REPORT & ACCOUNTS 2019

Millennium bcp

2019
REPORT & ACCOUNTS

Pursuant to article 8 of the Regulation 5/2008 of the CMVM, please find herein the transcription of the

2019 Annual Report

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment
Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital Euros 4,725,000,000.00
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

The 2019 Annual Report is a translation of the “Relatório e Contas de 2019” document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the “Relatório e Contas de 2019” prevails.

All references in this document to the application of any regulations and rules refer to the respective version currently in force.

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Miguel Maya
Chief Executive Officer
Vice-Chairman of the
Board of Directors

Nuno Amado
Chairman of the
Board of Directors

Joint Message of the Chairman of the Board of Directors and of the CEO

In 2019, Portugal's GDP grew 2.2%, exceeding the euro area average (1.2%). Dynamic private consumption and the acceleration of fixed investment, powered by the construction sector as the real estate market showed renewed activity, compensated for the slowdown in exports of goods and services. The improvement of the economic situation and lower financing costs for the Portuguese Republic proved crucial for the consolidation of public finances and for the reduction of the public debt-to-GDP ratio, which fell to 117.7% in 2019 from an historic high of 132.9% in 2014.

In Poland, despite robust domestic demand, GDP slowed to 4.1% in 2019 from 5.2% the previous year, penalized by the slowdown in external demand. Even so, the growth of the Polish economy remained nonethless among the highest in the European Union.

In Mozambique, GDP growth was the lowest since 2016 (2.2%), as a result of the weak performance of agricultural activity, following the cyclones that hit the country in early 2019, the restructuring of public debt, and the decrease in foreign direct investment flows. However, the ongoing reconstruction process and the planned natural gas exploration projects are expected to underpin the recovery of economic activity in the near future.

The financial sector continued to face important challenges that affected activity and profitability, in particular for banks with retail and commercial banking business models, dealing with a long-running negative interest rate environment and with a regulatory framework that is not always homogeneous, with specific differences at the domestic level that create asymmetries in a competitive context in which new external operators are increasingly active.

In this context of greater volatility and unpredictability, Millennium bcp delivered consolidated net profits of Euros 302 million for 2019, which, despite reflecting a 29% improvement in the activity-related earnings, were strongly influenced by non-usual items with an aggregate negative impact of 86.9 million euros. Of particular importance was the non-usual negative tax impact of 53.8 million euros in Portugal, related to the derecognition of deferred tax assets as a result of legislative changes in 2019, aggravated by the current interest rate environment.

Consolidated profit before tax grew 12.4% in 2019 compared to the previous year, to 627.3 million euros, with pretax profit in Portugal growing 79%.

The contribution of the activity in Portugal to the consolidated net profit for 2019 was 144.8 million euros, rising 25.4% from the previous year, together with a 6.6% grwoth in total customer funds and a prudent and balanced growth in loans, translated into a 1.1 billion euros increase in the performing loan portfolio, up 3.3% compared to 2018.

International operations contributed 143.8 million euros to consolidated net profit, a decrease of 23.1% compared to the previous year, influenced by non-recurring items in Poland and by the equity accounted earnings of the holding in Banco Millennium Atlântico in Angola.

Bank Millennium in Poland ended the year with net profit of 130.5 million euros and an ROE of 6.4%, with a 26% growth in core income, which, in addition to the full incorporation of Euro Bank SA acquired in May, confirms the capacity for growth implicit the bank's business model. The successful integration of Euro Bank SA, completed in a very short period (less than 6 months after the closing of the acquisition), was the result of proper planning and rigorous execution that allowed the bank to bring forward the achievement of synergies from this operation to 2020. In addition to the positive effect on the increase in business volumes, the incorporation of Euro Bank SA also had the expected negative impacts, with integration costs and with the constitution of additional impairments due to the initial recognition of the acquired loan portfolio.

Also in Poland, the financial year was unfavorably affected by the constitution of an extraordinary provision for risks arising from the litigation related to foreign currency mortgage loans, a product that ceased to commercialized in 2008. This provision is a precautionary measure aimed at mitigating a risk that in became more pronounced in 2019, as the subject gained intense judicial and media visibility. The bigger picture, however, remains unclear, as there remains a high degree of uncertainty about the outcome of the legal proceedings. The cases vary due to the different nature of the underlying contracts but also, even for contracts with very similar wording,they also depend on the judges who analyse them, which means there is still no solid statistical basis on which to infer trends in litigation.

In Mozambique, despite the economic environment of the previous year, Millennium bim's confirmed the trend seen in previous years, recording a net profit of 99.5 million euros, a 3.2% increase from 2018, and achieving an ROE of 20.3%.

In Angola, despite the important set of economic reforms implemented under the International Monetary Fund's assistance program, the economic situation remains challenging. The contribution of Banco Millennium Atlântico to the consolidated net profit in 2019 was 2.5 million euros, a reduction of 13 million euros compared to 2018, reflecting the reinforcement of coverage by impairments and provisions as well as the impact of the end of the application of IAS 29, as a result of Angola no longer qualifying as a hyperinflationary economy.

In 2019, Millennium bcp improved asset quality, reducing Non-Performing Exposures (NPEs) by 1.3 billion euros on a consolidated basis and by.6 billion euros in Portugal, thus continuing to accelerate the fulfillment of the objectives established in this area, which are of critical importance to consolidating confidence in the bank. At the same time, impairment coverage also increased, from 52% to 58%, with total coverage reaching 116% (109% as of December 31, 2018), together with a consistent decline in the cost of risk to 72 basis points in 2019 from 92 basis points in 2018.

The capital position adjusted to the Bank's business model, with the Common Equity Tier 1 (CET1) ratio on a fully-implemented basis at 12.2% at the end of 2019, an increase of 21 basis points compared to the previous year, and the total capital ratio at 15.6%, both ratios clearly above the regulatory requirements defined by SREP. Organic capital generation, and issues of Additional Tier 1 (AT1) in January 2019 and of Tier 2 (T2) in September 2019, more than compensated for the capital impacts of the acquisition of Euro Bank SA and the revision of the discount rate for the pension fund.

The consolidated regulatory liquidity coverage ratio stood at 216% at the end of December 2019, comfortably above the minimum requirement of 100%, while the net loans-to-deposits ratio remained relatively stable compared to 2018, standing at 86% on December 31, 2019, with a 10.3% increase in balance-sheet customer funds and an 11.1% increase in performing loans.

The integration of Euro Bank SA and the robust commercial dynamics across geographies allowed Millennium bcp to continue expanding its global customer base in 2019, adding 705,000 customers compared to December 31, 2018, including an increase of 141,000 customers in Portugal. This expansion reflects customer recognition and confidence, the significant growth in the number of mobile customers – which in global terms exceeded 2.2 million and represent 40% of the customer base – is an important sign for the future profitability and sustainability of the business model.

This increase in the bank's customer base, combined with the a deep commercial relationship, drove the main business indicators to improvement significantly, with net loans to customers growing 8.6%, reaching 52.2 billion euros and total customer deposits increasing 10.3%, to more than Euros 81.6 billion, of which 62.6 billion euros are on-balance sheet funds.

The improvement has been acknowledged by Stakeholders, including Rating Agencies, whose upgrades in 2019 atested the improvement of profitability, asset quality and business model of Millennium bcp, with emphasis on the investment grade ratings attributed by DBRS to the bank's senior debt and by Moody's to the bank's deposits.

An exogenous, totally unexpected factor has recently emerged: the outbreak of the SARS-CoV-2 virus (Coronavirus), which has a high rate of contagion and resulted in the rapid spread of the COVID-19 disease on a global scale, with a significant mortality rate. This led to the declaration of a pandemic by the World Health Organization on March 11, 2020. The immediate impacts of this pandemic, particularly in the European Union, have already reached an unprecedented dimension, with health systems under extreme pressure and several countries implementing severe containment and combat measures, including the declaration of a state of emergency in Portugal on March 18, 2020, for the first time since the country's current Constitution was enacted.

All over the world, there has been a sudden slowdown in economic activity, as a result of the temporary confinement to which large proportions of the populations of the most-affected countries are subject, in which there are also strong restrictions to the economic activity of many companies in almost every sector, to contain the spread of the disease. The impacts of these measures, although still not totally clear, already point to a scenario of global recession.

In reaction to this unfavorable environment, the governments of countries in the main economic blocs and their Central Banks, including the ECB, have announced extraordinary fiscal measures and changes in monetary policy designed to mitigate the impacts of the crisis caused by the pandemic and to stimulate the resumption of the economy.

The increased complexity resulting from the impact of the Coronavirus does not change our course nor diminish Millennium bcp's determination to continue preparing and transforming the Bank, which is essential to capturing the opportunities for growth and sustainable profitability that we are certain will arise once the adversities we now face are overcome.

The significant investments made in new technology and in the strengthening of competences proved fundamental to amplifying the Bank's capacity for innovation and to provide solutions of excellence to our Customers, supported by new ways for them to interact and build relationships with Millennium bcp. We are on a journey, begun in 2018, to which we remain strongly committed.

We conclude with a word of gratitude from the Bank's Board of Directors to our customers, employees, shareholders and other stakeholders, for the trust they place in us.

Miguel Maya

Chief Executive Officer

Vice-Chairman of the Board of Directors

Nuno Amado

Chairman of the Board of Directors

EXECUTIVE COMMITTEE

Maria José Campos
Vogal of the
Executive Committee

Rui Manuel Teixeira
Vogal of the
Executive Committee

Miguel Bragança
Vice-Chairman of the
Executive Committee

Miguel Maya
Chairman of the
Executive Committee

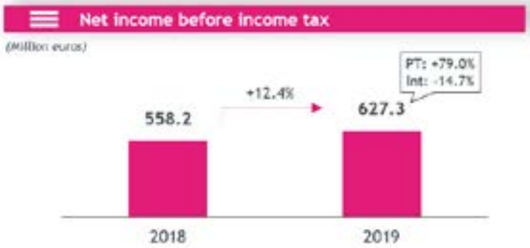
João Palma
Vice-Chairman of the
Executive Committee

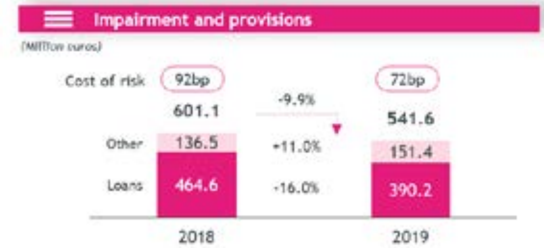
José Miguel Pessanha
Vogal of the
Executive Committee

INFORMATION ON BCP GROUP

2019 Campaign | Personal Credit Solutions

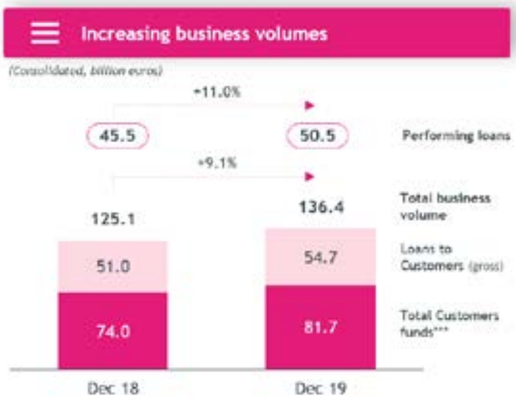
BCP in 2019





Significant decrease of NPEs **(-€1.3 billion from end-2018)** and of cost of risk (72bp in 2019); increased coverage (by loan-loss reserves and total)

*By loan-loss reserves, expected loss gap and collaterals.
NPE include loans to Customers only.



Capital ratio of 15.6%*, comfortably above SREP requirements. Organic capital generation and AT1+T2 issues (Jan.19 and Sep.19, respectively) more than compensate for the negative impacts of Euro Bank's acquisition and related to the pension fund

Increasing business volumes, with **performing loans up by €5.0 billion and total Customers funds up by €7.7 billion** from end-2018

*Including unaudited earnings for 2019. | **Minimum phased-in prudential requirements from January 1, 2020, as communicated to the market on December 17, 2019. | ***Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).

