR), the EC and the top management of the Group, in its various phases.

The results of the ICAAP allow the Bank's management bodies – namely, the Board of Directors and the Executive Committee – to test if the Group's capitalisation is appropriate for the risks stemming from its activities and if the strategic plan and budget are sustainable in the medium term and comply with the risk limits defined in the Risk Appetite Statement (RAS) approved for the Group, allowing the Bank to anticipate possible situations of weakness and, if necessary, to develop active capital management policies in order to ensure the adequacy of both the solvency levels and the return on capital.

For this purpose, the ICAAP starts from a prospective view of the impacts of the materialization of the various risks on the Group's capital (capital requirements), considering the respective scale or dimension, complexity, frequency, probability of occurrence and materiality, having as a backdrop fund the developments projected for the Group's activity in a medium-term time horizon (3 years). The impacts are estimated from a normative and economic perspective and consider different scenarios, including stress scenarios with a severely penalizing evolution of macroeconomic indicators. Through this process, it is possible to test the Group's resilience, checking if the capital levels are adequate to cover the risks to which its activities may be subject. To this end, the different risks are modelled or incorporated within the framework of the Group's stress testing methodology.

The process of identifying the material risks to which the Group's activity is subject (risk identification process) constitutes the first phase of each ICAAP cycle. This process involves the top management of the Bank and the main subsidiaries abroad, following a methodological approach based on an internal taxonomy of risks covering more than 60 different types of risks and defined materiality limits, assessing the importance for the Group's activity of each type of risk, based on the probability of occurrence and the magnitude of the impacts – either before or after the application of risk mitigation measures

The result of this stage is the list of material risks to be considered by the ICAAP, as well as supporting data for the definition of the variables to be considered for the establishment of the base and the stressed scenarios, mentioned ahead. The approval of the results of the risks identification process is a capacity attributed to the RAC.

Besides all risks considered to be material, the Group integrates in the ICAAP all of Basel's Pillar I risks, even if these do not attain levels that are material, at Group level.

In parallel, the base and stressed scenarios that are the ICAAP's framework are defined taking into consideration the main geographies in which the Group develops its business. While the baseline scenario corresponds to the Group's view on the most probable evolution of the medium-term business constraints, the stress scenarios incorporate extreme conditions, with a low probability of occurrence and with a severe expected impact over the Group's activity. The approval of the scenarios to be considered in ICAAP is also a responsibility assigned to the RAC.

In the third phase, the impact of the risks identified on the reference date is modelled, determining the capital requirements for that date. All material risks identified by the Bank are quantified in terms of impact at the level of the RWA, or in results, according to a set of methodologies and internal models, formally approved, documented, validated and audited internally, considering a level of significance aligned with capital requirements under Regulation (EU) 575/2013 (CRR - Capital Requirements Regulation) or Solvency 2 and a time horizon of 1 year (although for the trading portfolio, given the respective nature, the term is less than 1 year). Non-quantifiable or non-material risks are considered through an additional capital buffer. The approval of the methodologies for estimating the impact of risks on the Group's activity is the responsibility of the Risk Committee

In the prospective component, scenarios for the projections of the Group's activities are considered with a medium-term time horizon (3 years): a baseline scenario – corresponding to the current vision of the Group's management – and adverse scenarios that severely penalise the macroeconomic indicators, in order to test the Group's resilience under extreme scenarios and if it has adequate capital levels to cover the risks to which its activity may be subject, even in adverse conditions.

Within the ICAAP with reference 31 of December of 2020, the Group has considered the following risks (as materially relevant ones, after mitigation effects, or considered within the scope of Pillar I):

TABLE 19 – MATERIAL RISKS

Credit risk	Counterparty credit risk
	Default risk
	Issuer risk
	Securitisation risk
	Sovereign risk
Concentration risk	Geographic concentration
	Single-name concentration
Market risks	Non-traded market risk - FX rate risk BB
	Traded market risk
Business risks	Economic risk
	Strategy risk
	IT strategy risk
	Participations risk
Operational risk	External fraud risk
	ICT risk – cyber risk
	ICT risk – data integrity risk
	ICT risk – change risk
	Financial crime risk
	Litigation risk
Interest rate risk (IRR)	Interest rate risk of the Banking Book (Gap risk)
Real Estate risk	Real Estate market risk
Other risks	Exposure to the insurance sector risk
	Resolution Fund risk
	Pension fund risk

These risks are modelled or incorporated into the Group's stress testing methodology framework, producing estimated impacts on capital levels both through the impact on operating results or through changes in the risk-weighted assets (RWA) levels.