Main highlights (1)

Euro million

	2019	2018	2017	2016	2015 (2)	Chan. % 19/18
BALANCE SHEET						
Total assets	81,643	75,923	71,939	71,265	74,885	7.5%
Loans and advances to customers (net) (3)	52,275	48,123	47,633	48,018	51,022	8.6%
Total customer funds (3)(4)	81,675	74,023	70,344	65,522	67,754	10.3%
Balance sheet customer funds (3)	62,607	56,585	52,688	50,434	52,158	10.6%
Deposits and other resources from customers (3)	60,847	55,248	51,188	48,798	49,847	10.1%
Loans to customers (net) / Deposits and other resources from customers (3)(5)	86%	87%	93%	98%	102%	
Shareholders' equity and subordinated debt	7,697	6,853	7,250	5,927	6,269	12.3%
RESULTS						
Net interest income	1,549	1,424	1,391	1,230	1,191	8.8%
Net operating revenues	2,338	2,187	2,197	2,097	2,304	6.9%
Operating costs	1,169	1,027	954	780	1,017	13.8%
Impairment and Provisions	542	601	925	1,598	978	-9.9%
Income tax						
Current	101	106	102	113	91	
Deferred	138	32	-72	-495	-54	
Net income attributable to shareholders of the Bank	302	301	186	24	235	
PROFITABILITY AND EFFICIENCY						
Return on average shareholders' equity (ROE)	5.1%	5.2%	3.3%	0.6%	5.3%	
Income before tax and non-controlling interests / Average equity (5)(6)	8.9%	8.1%	4.8%	-4.5%	7.3%	
Return on average total assets (ROA)	0.5%	0.6%	0.4%	0.2%	0.5%	
Income before tax and non-controlling interests / Average net assets (5)(6)	0.8%	0.8%	0.4%	-0.3%	0.5%	
Net interest margin	2.2%	2.2%	2.2%	1.9%	1.8%	
Net operating revenues / Average net assets (5)(6)	2.9%	3.0%	3.0%	2.8%	3.0%	
Cost to income (5)(6)	50.0%	47.0%	43.4%	37.2%	44.2%	
Cost to income (5)(6)(7)	47.2%	45.6%	44.1%	46.1%	43.9%	
Cost to income - activity in Portugal (5)(6)(7)	47.5%	46.6%	44.5%	47.1%	41.1%	
Staff costs / Net operating revenues (5)(6)(7)	26.9%	25.9%	24.6%	25.9%	24.7%	
CREDIT QUALITY						
Overdue loans (>90 days) / Loans to customers (3)	2.7%	3.8%	5.8%	6.8%	7.3%	
Total impairment / Overdue loans (>90 days) (3)	164.8%	148.1%	113.2%	107.0%	86.2%	
Non-performing exposures (3)	4,206	5,547	7,658	9,374	10,581	
Non-performing exposures / Loans to customers (3)	7.7%	10.9%	15.0%	18.1%	19.4%	
Cost of risk (net of recoveries) (3)	72 p.b.	92 p.b.	122 p.b.	216 p.b.	150 p.b.	
Restructured loans (3)	3,097	3,598	4,184	5,046	5,393	
Restructured loans / Loans to customers (3)	5.7%	7.1%	8.2%	9.7%	9.9%	
CAPITAL (8)						
Common equity tier I phased-in (9)	12.2%	12.1%	13.2%	12.4%	13.3%	
Common equity tier I fully-implemented (9)	12.2%	12.0%	11.9%	9.7%	10.2%	
Total ratio fully implemented	15.6%	13.5%	13.7%	10.5%	11.3%	
Own Funds	7,036	5,688	5,932	5,257	6,207	
Risk Weighted Assets	45,031	41,883	40,171	39,160	43,315	
BCP SHARE						
Market capitalisation (ordinary shares)	3065	3,469	4,111	843	2,887	
Adjusted basic and diluted earnings per share (euros)	0.018	0.020	0.014	0.019	0.232	
Market values per share (euros) (10)						
High	0.2889	0.3339	0.2720	0.6459	1.2388	
Low	0.1771	0.2171	0.1383	0.1791	0.5374	
Close	0.2028	0.2295	0.2720	0.1845	0.6317	

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at alternative performance measures chapter, being reconciled with the accounting values. From 31 May 2019, financial statements of the Group reflect the consolidation of Euro Bank S.A., the entity acquired by Bank Millennium S.A..

(2) In the scope of the merger process with Banco Privado Atlântico, Banco Millennium Angola was classified in accounting terms as discontinued operation in the first quarter of 2016, with effect on the same item in the exercises of 2016 and 2015, given that the information as at 31 December 2015 was restated in the consolidated financial statements of BCP. After the merger, the shareholding in Banco Millennium Atlântico, the entity resulting from the merger, was recorded as associate and the respective earnings were accounted using the equity method.

(3) In 2015, adjusted from the amounts related to Banco Millennium Angola classified in accounting terms as discontinued operations.

(4) As at 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Financial Instruments Markets Directive II (MiFID II), as well as changes implemented regarding the perimeter considered and the criteria adopted, namely with regard to the inclusion of amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions ("assets placed with customers"). The information with reference to 31 December 2017, 31 December 2016 and 31 December 2015 is presented according to the new criteria.

(5) According to Instruction no. 16/2004 from the Bank of Portugal, as the existing version as of 31 December 2019. Following the repeal in 2018 of the Instruction No. 22/2011 from the Bank of Portugal, which defined the criteria for calculating the amount of credit, the ratio "Loans to customers (net) / Deposits and other resources from customers", is now calculated in accordance with the management criteria used by the Group, and the historical figures have been restated accordingly.

(6) Given the booking of Banco Millennium Angola, in accounting terms, as a discontinued operation as at 31 March 2016, the consolidated balance sheet includes Banco Millennium Angola until its derecognition, determined by the completion of the merger with Banco Privado Atlântico, in April 2016, while the respective contribution to consolidated result is reflected in income from discontinued operations and non-controlling interests during that period, not influencing the remaining items of the consolidated income statement.

(7) Excludes the impact of specific items: negative impact of 66 million euros in 2019, of which 40 million euros related to restructuring costs and compensation for temporary salary cuts, both recognized as staff costs in the activity in Portugal and 26 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary, mainly as other administrative costs. In 2018, there was also a negative impact of 29 million euros, of which 27 million euros related to restructuring costs recognized as staff costs and 3 million euros associated with the ongoing digital transformation project, recognized as other administrative costs, both in the activity in Portugal. In 2017 and 2016, the impact was positive, recorded as staff costs in the activity in Portugal, arising from the gains from negotiation/revision of Collective Labour Agreement, in the amount of 14 million euros and 186 million euros respectively. In 2015, there was a negative impact in the amount of 6 million euros, accounted as staff costs in the activity in Portugal, related to the restructuring programme and early retirements. The profitability and efficiency indicators, in 2019, does not consider the specific items recognized in net operating revenues, in the amount of 1 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A. in the Polish subsidiary.

(8) According to the requirements of CRD IV/CRR fot the phased-in period.

(9) The figures for 2019 include the cumulate net results of the year.

(10) Market value per share adjusted from the regrouping of shares, in October 2016, and the capital increase occurred in February 2017.

KEY INDICATORS (1

	Unid.	2019	2018	2017	2016	2015	Var. % 19/18
CUSTOMERS							
Total of Customers	Thousands	6,617	5,827	5,429	5,482	5,557	13.6%
Number of Active Customers (2)	Thousands	5,598					
Interest paid on deposits and interbak funding	Million euros	301	341	353	389	661	-11.6%
Claims registered (3)	Number	136,562	108,244	76,918	72,498	79,108	26.2%
Claims resolved	Percentage	92.2%	99.3%	97.7%	93.2%	97.2%	-7.2%
ACESSIBILITIES							
Branches	Number	1,536	1,101	1,120	1,163	1,342	39.5%
Activity in Portugal		505	546	578	618	671	-7.5%
International activity		1,031	555	542	545	671	85.8%
Branches opened on Saturday		143	122	118	112	144	17.2%
Branches with access conditions to people with reduced mobility		875	866	800	828	978	1.0%
Internet	Users number	2,214,885	1,980,905	1,665,987	1,700,114	1,541,811	11.8%
Call Center	Users number	431,169	429,982	353,003	261,620	273,610	0.3%
Mobile banking	Users number	2,601,401	2,106,289	1,520,378	1,268,804	929,401	23.5%
ATM	Number	2,988	2,952	2,950	2,965	3,115	1.2%
EMPLOYEES							
PORTUGAL EMPLOYEES	Number	7,204	7,095	7,189	7,333	7,459	-1.3%
INTERNATIONAL EMPLOYEES	Number	11,377	8,972	8,653	8,594	8,580	3.7%
LABOUR INDICATORS (4)							
Breakdown by professional category	Number						
Executive Committee (Portugal, Poland and Mozambique)		28	28	28	26	34	0.0%
Senior Management		221	178	150	146	171	24.2%
Management		2,157	1,728	1,642	1,669	1,702	24.8%
Commercial		10,664	9,446	9,424	9,453	10,406	12.9%
Technicians		4,388	3,682	3,531	3,459	3,609	19.2%
Other		1,116	1,027	1,061	1,167	1,330	8.7%
Breakdown by age	Number						
<30		3,350	2,393	2,235	2,225	3,029	40.0%
[30-50[		10,648	9,318	9,498	9,820	10,673	14.3%
>=50		4,583	4,350	4,103	3,875	3,550	5.4%
Average age	Years	41	41	41	41	38	0.0%
Breakdown by contract type	Number						
Permanent		16,840	14,685	14,668	14,876	15,904	14.7%
Temporary		1,681	1,376	1,168	1,044	1,035	22.2%
Trainees		453	339	208	0	313	33.6%
Employees with working hours reduction	Number	254	215	187	202	153	18.1%
Recruitment rate	Percentage	12.5%	12.3%	9.7%	8.2%	7.3%	---
Internal mobility rate	Percentage	16.3%	16.6%	18.5%	18.0%	16.4%	---
Leaving rate	Percentage	11.9%	11.0%	10.3%	9.1%	10.0%	---
Free association (5)	Percentage						
Employees under Collective Work Agreements		99.7%	99.7%	99.6%	99.6%	99.5%	---
Union Syndicated Employees		76.9%	78.6%	78.5%	78.9%	72.0%	---
Hygiene and safety at work (HSW)							
HSW visits	Number	184	159	376	194	180	14.5%
Injury rate	Percentage	0.0%	0.0%	0.0%	0.0%	0.0%	
Death victims	Number	0	0	1	0	0	
Absenteeism rate	Percentage	4.8%	4.3%	4.2%	4.0%	3.6%	---
Lowest company salary and minimum national salary	Ratio	1.3	1.3	1.1	1.9	1.7	4.8%
ENVIRONMENT							
Greenhouse gas emissions (6)	tCO2eq	50,714	50,588	55,683	59,864	58,439	0.2%
Electricity consumption (7)	MWh	65,989	59,664	63,131	68,055	76,513	10.6%
Production of waste	t	617	677	605	555	1,180	-8.9%
Water consumption (8)	m3	276,460	281,666	366,872	372,409	229,012	-1.8%
SUPPLIERS							
Time of payment and time contractually agreed, in Portugal	Ratio	1	1	1	1	1	0.0%
Purchase from local suppliers	Percentage	91.4%	92.2%	86.4%	91.7%	92.8%	---
DONATIONS	Million euros	2.1	2.0	1.9	1.7	2.0	4.2%

(1) Data for 2016 na 2017 does not include Angola, whose operation ceased to be fully consolidated, being classified for accounting purposes as a discontinued operation in 2016.
(2) Primary holders with at least 1 product with a balance > 50 cents, in absolute value and with card transactions in the last 90 days, or holding financial assets ≥ 100 euros.
(3) It includes a structural change effect in the complaint handling process at Bank Millennium Poland, aiming at improving the Customer experience by optimizing the immediate treatment.
(4) Employees information (and not FTE) for: Portugal, Poland, Mozambique and Switzerland.
(5) The value reflects only operations where the regimes are applicable. Collective work agreement: Portugal and Mozambique. Syndicate: Portugal and Mozambique.
(6) Dados não incluem Moçambique desde 2015.
(7) Data include eletricity from public grid. Does not include the cogeneration plant in Portugal neither energy consumption in Mozambique since 2015.
(8) Data does not include Mozambique neither Switzerland since 2015.

Information on BCP Group

Brief description

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private sector bank. The Bank, with its decision centre in Portugal, operates and acts with respect for people and institutions, focusing on the Customer, pursuing a mission of excellence, trust, ethics and responsibility, and is a distinguished leader in various financial business areas in the Portuguese market and a reference institution on an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, Banco Millennium Angola - BMA merged with Banco Privado Atlântico-BPA) and in Europe through its banking operations in Poland and Switzerland. Since 2010, the Bank operates in Macau through a full branch.

Bank History

BCP was incorporated on 17 June 1985 as a limited liability company ("sociedade anónima") organised under the laws of Portugal, following the deregulation of the Portuguese banking industry. BCP was founded by a group of over 200 shareholders and a team of experienced banking professionals who sought to capitalise on the opportunity to form an independent financial institution that would serve the then underdeveloped Portuguese financial market more effectively than state-owned banks.

While the Bank's development was initially characterised by organic growth, a series of strategic acquisitions helped solidify its position in the Portuguese market and increase its offering of financial products and services. In March 1995, BCP acquired control of Banco Português do Atlântico, S.A. ("Atlântico"), which was then the largest private sector bank in Portugal. This was followed by a joint takeover bid for the whole share capital of Atlântico. In June 2000, Atlântico was merged into BCP. In 2000, BCP also acquired Império, along with Banco Mello and Banco Pinto & Sotto Mayor.

In 2004, with a view to strengthening its focus on the core business of distribution of financial products and optimising capital consumption, BCP sold insurers Império Bonança, Seguro Directo, Impergesto and Servicomercial to the Caixa Geral de Depósitos group. BCP also entered into agreements with Fortis (now named Ageas) for the sale of a controlling stake and management control of insurers Ocidental - Companhia Portuguesa de Seguros, S.A., Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., as well as the pension fund manager PensõesGere - Sociedade Gestora de Fundos de Pensões, S.A.

After the consolidation of its position in the Portuguese banking market, the Bank focused on the development of its retail business in new regions, with the goal of attaining significant positions in emerging markets in Europe and in Africa. The Bank concentrated on businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of Portuguese origin (such as Angola, Mozambique, the United States, Canada, France, Luxembourg and Macao), as well as in markets where the Bank's successful Portuguese business model could be effectively exported to and tailored to suit such local markets (such as Poland, Greece and Romania).

The Bank has pursued a consistent strategy of market segmentation. Until 2003, these segments were served through autonomous distribution networks operating under a variety of brand names. In October 2003, BCP began the process of replacing these brands in Portugal with a single brand name: Millennium bcp. The rebranding in other markets was completed in 2006. All operations of the Bank are now carried out under the "Millennium" brand. In Portugal, the Bank also operates under the "ActivoBank" brand.

In 2004, the Bank sold its non-life insurance businesses and divested a portion of its life insurance business by entering into a joint venture with Ageas (formerly Fortis), named Millenniumbcp Ageas, of which 51% is held by Ageas and 49% by the Bank.

In recent years, the Bank has refocused on operations that it considers core to its business. As part of this refocus, the Bank divested several of its international operations (in France, Luxembourg, United States, Canada, Greece, Turkey and Romania), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in some markets. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch.

In February 2012, the Bank adopted a management restructuring through the introduction of a one-tier management and supervisory model, in which the Board of Directors includes an Executive Committee and an Audit Committee (the latter comprising non--executive members, in accordance with the applicable law).

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The Restructuring Plan was formally submitted by the Portuguese government to the EC and, In July 2013, the Bank agreed with the EC a Restructuring Plan, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction, among other drivers. On September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support. The implemented Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities.

In May 2014, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A.

In April 2016, the Bank announced the conclusion of the merger between Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in Angola in terms of loans to the economy, with a market share of approximately 10% in business volume.

BCP has announced in January 2017 a Euros 1.3bn rights issue with transferable pre-emptive subscription rights. The aim of this transaction was to bring forward the full repayment of remaining Government Subscribed Securities and the removal of key State-aid related restrictions, including dividend ban, risk of potential sale of core businesses and tail risk of conversion. This transaction was designed to strengthening the balance sheet through the improvement of CET1 FL ratio and Texas ratio, bringing them in line with new industry benchmarks and above regulatory requirements.

On December 27, 2019, the merger deed of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter, was signed, thus completing the incorporation process of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A..

Approval of the merger of Bank Millennium S.A. with Euro Bank S.A., on 27 August 2019, on the Extraordinary General Meeting of Bank Millennium S.A., in which 216 shareholders participated, representing 78.53% shares in the Bank's shareholders' equity. The completion of the integration of Eurobank S.A. into Bank Millennium S.A. took place in November, with the Bank resulting from the merger now operating under a single brand, a single operating system and a single legal entity.

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite an adverse banking sector in Portugal. This position reflects a relentless path and multiple achievements, such as a cost reduction of approximately 40% in Portugal since 2011, and a reduction of more than 60% of the Group's NPEs since 2013 (from Euros 13.7 billion to Euros 4.2 billion in December 2019). Three distinctive competences were at the core of this turnaround: a customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Governance

Banco Comercial Português, S.A. has a one-tier management and supervision model, composed of a Board of Directors (BD), which includes an Executive Committee (EC) and an Audit Committee composed of only non-executive directors. The Company also has a Remuneration and Welfare Board (RWB) and an International Strategic Board.

In addition, the Group uses a Statutory Auditor and an external auditing firm to audit the individual and consolidated accounts of the Bank, elected at the General Meeting.

At the General Shareholders' Meeting held on May 22, 2019, a non-executive Director, Mr. Fernando da Costa Lima, was co-opted to perform duties in the current term, which ends in 2021, to fill a vacancy of vowel of the Audit Committee; Prof. Cidália Lopes was appointed Chairman of the Audit Committee, who was elected on May 30, 2018 as a member of this Committee, and Mr. Nuno Alves was elected a member of the RWB, filling a vacancy in this social body.

The General Meeting is the highest governing body of the company, representing the entirety of the shareholders, and its resolutions are binding for all when adopted under the terms of law and the articles of association. The General Meeting is responsible for:

- Electing and dismissing the Board, as well as the members of the management and supervisory bodies, and the RWB;
- Approving amendments to the memorandum of association;
- Resolving on the annual management report and accounts for the year and proposed appropriation of profits;
- Resolving on matters submitted upon request of the management and supervisory bodies;
- Resolving on all issues especially entrusted to it by the law or articles of association, or on those not included in the duties of other corporate bodies.

The BD is the governing body of the Bank with the most ample powers of management and representation, pursuant to the law and the articles of association.

Under the terms of the articles of association, the BD is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, and can be re-elected. At the end of 2019, the Board of Directors was composed of 17 members, of which 6 are executive and 11 are non-executive, of whom 5 are qualified as independent.

The BD began its functions on July 23, 2018 and appointed an EC on July 24, 2018, composed of six of its members, with the Chied Executive Officer being appointed by the General Meeting.

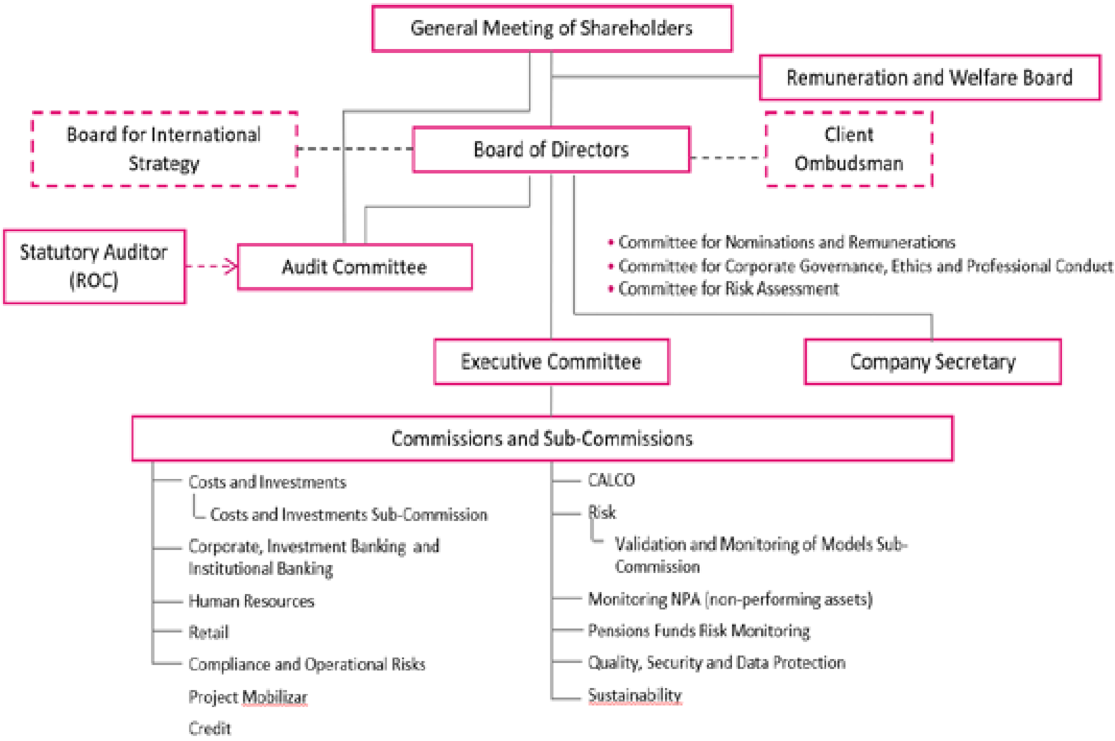
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

The supervision of the company is made by an Audit Committee elected by the General Meeting of Shareholders and composed of 3 to 5 members, elected together with the majority of the remaining directors. The lists proposed for the BD should indicate the members to be part of the Audit Committee and indicate the respective Chairperson.

The RWB is elected by the General Meeting.

The Company Secretary and the Alternate Secretary are appointed by the Bank's BD, and their term-of--office matches that of the BD that appointed them.

Coporate Governance Model



Identification and composition of the Corporate Bodies and Committees from the Board of Directors

	Board of Directors	Executive Committee	Audit Committee	Remuneration and Welfare Board	Board for International Strategy *	Committee for Corporate Governance, Ethics and Professional Conduct	Committee for Nominations and Remunerations	Committee for Risk Assessment
Nuno Manuel da Silva Amado (Board of Directors President)	●				●			
Jorge Manuel Baptista Magalhães Correia (Board of Directors Vice-President and RWB President)	●			●				
Valter Rui Dias de Barros (Board of Directors Vice-President)	●		●			●		
Miguel Maya Dias Pinheiro (Board of Directors Vice-President and CEO)	●	●			●			
Ana Paula Alcobia Gray	●			●				●
Cidália Maria Mota Lopes (Audit Comittee President)	●		●					
Fernando da Costa Lima**	●		●					
João Nuno de Oliveira Jorge Palma	●	●						
José Manuel Alves Elias da Costa (CNR President)	●					●	●	●
José Miguel Bensliman Schorcht da Silva Pessanha	●	●						
Lingjiang Xu (CCGEPC President)	●					●	●	
Maria José Henriques Barreto de Matos de Campos	●	●						
Miguel de Campos Pereira de Bragança	●	●						
Rui Manuel da Silva Teixeira	●	●						
Teófilo César Ferreira da Fonseca (CRA President)	●						●	●
Wan Sin Long	●		●					●
Xiao Xu Gu (Julia Gu)	●							
António Vitor Martins Monteiro					●			
Nuno Maria Pestana de Almeida Alves				●				

* Chairman and Vice-chairman to be nominated.