Once the impacts of the various risks on the Group's operating account and balance sheet – in particular, over own funds – have been estimated, the Group is able to assess the adequacy of its risk-absorbing capacity against the expected profile for its activity.

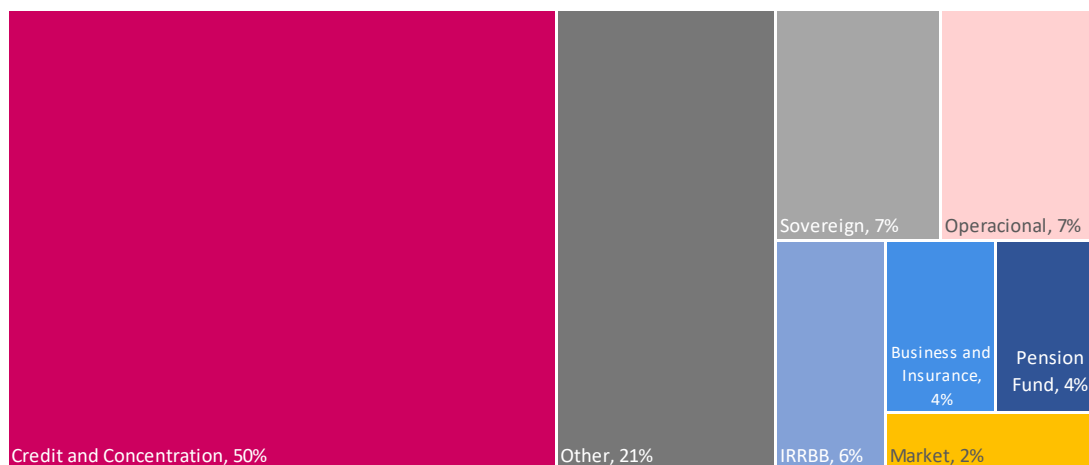
The Group assumes a high quality Risk-Taking Capacity (RTC) in line with the definition of regulatory capital ratios under Directive 2013/36 / EU and CRR, including some adjustments to include others capital elements or instruments that the Group considers appropriate to cover existing risks, prudently projected over the time horizon under analysis.

In the ICAAP on December 31, 2020, the Bank adjusted the process in order to integrate the impacts related to the Covid-19 pandemic, namely in the credit risk, in particular with regard to the end of the measures to support the economy, namely the credit default, and also with regard to the risk of litigation in the Polish Swiss franc credit portfolio, in view of the legal and legal developments in that country.

The Bank considers that in December 2020 the amounts of economic and regulatory capital held were sufficient to adequately capitalize the risks to which the Group was exposed on that date.

The table below shows the distribution of the capital requirements per type of risk:

TABLE 20 – INTERNAL CAPITAL REQUIREMENTS PER TYPE OF RISK



Credit risk, given the nature of the Bank's activity, presents itself as the most relevant risk justifying 50% of the internal capital needs. Sovereign risk, including default risk and spread risk, represents 7%, influenced by the volume of investments of the Group's excess liquidity in public debt securities. The capital requirements for other risks correspond to 21% of the capital needs and the estimated capital needs for the litigation risk associated with the Swiss Franc mortgage loan portfolio at Bank Millennium represents around 55% of this amount.

On a quarterly basis, the Bank updates the quantification of ICAAP's main material risks, reporting the results to the Bank's management bodies. In case of significant changes in the Group's risk profile, the internal capital adequacy assessment model is fully processed.

ICAAP is subject to independent validation carried out by the Office for the Validation and Monitoring of Models (GAVM) and audited by the Audit Department.