** Pending authorization from BdP/ECB to exercise the respective functions

Main events in 2019

JANUARY

- Issue of perpetual subordinated notes qualified as Additional Tier 1, in the amount of Euro 400 million and with no defined tenor, with a call option from the end of the fifth year and an interest rate of 9.25% per year during the first 5 years.

- Bank Millennium has received the consent of Poland's Office for Competition and Consumer Protection to take over control of Euro Bank.

- Millennium bcp and the Development Finance Institution have established an agreement for a Euro 60 million lending line to finance medium-sized companies.

FEBRUARY

- In a joint initiative with the Municipality of Cascais, more than 50 Millennium volunteers planted 400 trees in the natural reserve of Sintra Cascais.

MARCH

- Upgrade by one notch of the long-term deposit ratings by DBRS, reflecting the introduction of full depositor preference in bank insolvency and resolution proceedings in Portugal, following the implementation of Law No. 23/2019 from 14 March 2019.

- Millennium bcp and the European Investment Fund (EIF) have signed two agreements under the European Commission's COSME and InnovFin programs, providing a Euro 500 million financing line, for more than 1,150 Small and Medium-sized Enterprises (SMEs) in Portugal. An extension of the InnovFin agreement, providing an additional Euro 400 million to more than 750 innovative SMEs and mid-caps in Portugal was also signed.

- Millennium bcp and Credit Insurer COSEC signed an agreement to distribute credit insurance in Millennium bcp's branches.

- Millennium bcp was in the first line of emergency response to the victims of the cyclone Idai in Mozambique. To complement the financial aid granted by the Bank, in the amount of 50.000 Euros, the Employees of Millennium bcp also participated in this collective effort through a partnership with the Association HELPO by collecting tons of essential goods to be donated to the people affected by this natural disaster.

APRIL

- Upgrades of deposit ratings to Ba1 and senior debt rating to Ba2 made by Moody's on April 1.

- Bank Millennium in Poland was awarded with the “POLITYKA CSR Silver Leaf 2019”, an award attributed to companies that implement Corporate Social Responsibility policies and practices in their daily activities.

- Millennium bim offered a drinking fountain to the population of Namialo in the Province of Nampula, in Mozambique, providing access to drinking water to a population of more than 5.000 inhabitants.

MAY

- Annual General Meeting of Shareholders, on May 22, with 64.59% of the share capital represented and the following resolutions: approval of the individual and consolidated annual report, balance sheet and financial statements of 2018, including the Corporate Governance Report and the proposal for the appropriation of profits for the 2018; approval of the cooptation of Fernando Costa Lima as member of the Board of Directors and of the Audit Committee for the exercise of functions in the term-of-office ending in 2021; appointment of Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021; election of Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board; election of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A., that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, as the Single Auditor, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the two-year term-of-office 2019/2020; selection of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period.

- On May 31, Bank Millennium S.A., a subsidiary in which BCP owns a 50.1% stake, announced having completed the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A.

- Millennium bcp volunteers participated, in the nation-wide food collection promoted by the Food Bank.

JUNE

- On June 19, BCP announced, that it was evaluating the merger of its wholly-owned subsidiary Banco de Investimento Imobiliário, S.A. by incorporation into Banco Comercial Português, S.A., to be effective until year-end 2019.
- Upgrade of issuer rating to investment grade, made by DBRS, on June 3.
- Bank Millennium in Poland, one of the leading companies in the management of Corporate Social Responsibility policies and practices, was part of the Socially Responsible Companies ranking, once again in 2019.

JULY

- Upgrade of deposits rating to investment grade, made by Moody's.
- The 5th edition of the "Financial ABC" financial literacy program from Bank Millennium in Poland, aimed to children in pre-school age came to an end. This program provided knowledge to more than 10.000 students from 120 kindergartens throughout the country;
- Millennium bim in Mozambique, held the 14th edition of the Mini Basketball Tournament, involving more than 2,000 athletes, aged between 6 and 11 years old, from 11 'provinces of Mozambique.
- Millennium bcp, within the scope of its sustainability strategy, subscribed the “Engagement Letter for the Sustainable Funding in Portugal”, an initiative targeted at contributing for the promotion and development of the financing of Carbon Neutrality until 2050.

AUGUST

- Approval of the merger of Bank Millennium S.A. with Euro Bank S.A., on 27 August 2019, on the Extraordinary General Meeting of Bank Millennium S.A., in which 216 shareholders participated, representing 78.53% shares in the Bank’s shareholders’ equity.
- Launching of an innovative new service in Portugal that allows the opening of accounts using only the Portuguese Citizen ID Card.
- Within the scope of its corporate volunteering program, Bank Millennium rehabilitates another elementary school for children with special needs, this time in Mońki, Poland.

SEPTEMBER

- Approval of the merger of Bank Millennium S.A. with Euro Bank S.A. by the Polish supervisor (KNF).
- Pursuant to the negotiation process with the unions that subscribed to the collective bargaining agreements of the BCP Group for the revision of the salary tables and other cash clauses for 2018 and 2019, an agreement was reached with the “Sindicato dos Bancários do Sul e Ilhas” and the “Sindicato dos Bancários do Centro”.
- Agreement reached for the mediation proposal presented by the “Direção-Geral do Emprego e das Relações de Trabalho”, resulting on the update of the 2018 salary tables and cash clauses of the employees affiliated with the “Sindicato dos Bancários do Norte”, the “Sindicato Nacional dos Quadros Técnicos Bancários” and the “Sindicato Independente da Banca”. The agreement for the revision of the 2019 salary tables and cash clauses is still pending with these unions.
- Notification by the Portuguese Competition Authority of the decision to impose a fine in proceedings related to alleged restrictive competition practices regarding the sharing of sensitive commercial information between credit institutions, in the mortgage lending, consumer lending and corporate credit segments. The fine imposed on BCP amounted to 60 million euros.
- New issue of medium-term subordinated notes in the amount of 450 million euros, with a tenor of 10.5 years, with the option of early redemption by the Bank at the end of 5.5 year, and an annual interest rate of 3.871 per cent. (corresponding to a spread of 4.231 per cent over the 5.5-year mid-swap rate), as part of the Millennium bcp’s strategy of optimizing its capital structure and of reinforcing its presence in the international capital markets.
- As part of its sustainability strategy, Millennium bcp has signed the “CEO Guide for Human Rights”, an initiative of the World Business Council for Sustainable Development and the Business Council for Sustainable Development (Portugal).
- Millennium bim sets-up a library in the Elementary School of Siaia, in the province of Gaza, Mozambique, for more than 3.000 students. This is the result of another volunteering action under the 10th edition of the Banking Olympics.
- Millennium bim sponsored the first Mozambican Opera, - "O Grito de Mueda" -, which has premiered at the Cultural Centre of Eduardo Mondlane University, in Maputo.

OCTOBER

- The legal merger of Bank Millennium S.A., with Euro Bank S.A. was completed on 1 October 2019;
- The long-term issuer rating was affirmed by S&P at BB and the outlook was revised to positive from stable on 10 October 2019;
- Long-term issuer default rating was affirmed by Fitch at BB and the outlook was revised to positive from stable on 30 October 2019.
- Millennium bim rehabilitated an elementary school destroyed by Cyclone Idai, in the district of Búzi, with funds raised through a solidarity campaign launched with customers and employees of the bank in Mozambique.

NOVEMBER

- Conpetion of the integration of Eurobank S.A. into Bank Millennium S.A.;
- Confirmation of Millennium bcp in the index of the 200 most sustainable companies in Europe, according to the sustainability index “Ethibel Sustainability Index (ESI) Excellence Europe”.
- Millennium bcp launched an internal inititive for the collection of colourful child sticking plasters, painting books and pencils for the children supported by the association ACREDITAR.

DECEMBER

- Decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled on a consolidated basis from January 1st, 2020, based on the results of the Supervisory Review and Evaluation Process (SREP) with the Pillar 2 requirement for BCP set at 2.25%, the same value as for 2019.
- Bank of Portugal informed on its capital buffer requirement as “other systemically important institution” (O-SII), 1.00%, to be complied with from January 1st, 2022 (currently this requirement stands at 0.563%, being subject to a phased-in period).
- On December 27, 2019, the merger deed of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter, was signed, thus concluding process of incorporation of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.
- Bank Millennium in Poland was included in the WIG-ESG index of the Warsaw Stock Exchange as a recognition for the work developed in environmental, social, economic and corporate governance issues.
- Millennium bcp participated with 120 volunteers in the nation-wide food collection campaign promoted by the Food Bank and held every six months.
- Millennium bcp launches the internal action for the collection of donations “Millennium Solidário – Campanha de Natal 2019", in favour of the children supported by Fundação Make-A-Wish.
- Millennium bcp subscribes the Business Mobility Pact for the City of Lisbon, a joint initiative from the Municipality of Lisbon and BCSD Portugal wherein it assumes the commitment to specific actions for a more sustainable mobility in the region of Lisbon.

BCP Share

The EuroStoxx 600 Banks Index apreciated 8.2% in 2019, notwithstanding the uncertainties surrounding the trade war, particularly between the US and China, the slowdown in global activity and political uncertainties related to Brexit and Spain. The loss of dynamism in the global economy and the uncertainty caused by the so-called trade war led to a slowdown in the US economy, which led the Federal Reserve to lower its benchmark interest rate in September for the second time this year (to 2.00%). Falling inflation and the deceleration of the euro area economy motivated the European Central Bank to implement a broad set of monetary policy measures, including the cut in the deposit facility rate (to -0.50%), the esumption of public and private debt purchase program and the introduction of a partial negative interest rate exemption mechanism for commercial bank deposits with the central bank (tiering). The last quarter of the year brought positive developments around the USA-China trade war, with both countries announcing the signing of a partial agreement. In the United Kingdom, the Conservative Party won a parliamentary majority in the elections, which brought greater clarity around Brexit. Finally, good indicators of global activity and job creation in the USA were also catalysts for stock market appreciation.

BCP SHARES INDICATORS

	Units	2019	2018
ADJUSTED PRICES			
Maximum price	(€)	0.2889	0.3339
Average price	(€)	0.2282	0.2662
Minimum price	(€)	0.1771	0.2171
Closing price	(€)	0.2028	0.2295
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group	(M€)	6,125	5,780
Shareholder's Equity attributable to ordinary shares (1)	(M€)	6,125	5,780
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.018	0.020
Book value (4)	(€)	0.379	0.382
MARKET INDICATORS			
Closing price to book value	(PBV)	0.50	0.60
Market capitalisation (closing price)	(M€)	3,065	3,469
LIQUIDITY			
Turnover	(M€)	2,528	3,259
Average daily turnover	(M€)	9.9	12.8
Volume (3)	(M)	11,144	11,976
Average daily volume (3)	(M)	43.7	47.0
Capital rotation (5)	(%)	73.7%	79.2%

(1) Shareholder's Equity attributable to the group minus Preference shares
(2) Based on the average number of shares outstanding
(3) Ajusted by the share capital increase completed in February 2017
(4) Based on the average number of shares minus the number of treasury shares in portfolio
(5) Total number of shares traded divided by the average number of shares issued in the period

BCP shares closed 2019 having deppreciated 11.6%, which compares with an 8.2% appreciation of the European banks index (EuroStoxx 600 Banks).

Quarterly analysis of the BCP share evolution

1.st Quarter: 0.3% appreciation

Relevant developments:

- Disclosure of FY18 results, which reached EUR 301.1 million (+61.5% vs 2017);
- Upgrade of the Portuguese Republic rating by S&P.

2.nd Quarter: 18.1% appreciation

Positive developments:

- Optimistic news about the Portuguese economy;
- 1Q19 earnings release (EUR 153.8 million, +79.7% vs 1Q18);
- Upgrade of BCP's rating by Moody's and DBRS, on April 1st and June 3rd, respectively.

Negative developments:

- Geopolitical environment.

3.rd Quarter: 29.9% depreciation

Positive developments:

- Upgrade of BCP's ratings by Moody's, July 24th;
- 2Q19 earnings (EUR 15.9 million) with many extraordinary items mainly due to the context of low interest rates, however aligned with the expectations of analysts.

Negative developments:

- Investor fears related to the operation in Poland, given the opinion of the ECJ regarding the case of credits granted in foreign currency by the Polish financial system, which Bank Millennium stop granted since 2008;
- Change in the ECB's position with respect to interest rate expectations, following what was announced by Mario Draghi in June.
- Revision of the STOXX600 index occurred in September 20, with BCP exiting the index.

4.th Quarter: 6.4% appreciation

Positive developments:

- Earnings without extraordinary effects (EUR 100.5 million);
- In the UK, the Conservative Party won a parliamentary majority in the elections, bringing more clarity to Brexit, with Boris Johnson ensuring that the British would leave the European Union by January 31st, 2020.;
- Partial agreement between the USA and China, preventing the implementation of new tariffs scheduled for December 15th, contributing to the stability of financial markets at the end of the year.

Negative developments:

- Expectation that the ECB would continue its strategy of low interest rates beyond 2020.

PERFORMANCE

Index	Change 2019
BCP share	-11.6%
Eurostoxx 600 Banks	+8.2%
PSI20	+10.2%
IBEX 35	+11.8%
CAC 40	+26.4%
DAX XETRA	+25.5%
FTSE 100	+12.1%
MIB FTSE	+28.3%
Dow Jones Indu Average	+22.3%
Nasdaq	+38.0%
S&P500	+28.9%

Source: Euronext, Reuters, Bloomberg

Liquidity

During the first half of 2019, Euros 2,528 million in BCP shares were traded, corresponding to an average daily turnover of Euros 9.9 million. 11,144 million shares were traded during this period of time, corresponding to a daily average volume of 43.7 million shares. The capital turnover index stood at 73.7% of the average annual number of shares issued.

Indexes listing BCP shares

The BCP share is part of more than 50 domestic and international stock exchange indexes among which we point out the Euronext 150, the PSI 20 and the PSI Geral.

Index	Weight
Euronext 150	0.94%
PSI 20	10.64%
PSI Geral	4.87%

Sourcee: Euronext, 31 December 2019

Additionally, at the end of 2019, Millennium bcp was also part of the following Sustainability indices: “Ethibel EXCELLENCE Investment Register”, “Ethibel Excellence Europe” and “European Banks Index”. Bank Millennium in Poland is also part of the "WIG-ESG" of the Warsaw Stock Exchange. In 2020, the BCP Group became part of the Bloomberg Gender-Equality Index.

Sustainability Indexes

Material information announced to the market and impact on the share price

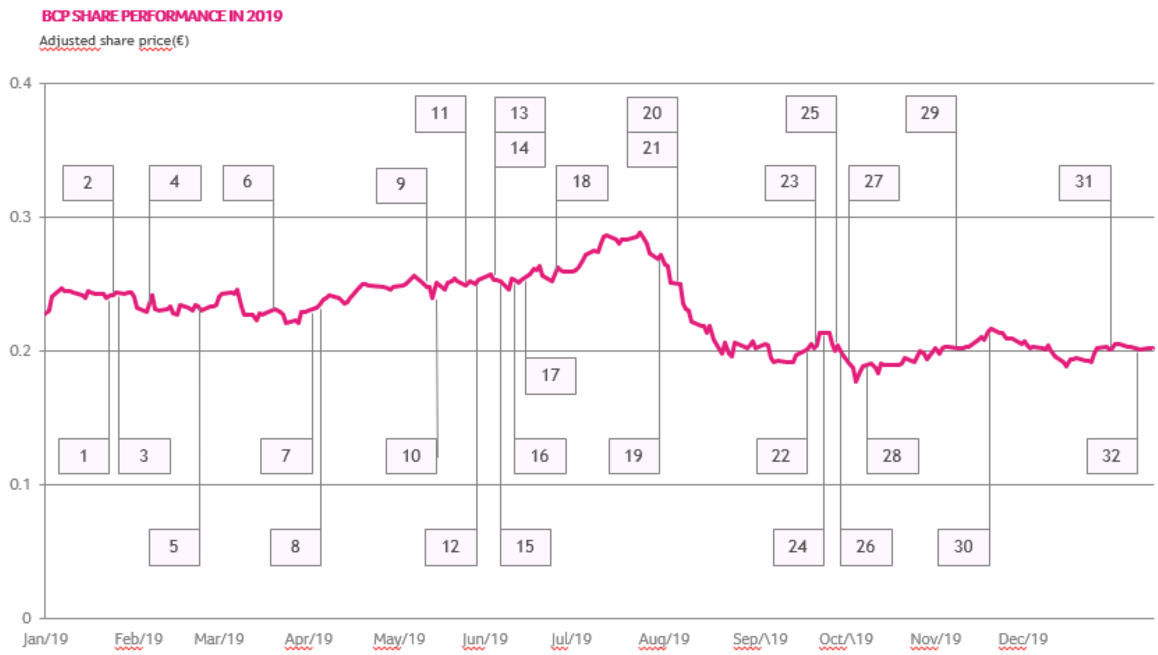
The following table summarizes the material information directly related with Banco Comercial Português announced in 2019, as well as the price variations occurred on the following day and on the 5 subsequent days and the relative evolution versus the main reference domestic and European indexes during the mentioned periods of time.

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
1	22/Jan	Banco Comercial Português, S.A. informs about potential issue of perpetual subordinated notes	0.8%	0.5%	0.5%	1.7%	0.8%	1.3%
2	24/Jan	Banco Comercial Português, S.A. informs about issue of perpetual subordinated notes	1.0%	0.0%	-0.6%	-0.2%	-0.7%	1.4%
3	25/Jan	Banco Comercial Português, S.A. informs about notices of acquisition of perpetual subordinated notes	-0.3%	0.9%	1.3%	-4.5%	-3.8%	-0.9%
4	5/Feb	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 2018	2.5%	1.7%	1.5%	-0.6%	0.1%	-0.6%
5	21/Feb	Millennium bcp earnings release as at 31 December 2018	-1.4%	-1.2%	-1.5%	18.8%	12.0%	14.6%
6	18/Mar	Banco Comercial Português, S.A. informs about Deposit ratings upgrade by DBRS to investment grade	-0.3%	-0.7%	-0.5%	-3.8%	-1.2%	1.1%
7	29/Mar	Banco Comercial Português, S.A. informs about new market relations representative	1.1%	0.1%	-1.6%	4.9%	2.9%	0.1%
8	1/Apr	Banco Comercial Português, S.A. informs about outcome of Board of Directors' meeting	0.9%	0.4%	0.2%	3.1%	2.1%	1.4%
9	8/May	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 1Q 2019	-3.3%	-1.5%	-1.0%	1.7%	3.0%	4.5%
10	9/May	Millennium bcp earnings release as at 31 March 2019	4.6%	3.5%	4.4%	6.0%	5.6%	5.6%
11	20/May	Banco Comercial Português, S.A. informs about notice of acquisition of bonds by an entity closely related to its officers	1.4%	0.9%	0.7%	3.0%	2.2%	4.6%
12	22/May	Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting	-0.1%	0.9%	1.1%	1.0%	2.2%	3.4%
13	28/May	Banco Comercial Português, S.A. informs about non-objection by the Polish Financial Supervision Authority to the acquisition of Euro Bank S.A. by Bank Millennium S.A.	-1.5%	-0.3%	-0.4%	-0.9%	-0.2%	-0.3%
14	28/May	Banco Comercial Português, S.A. informs about dividend payment for 2018	-1.5%	-0.3%	-0.4%	-0.9%	-0.2%	-0.3%
15	31/May	Banco Comercial Português, S.A. informs about acquisition of Euro Bank S.A. by Bank Millennium S.A.	-2.5%	-1.3%	-2.0%	0.5%	-1.4%	0.2%
16	3/Jun	Banco Comercial Português, S.A. informs about upgrade of issuer rating to investment grade, made by DBRS	3.7%	1.9%	1.7%	4.9%	1.2%	3.1%

(Continues)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
17	7/Jun	Banco Comercial Português, S.A. informs about approval of merger plan of Bank Millennium S.A. with Euro Bank S.A.	1.8%	1.2%	0.7%	1.4%	1.6%	1.9%
18	19/Jun	Banco Comercial Português, S.A. informs about evaluation of merger with Banco de Investimento Imobiliário, S.A.	-0.6%	-0.6%	0.7%	0.2%	0.5%	2.2%
19	24/Jul	Banco Comercial Português, S.A. informs about upgrade of deposits rating to investment grade, made by Moody's	0.0%	0.4%	0.3%	-12.6%	-8.9%	-8.5%
20	29/Jul	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 1H 2019	-6.0%	-3.9%	-3.6%	-12.5%	-6.9%	-5.3%
21	29/Jul	Millennium bcp earnings release as at 30 June 2019	-6.0%	-3.9%	-3.6%	-12.5%	-6.9%	-5.3%
22	9/Sep	Banco Comercial Português, S.A. informs of the notification from the Competition Authority	2.2%	1.6%	0.1%	6.4%	4.2%	2.2%
23	12/Sep	Banco Comercial Português, S.A. informs about approval of merger project with Banco de Investimento Imobiliário, S.A.	4.4%	3.7%	1.6%	0.0%	-0.5%	-1.0%
24	13/Sep	Banco Comercial Português, S.A. informs on agreement with unions subscribing to the collective bargaining agreements of the BCP	0.3%	-0.2%	1.5%	-7.2%	-6.6%	-6.2%
25	19/Sep	Banco Comercial Português, S.A. informs about potential issue of subordinated notes	-3.1%	-2.7%	-3.9%	-9.8%	-7.2%	-7.9%
26	20/Sep	Banco Comercial Português, S.A. informs about issue of subordinated notes	-4.1%	-3.2%	-2.0%	-4.8%	-3.2%	-3.1%
27	23/Sep	Banco Comercial Português, S.A. informs about notice of acquisition of subordinated notes	-1.3%	-1.0%	-0.7%	0.4%	0.4%	-0.5%
28	1/Oct	Banco Comercial Português, S.A. informs about legal merger of Bank Millennium S.A. and Euro Bank S.A.	-2.0%	-0.7%	1.0%	1.6%	2.3%	5.8%
29	28/Oct	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in the first 9 months of 2019	0.2%	0.6%	0.6%	2.9%	1.0%	3.0%
30	7/Nov	Millennium bcp earnings release as at 30 September 2019	0.6%	0.4%	1.8%	-2.4%	-2.0%	0.6%
31	17/Dec	Banco Comercial Português, S.A. informs about minimum prudential requirements	0.5%	0.9%	0.4%	1.1%	0.9%	1.2%
32	27/Dec	Banco Comercial Português, S.A. informs about the conclusion of the merger process with Banco de Investimento Imobiliário S.A.	0.6%	1.3%	1.0%	1.7%	2.2%	1.2%

The performance of the BCP share during 2019 is shown in the following chart:



Dividend policy

The dividend policy of BCP Group is based primarily on the retention of own funds that are consistent with its Risk Appetite Statement (RAS), its internal capital needs assessment (ICAAP) and the existence of a buffer on the amounts required by the regulator in its Bank' risk assessment (SREP).

Due to the strategic objectives presented and the corresponding evolution in terms of capital needs, there is an aspirational objective of a payout ratio of 40%, in seady state, but the final decision is always the result of the aforementioned policy.

Follow-up with Investors

The Bank participated in various events during 2019, having attended 13 conferences and 8 road shows in Europe and in the USA, where it gave institutional presentations and held one-on-one meetings and group meetings with investors. More than 300 meetings were held with analysts and institutional investors, demonstrating significant interest in the Bank.

Own shares

As at 31 December 2019, Banco Comercial Português, S.A. does not hold treasury shares and did not purchase or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2018: 323,738 shares) owned by Customers. Since for some of these Customers there is evidence of impairment, the shares of the Bank owned by these Customers were considered as treasury shares, and, in accordance with accounting policies, deducted to equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by "Código das Sociedades Comerciais".

Regarding treasury shares owned by associated companies of the BCP Group, as at 31 December 2019, the Millenniumbcp Ageas Group owned 142,601,002 BCP shares (31 December 2018: 142,601,002 shares) in the amount of Euros 28,891,000 (31 December 2018: Euros 32,727,000), as referred in note 51.

Shareholder structure

According to Interbolsa, Banco Comercial Português had of 152,180 Shareholders at 31 December 2019.

At the end of December 2019 there were four Shareholders with a qualifying shareholding, two of which with a stake above 5% of the Bank's share capital.

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	2,727	0.26%
Other	144,846	22.73%
COMPANIES		
Institutional	323	21.90%
Qualified Shareholders	4	52.20%
Other companies	4,280	2.91%
TOTAL	**152,180**	**100%**

Shareholders with more than 5 million shares represented 75.81% of the share capital.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	121	75.81%
500,000 a 4,999,999	1,086	8.02%
50,000 a 499,999	12,674	10.94%
5,000 a 49,999	39,713	4.64%
< 5,000	98,586	0.58%
TOTAL	**152,180**	**100%**

During 2019, the Bank's shareholding structure remained stable in terms of geographical distribution. On 31 December 2019, Shareholders in Portugal held 30.5% of the total number of shares of the Bank.

	Nr. of Shares (%)
Portugal	30.5%
China	27.3%
Africa	19.7%
UK / EUA	14.9%
Other	7.6%
Total	**100%**

Qualified Holdings

On 31 December 2019, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

			31 December 2019
Shareholder	**Nr. of shares**	**% of share capital**	**% of voting rights**
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
TOTAL FOR FOSUN GROUP	**4,118,502,618**	**27.25%**	**27.25%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock*	**512,328,512**	3.39%	3.39%
TOTAL FOR BLACKROCK	**512,328,512**	**3.39%**	**3.39%**
EDP Group Pensions Fund **	311,616,144	2.06%	2.06%
TOTAL EDP GROUP	**311,616,144**	**2.06%**	**2.06%**
TOTAL OF QUALIFIED SHAREHOLDERS	**7,888,801,188**	**52.20%**	**52.20%**

* In accordance with the announcement on March 5, 2018 (last information available).

** Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated.

BUSINESS MODEL

2019 Campaign | Millennium Generation | New App

Regulatory, economic and financial system environment

Regulatory environment

The regulatory agenda in 2019 was characterized by (i) the publication of Regulation (EU) 2019/876, amending Regulation (EU) No 575/2013, as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) 2019/877 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms; (ii) the process of implementing compatible procedures with the Payment Services Directive (PSD2) requirements, namely related to the strong authentication of the client; (iii) developments in the definition of compatible indices and benchmarks within the framework of financial instruments and financial contracts, including interest rate benchmarks, namely the new interbank market rate benchmark, defined by the ECB, for overnight operations ("€STR").

At a national level, relevance to (i) Banco de Portugal's information on significant loans in compliance with Law 15/2019; (ii) follow-up of Banco de Portugal's macroprudential recommendation on credit to individuals; (iii) the publication of Law 23/2019 on the position of the unsecured debt instruments in the insolvency hierarchy that reinforced the protection of bank deposits in insolvency or resolution scenarios and established a new class of debt instruments - senior non preferred debt instruments and, (iv) Law no 98/2019, amending the Corporate Income Tax Code (IRC), with regard to impairments of credit institutions and the special regime applicable to deferred tax assets.

Work has continued towards further integration of capital markets at an European level (Capital Markets Union) and for the implementation of the third pillar of the Banking Union (European Deposit Guarantee Scheme and financial support for the Single Resolution Fund). Additionally, initiatives related to the 'Sustainable finance' package have moved a step further after the European Commission presented a proposal setting out uniform criteria for determining whether an economic activity is environmentally sustainable ("taxonomy") as well as new regulation on sustainability-related disclosures in the financial services sector.

Under the action plan and policies towards the reduction of non-performing loans (NPL) the amendment to the regulation of capital requirements that establishes the minimum coverage for impairments for losses on unproductive assets entered into force in April 2019. In June, the EU directive on preventive restructuring schemes and insolvency was published. Member States have until July 2021 to transpose it into national laws, regulations and administrative provisions.

The European Commission continues with the preparatory work on the transposition and implementation in the EU of Basel III reforms, with several impact assessment studies being performed by the EBA. The proposed amendments have the purpose of reducing the variability of risk-weighted assets by introducing a higher degree of risk sensitivity in the standardised approaches to measure credit and operational risks and by requiring an output floor on capital requirements for institutions that apply internal modelling approaches.

Other relevant issues on the regulatory agenda relating to the Portuguese financial system that took place in 2019:

- Instruction no. 5/2019, defining the information requirements in relation to the prevention of the use of the financial system for the purposes of money laundering or terrorist financing;
- Instruction no. 20/2019, on disclosure of information on NPL and foreclosed assets;
- Amendment to the macroprudential recommendation on new credit agreements for consumers, tightening some of the lending criteria;
- The General Data Protection Regulation (EU Regulation no. 679/2016) has been transposed (Law no. 58/2019);
- Law no 69/2019, laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation;
- Instruction no. 5/2020, on reporting on payment systems and instruments, including information regarding fraud that was published on 17 February 2020;
- At the macroprudential level, the percentage of countercyclical reserve applicable to credit exposures to the domestic non-financial private sector remained unchanged at 0% of the total amount of the positions at risk;

- In early 2020, Banco de Portugal has submitted a revision of the internal control framework for public consultation and introduced additional requirements for exposures to riskier debtors.

Regarding supervision, priority is being given not only to the monitoring of credit quality - NPL reduction - but also to its origination; fighting money laundering and terrorist financing; strengthening of the IT frameworks against IT and cyber risks; monitoring of internal control and risk management as well as of governance frameworks. The EBA's stress tests will take place in 2020, providing a common analytical framework to consistently compare and assess the resilience of EU banks to severe economic shocks.

The overall environment continues to be demanding in terms of (i) binding capital and liquidity requirements, (ii) governance, internal control, adequacy of procedures and overall conduct, (iii) supervisory and stakeholder reporting and disclosure, (iv) security of operations and (v) adequacy of products and services regarding potential impacts on the business. Therefore, the Bank has implemented, or has in place, strategic projects, action plans and measures aiming at equipping the Bank with the necessary resources, capacity and agility to face the challenges and comply with the ongoing changes and requirements posed by the changing regulatory environment.

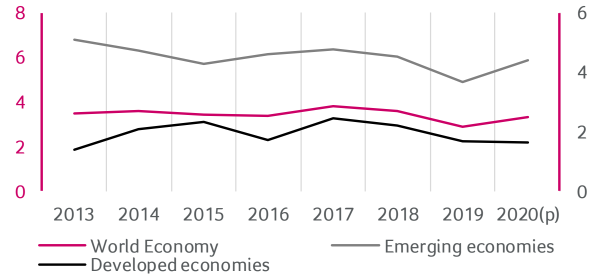
Economic environment

Global economic environment

According to the International Monetary Fund (IMF) the world's economy should have slowed down significantly in 2019 (from 3.6% to 2.9%) as a result of disturbances in the external trade, the intensification of geopolitical tensions and the loss of vigour of some important emerging markets.

For 2020, the IMF projected a scenario of recovery of the global economic activity based on the expectation of an acceleration of the emerging market economies, since the aggregate GDP of the developed countries should slow down again. This forecast is nevertheless subject to important downside risks, namely related to the performance of the Chinese economy.

GLOBAL ECONOMIC GROWTH DECELERATED IN 2019
Annual growth rate of real GDP (in %)



Source: IMF WEO (Jan 2020)

Global financial markets

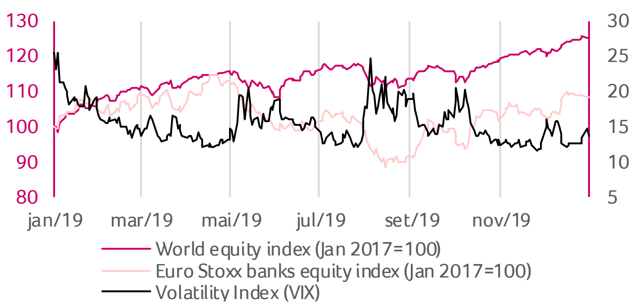
The evolution of the financial markets in 2019 was very much influenced by the reversion of the trend of normalisation of the global monetary policy that ensued from the weakening of global economic growth. Particularly in the US, where the process of raising interest rates was more advanced, the

Federal Reserve cut its key rate from 2.50% to 1.75% and reintroduced a program of securities purchase. In a similar fashion, the European Central Bank (ECB) announced the reduction of the deposit rate to even more negative values (from -0.40% to -0.50%) and relaunched its asset purchase program.

Consequently, there was a substantial appreciation of most of the asset classes, including equities, sovereign and corporate bonds and gold. In the foreign exchange front, a pattern of relative stability was observed among the currencies of the developed countries alongside a generalized depreciation of emerging market currencies.

Regarding the evolution of Euribor interest rates, the reduction of the ECB's deposit rate favoured the persistence of the whole Euribor curve below the zero level.

THE WORLD EQUITY INDEX APPRECIATED



Source: Datastream

Outlook for the Portuguese economy

In 2019, the Portuguese economy grew 2.2%, which came above the expectations of a more moderate expansion pace amid the global economic slowdown. In fact, the deceleration of goods and services' exports throughout the year was offset by the dynamics of private consumption, in an environment of improving labour market conditions, and from the acceleration of fixed investment, which was spurred by the construction sector.

The improvement of the economic situation together with the reduction of the funding costs of the Republic of Portugal have been contributing to strengthen the process of consolidation of the public finances. The overall fiscal balance is likely to have been very close to zero in 2019, and the public debt ratio, which in 2014 reached an historical high of 132.9% of GDP, retraced to 117.7% of GDP.

However, in terms of the external accounts, the weakening of export growth probably translated into a slightly negative current account balance, after six years of consecutive surpluses.

For 2020, the European Commission (EC) forecasts a slight deceleration of the Portuguese GDP, in a context of a stabilising domestic demand, following the elevated levels of growth witnessed in the previous years, and the significant uncertainty regarding the evolution of the world's economy.

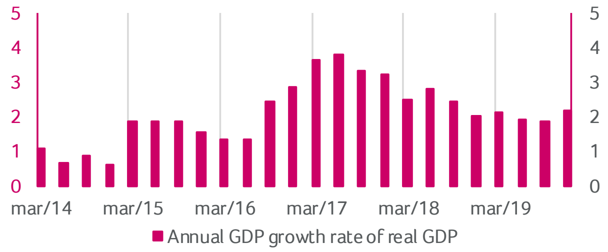
Internatinal operations

In Poland, GDP grew 4.1% in 2019, bolstered by private consumption, which has been benefiting from fiscal stimulus and from the improvement of the labour market. In contrast, investment and exports have been denoting an increasing moderation. In 2020 as the effects of the fiscal policy fade and the labour market stabilises it is likely that GDP starts to show growth rates closer to 3%, according to the forecast of the EC. Notwithstanding the quite strong performance of economic activity, the Zloty depreciated in the year as a whole, reflecting the rise of the volatility levels in the international financial markets, particularly in the second half of the year.

In Mozambique, the growth of GDP in the last year is likely to have been the slowest since 2016 (2.2% according to Statistics Mozambique) as a result of the weak performance of the agricultural activity in the wake of the cyclones that swept the country in March 2019, of the restructuring of the public debt, and of the reduction of foreign direct investment inflows. Despite the adverse economic environment, the Metical stood relatively stable during 2019, which contributed to maintain the inflation rate at low levels and concomitantly to the reduction of the degree of restrictiveness of the monetary policy. The IMF forecasted a recovery of the economic activity in 2020, fuelled by the on-going reconstruction process and the projects of gas exploration.

In Angola, despite the important set of economic reforms that have been being implemented under the IMF's assistance program, the economic situation remained fragile. According to the IMF, GDP is likely to have contracted by the third consecutive year in 2019. In this context, the Kwanza depreciated against the major international currencies, having fallen 40% vis-a-vis the Euro. The IMF foresees the start of a new cycle of recovery of the economic activity in 2020.

PORTUGUESE ECONOMY GREW 2.2% IN 2019



Source:Datastream

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

	2017	2018	2019	2020	2021
EUROPEAN UNION	2.8	2.2	1.4	1.6	1.7
Portugal	3.5	2.6	2.2	1.6	1.5
Poland	4.9	5.1	4.1	3.1	2.7
SUB-SAHARAN AFRICA	3.0	3.2	3.3	3.5	3.5
Angola	-0.2	-1.2	-0.3	1.2	2.9
Mozambique	3.7	3.3	2.2	6.0	4.0

Source: IMF and national statistics institutes

IMF estimate (January 2020)

Financial system

In a much more challenging context considering the downward revision of the economic growth estimates for the Euro Area (2019 and following years), reflecting the slowdown in economic activity worldwide, the maintenance of negative interest rate levels for a considerably longer period than previously anticipated and the disturbance factors of geopolitical nature (e.g. commercial tensions and Brexit), the Portuguese banking system maintained an improving trend of the profitability, efficiency, asset quality and risk indicators. The profitability of the system, excluding one operator which continued to record high losses, continues the recovery of recent years based on the improvement of operational efficiency and on a lower level of provisioning. The reducing trend of the non-productive exposures ('NPAs') on banks' balance sheets also continues, namely through the sale of credit and real estate portfolios, allowing the banks to accomplish and in some cases outperform the NPAs reduction plans. The reinforcement of the coverage levels that have been above the averages of the European Union and several European countries (e.g. Germany, Spain or France) since 2018 is also worth mentioning. As in previous years, the evolution and performance of the banking system in 2019 continued to be affected by increasingly demanding and costly Supervision and Regulation, and by increasing regulatory contributions (e.g. contributions to the Banking Sector and to the European and National Resolution Funds, in this last case at a clear disadvantage compared to European peers).

The liquidity position of the Portuguese banking system remained at comfortable levels, with the loan-to-deposits ratios at 88% at the end of September 2019. Capital ratios continue to strengthen on the back of organic capital generation and the issuance of equity-eligible debt instruments, in order to comply with MREL requirements in the short/medium term, except for one operator that continues to rely on the National Resolution Fund to top-up its capital ratios in order to comply with the minimum regulatory requirements of the Supervisor. This situation, together with the financial needs arising from the resolutions of Banco Espírito Santo and of BANIF, continue to be a source of risk for the normalisation of the profitability of the Portuguese banking system.

The Portuguese banking system continued to readjust its business model to face the entry of new players, new commercial approaches and more demanding customers resulting from the financial system digitalization, as well as to face a much more demanding economic, financial and regulatory context. As in recent years, the mitigation of compliance risks (namely related with money laundering and the financing of illicit activities, e.g. terrorism) and cybersecurity, require enhanced investment in operating risk assessment and control policies, as well as in security and IT, in order to allow the Portuguese banking system to safely take advantage of the improvements accomplished in recent years, both in terms of profitability and risk indicators, as well as liquidity and capital.

Business Model

Nature of operations and main activities

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, where it is present in the following markets: Poland, Switzerland, Mozambique, Angola (through its associate BMA) and China. All its banking operations develop their activity under the Millennium brand. The Group also ensures its international presence through representation offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, payment systems, savings and investment products, private banking, asset management and investment banking, including mortgage loans, consumer credit, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated to benefit from economies of scale.

In Portugal, Millennium bcp is focused on the retail market, providing services to its Customers in a segmented manner. The subsidiary companies generally provide their products through the Bank's distribution networks, offering a wide range of products and services.

Distinctive factors of the business model

Largest private sector banking institution

Millennium bcp is Portugal's largest private sector banking institution on business volumes, with a leading position and particular strength in various financial products, services and market segments based on a modern branch network with nationwide coverage. The Bank also offers remote banking channels (banking service by telephone, mobile banking and online), which operate as distribution points for its financial products and services.

The priorities, in accordance with the 2021 Strategic Plan, consist in redesigning the digital experience to an approach centred on mobile devices, transforming the top customer journeys, forming an appropriate and productive omnichannel model and transforming the operations through the implementation of NextGen technologies (such as robotics and natural language processing). At the same time, the Bank will adopt an IT strategy focused on the update of technology, information safety and promotion of new work forms.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer interests, both through a value proposition based on innovation and speed targeted at Mass-market Customers, and through the innovation and personalised management of service for Prestige, Business, Companies, Corporate and Large Corporate Customers Retail Banking and also through ActivoBank, a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity and offering innovative products and services.

International presence as a platform for growth

At the end of December 2019, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 31 December 2019, operations in Portugal accounted for 68% of total assets, 67% of total loans to Customers (gross) and 70% of total customer funds. The Bank had over 2.4 million active Customers in Portugal and market shares of 17.1% and 17.8% of loans to Customers and customer deposits, respectively, in December 2019.

At the end of December 2019, Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 5.6 million active Customers.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has 854,000 Active Customers and is the reference bank in this country, with 19.5% of loans and advances to Customers and 25.4% of deposits, on 31 December 2019. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

The deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed on 22 April 2016. The bank resulting from the merger is an associate of Banco Comercial Português.

In Poland, Bank Millennium has a well distributed network of branches, supported on a modern multi-channel infrastructure, on a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and on a sound risk management and control. On 31 December 2019, Bank Millennium had a market share of 5.7% in loans to Customers and of 6.0% in deposits.

The Group has an operation in Switzerland since 2003, through a private banking platform offering personalised quality services to the Group's high net worth Customers, comprising asset management solutions based on a rigorous research and on a profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

The Group is also operating in the East since 1993, but it was only in 2010 that the activity of the existing branch in Macau was expanded, through the attribution of a full license (onshore) aimed at establishing an international platform for business operations between Europe, China and Portuguese-speaking African countries.

The Bank also has 10 representation offices (1 in the United Kingdom, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China, in Guangzhou, and 1 in South Africa), 5 commercial protocols (Canada, USA, Spain, France and Luxembourg).

Growth based on digital/mobile banking

Since its incorporation, the Bank has built a reputation associated with innovation. The Bank was the first Bank in Portugal to introduce specific innovative concepts and products, including direct marketing methods, layouts based on customer profiles, salary accounts, simpler branches ("NovaRede"), telephone banking services, through Banco 7, which later became the first online banking services platform, health insurance (Médis) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launching of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the Customer, including the opening of a current account using Mobile Banking solutions.

Digital banking

For 2019, the Bank defined three leverages to accelerate digital business: the growth in the number of digital active Customers, with particular focus on Mobile, the migration of transactions to digital, and the growth in digital sales, supported by leaner processes designed to meet Customer needs.

For Individual Customers, the growth trend of the digital Customer base continued, which represented at the end of 2019, 47% of total Customers and also as regards Mobile Customers, which represented 31% of total Customers at the end of 2019. The growth of the App channel users contributed significantly to the growth of mobile Customers (compared to the same period of the previous year). The number of Mobile Customers increased 34% over the previous year. Noteworthy is the 61% growth in Logins, 102% in digital sales, 66% in payments and 87% in transfers.

Mobile – Individual Customers

In April, the Bank launched a new Millenmnium App directed to individual Customers. Simplifying the information architecture and updating the design, boosting sales and increasing user engagement through a better experience were the main drivers in building the new Millennium App. An App with new features fully focused on Customer needs and that since its launch has managed to significantly improve key indicators. In 2019, a growth of 190 thousand Mobile Customers in Portugal is noteworthy.

A new credit simulator for individual Customers has been launched, consisting of a new, simpler, faster and more intuitive personal credit journey. More than 100,000 App users currently have access to the pre-approved personalized personal credit offer based on their monthly financial capability calculated by the Bank. The attraction of new Customers, the increase in simulations and funded credit proposals, as well as the increase in the average credit ticket, were noteworthy.

The Bank launched a new used auto credit simulator, resulting in new customer acquisition, increased simulations and funded credit proposals, as well as an increase in the average credit ticket.

The Bank enables Clients to aggregate current accounts with other credit institutions in the Millennium App, enabling the information on account balances and movements in a centralized way.

Millennium app: increasingly relevant in Customer relationship

Annual growth rates (2018-2019)

% digital Customers **47%**

% mobile Customers **31%**

Mobile Customers

('000 Customers)

Strong growth in mobile

+61% Logins

+102% Sales

+66% Payments

+87% Transfers

Mobile first: a catalyst for digital growth

- Superior convenience and speed of transactions, with **new navigation and expanded payment services**, including Mbway
- **Redesigned experience on main Customer journeys** (e.g. personal credit, savings) with **end-to-end transformation of processes**
- **Customised offer and communication** with advanced analytical models
- **Product innovation** with native digital component (e.g. On/off insurance)
- **Open banking** and management of other bank's accounts in the app
- **Safety with convenience** (e.g. biometrics in MbWay transactions) and privacy mode

Bringing new technologies to processes and business model, with a positive impact on Customer relationship and on the Bank's efficiency

Open banking and new Customer solutions

Open banking "M Contabilidade"

More than 4,000 companies and accountants already benefit from payment integration, information collection and support to account reconciliation

Account aggregation

Customers can centralise information on their accounts on the Millennium bcp app, including those from other banks

Operating efficiency

Robotization and artificial intelligence for process automation at scale, with competence centre equipped with new technologies and creation of a model for industrialization

New service and operative model for the operations area with a strong technological component: chatbot, new process management and analytics platform, dynamic allocation of tasks to operators to optimize quality and service level

More technology at the service of Customers also at branches: account-opening with an ID card, digital mobile key and ID card to formalize processes and reinforced self-assisted machines at branches with 24x7 operation

New skills and ways of working

Reinforcement of internal skills: new technologies, customer experience and design, advanced analytics and AI, robotics

Focus on the development of skills: Millennium Digital Academy

Multidisciplinary teams focused on specific Customer needs; **iterative agile** methodology for greater speed and scale

Mobile – Companies

To reinforce the value proposition addressed to entrepreneurs and accountants (Customers and non-Customers), the Bank has developed a set of B2B / Cloud services, in accordance with the security and authentication requirements defined in the 2nd Payments Directive (DSP2). / Open Banking). Bank APIs are currently in production between the Companies Customers site and the "TOC online" ERP, with other entities / ERPs already under evaluation or implementation.

The M Contabilidade App is already used by over 4,000 users, including companies Customers and accountants.

Site

On the individuals' website the 100% digital account opening has to be highlighted and on the companies' website, the online contracting of factoring and confirming is worth mentioning (including requesting, approving and contracting of operations).

Digital Sales

In 2019, the Bank continued its focus on growing digital sales, by redesigning simpler digital process and also launching the new Millennium App with an improved user experience and new sales processes.

Supported by this improvement in the users experience and the strengthening of CRM and digital marketing models, there was a 64% growth in personal loans production in the digital channel, with a 24% product penetration rate in transactions (+9 p.p.. year-on-year), with the Millennium App accounting for 47% of these. Also in time deposits, the new Millennium App had an impact, with a +16 pp increase compared to 2018 in the penetration rate in number of transactions, reaching 47%, where the Millennium App already represented 68%.

Confirming the trend of increasing importance of the digital channel in the day-to-day life of its Customers, there was a positive year-on-year change in most products traded in digital, in particular in the area of investments, the investment funds sales (31%, +10 p.p. compared to 2018) and risk insurance (23%, +4 p.p. compared to 2018).

In the online trading business, a significant growth in orders placed into digital channels, +33%, and the significant increase in the number trades executed on the Bank's online trading platform weight in the total trades executed by the Bank -the MTrader- from 35% to 48%, also doubling the number of adhesions, are worth highlighting.

Client-oriented relationship model

2019 marks a turning point in the Bank's communication, consolidated by the launch of an institutional campaign that assumes a new positioning and commitment from Millennium to the community. It is the moment of the "Millennium Generation".

Making use of an attribute that only Millennium has – making use of a generational qualifier - Millennium has developed a campaign that presents not only the generation of its Customers, with behaviors, beliefs and wills transversal to all of them, but also the new technology solution that will give them daily financial support - the new Millennium App.

This is the basis of the course that the Bank intends to undertake in all that it does and communicates - to assume a new vision of banking, with products and solutions focused on the Customers.

The communication strategy in 2019 was the clear reflection of this intention. Throughout this period, the focus was on messages focused on digital and innovation, never forgetting the relational aspect and complicity with the (new) profiles, needs and expectations of the various segments and reinforcing the strategy of the Bank in acquiring new Customers.

Worth mentioning is the account opening campaigns associated with both the Consumer Choice Award and the Summer Festivals sponsored by the Bank, as well as the reinforcement of communication with the business segment, based on the leading position in the Portugal 2020 program and PME Líder and PME Excellence statutes.

It is also worth mentioning, within the scope of the defined relational strategy, the consolidation of sponsorships and partnerships of relevance, such as the Millennium Estoril Open and the music festival "Festival ao Largo", or the organization of internal initiatives such as executives meetings.

Sustainability of the business model

The resilience of the business model is primarily based on the Bank's concentration on retail banking, more stable and less volatile by nature. Millennium bcp implemented successfully an operational recovery in its core market, reinforcing its financial and capital position, despite of the challenging environment in the banking sector in the Portuguese market. The Bank implemented a restructuring program based on a reduction of operating costs by circa of 40% in Portugal since 2011 and a more than 60% reduction in the Group's NPE since 2013 (from Euros 13.7 billion to Euros 4.2 billion in December 2019).

Three distinctive competences acted as the main pillars of this recovery: a Customer oriented relationship model, market leading position in terms of efficiency and competitive international operations.

The purpose of the Bank is to ensure sustainable profitability in the medium and long term, seeking to become the best in class in terms of operational efficiency, improving operating profit in a sustainable manner and maintaining a high level of control on credit risk, thus preserving its strategic position in the Portuguese retail banking services market. One of the Bank's top priorities continues to be to improve the quality of its credit portfolio, reduce the stock of NPE to circa of Euros 3 billion by 2021 and, simultaneously, decrease the cost of risk.

Main awards

- For the second year in a row, Millennium bcp was considered the "Best Bank for Companies in Portugal 2019", and also the most referred to as the "Main Bank of Companies in Portugal", with the "Most Suitable Products for Companies", "Globally Most Innovative" and "Closest to Customers", according to a study by DATA E;
- Millennium bcp was named "Consumer's Choice" 2019 in the Large Banks category, standing out in features such as "Security", "Customer Service", "Transparency of Information" and "Quick service", amongst others.
- Millennium bcp was distinguished at the Euronext Viabolsa Awards 2019 with the "Most Active Trading House in Warrants and Certificates" award.
- "Best Bank in Information Security and Fraud Management", in Consumer and Institutional areas, for the 3rd consecutive year, at the World's Best Digital Bank Awards, by Global Finance.
- "Best Homebanking Site in 2019", awarded by PC Guia 2019 readers.
- ActivoBank was named "Consumer's Choice" 2019 in the Digital Bank category and it is part of the Top25 ranking of companies chosen by consumers.
- ActivoBank was elected by DECO as Right Choice in three categories: Personal Loans, Internet salary accounts with wage paid through an account with ActivoBank and Internet on-demand accounts without wage paid through an account with ActivoBank.
- Bank Millennium was acclaimed as the Customer Experience leader in the financial sector on the list of TOP 100 Brands published in the latest KPMG Poland report. The Bank is one of the top ten of the brands in the top 100 of Poland.
- Bank Millennium was hailed as the Best Bank in Poland in the annual Best Bank Awards competition organized by Global Finance Magazine.
- Distinction of Bank Millennium website as the best of digital banks by Global Finance magazine.
- Bank Millennium, for the fifth time in a row, has received the CSR Silver Leaf, award that is given to companies which implement the most stringent standards of corporate social responsibility in their day-to-day activity.Millennium bim was named "Best Bank in Mozambique for Trade Finance" by Global Finance.
- Millennium bim distinguished as Bank of the Year by The Banker magazine.
- Election of Millennium bim as Best Bank in the 'Payments' category in 2019 by Global Finance, recognizing the bank for the innovative solution Millennium IZI in the scope of interoperability.
- Millennium bim distinguished by Global Finance as Best Bank for Information Security and Fraud Prevention in Africa.

Millennium network

Canada
Commercial protocols

USA
Commercial protocols

Venezuela
1 Representative office

Brazil
2 Representative offices

BRANCHES
BRANCHES OPENED ON SATURDAY
BRANCHES WITH DIFFERENTIATED SCHEDULE
BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY
REPRESENTATIVE OFFICES
COMMERCIAL PROTOCOLS
PARTNERSHIP

* Includes branches of different networks that share the same physical space.
* Including eurobank branches.
** Not including eurobank branches.

Portugal
505 Branches
118* 437

United Kingdom
1 Representative office

Poland
830* Branches
72** 80** 278**

Macao
1 Branch

Spain
Commercial protocols

Luxembourg
Commercial protocols

South Africa
1 Representative office

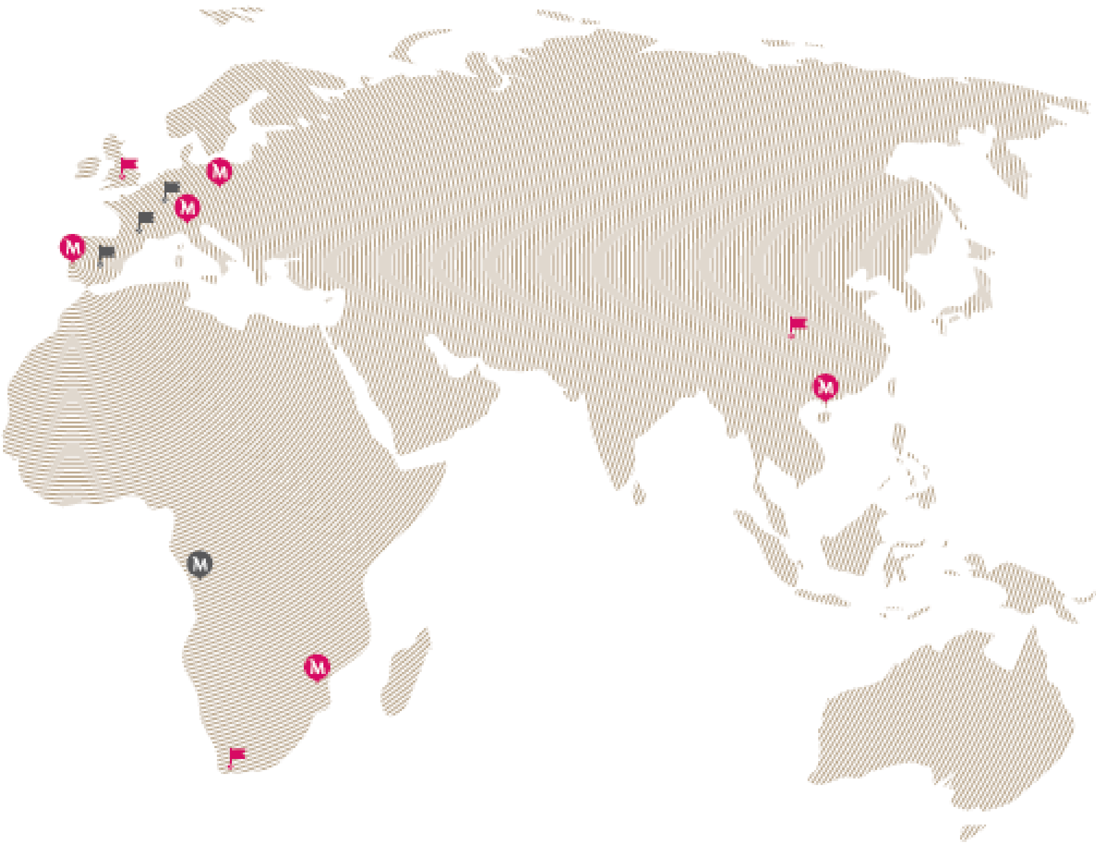
China
1 Representative office

France
Commercial protocols

Switzerland
1 Branch
1
3 Representative offices

Mozambique
200 Branches
30 63 159

Angola
Partnership in which BCP holds 22.7%



	Customers (Thousands)	Internet	Call Centre	Mobile Banking	ATM (1)	POS (2)
Portugal	2,394	657,412	184,944	645,110	1,967	71,627
Poland	2,345	1,541,073	197,424	1,410,444	498	–
Switzerland	2	583	–	–	–	–
Mozambique	854	15,817	48,801	545,847	523	7,864
Macao	3	–	–	–	–	–

Note: Active users are those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days.
1 Automated Teller Machines.
2 Points of Sale.

FINANCIAL INFORMATION

2019 Campaign | Home Loan Solutions

Results and Balance Sheet

The consolidated Financial Statements were prepared under the terms of Regulation (EC) 1606/2002, of 19 July (version in force), and in accordance with the reporting model determined by Banco de Portugal (Banco de Portugal Notice 5/2005, version in force), following the transposition into Portuguese law of Directive 2003/51/EC, of 18 June, of the European Parliament and Council in the versions currently in force.

On 1 January 2018, the Group adopted the IFRS 9 – Financial Instruments, replacing the IAS 39 – Financial Instruments: Recognition and measurement which were in force until 31 December 2017. IFRS 9 establishes new rules for the recognition of financial instruments and introduces relevant changes, namely in terms of their rating and measurement and also the methodology for calculating the impairment of financial assets. As allowed by the temporary provisions of IFRS 9, the Group chose not to restate balances of the previous period. Hence, all adjustments made in the accounting values of financial assets and liabilities on the transition date were recognised in equity with reference to 1 January 2018 and the balances presented in the financial statements regarding the previous period correspond to the information effectively disclosed on 31 December 2017.

In order to provide a better reading of the performance of the Group's financial situation and to ensure comparability with the information from previous periods, a set of concepts are described in this analysis that reflect the management criteria adopted by the Group in the preparation of the financial information, the accounting correspondence of which is presented in the glossary and throughout the document, whenever applicable.

On 1 January 2019, IFRS 16 – Leasing entered into force, replacing IAS 17 - Leasing and establishing the new requirements regarding the scope, rating, recognition and measurement of leases. The Group applied the principles set out in this regulation retrospectively with the impacts of the transition to be recognised on 1 January 2019. Regarding income statement, the adoption of IFRS 16 led to changes in the items regarding depreciation, other administrative costs and net interest income, with the net impacts being recognised as immaterial.

The Group no longer applies IAS 29 - Financial Reporting in Hyperinflationary Economies, with effect from 1 January 2019, to the financial statements of Banco Millennium Atlântico, since Angola no longer meets the requirements to be considered a hyperinflationary economy. From the beginning of 2019, the financial statements of Banco Millennium Atlântico considered for the purposes of integration in the Group's accounts began to consider the amortization of the impact arising from the update of the balance sheet value of non-monetary assets and liabilities until the end of their lifespan.

In May 2019, Bank Millennium, S.A., a subsidiary owned 50.1% by Banco Comercial Português, S.A., completed the acquisition of a 99.787% stake in Euro Bank S.A. from SG Financial Services Holdings, a subsidiary fully held by Société Générale, S.A. On the settlement date of the transaction IFRS 3 - Business Combinations acquisition method was applied, which establishes that the acquired assets and liabilities should be recognised based on their fair value at the date of acquisition. It should be noted, however, that the process of settlement of the transaction is not yet concluded and additional adjustments to the purchase price may be identified. In accordance with IFRS 3, the effective settlement of the acquisition will be completed no later than one year from the control acquisition date, which occurred on 31 May 2019. As from this date, the Group's financial statements reflect the consolidation of Euro Bank S.A..

During September 2019, the Board of Directors of Banco Comercial Português, S.A. and the Board of Directors of Banco de Investimento Imobiliário, S.A. approved the merger project of Banco de Investimento Imobiliário, S.A., a subsidiary fully owned by Banco Comercial Português, S.A., by incorporation into the latter, and the process was concluded on 30 December 2019, after the signing of the merger deed and its registration with the Commercial Registry Office. 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".

The merger produced its accounting and tax effects on 1 January 2019. This operation had no impact on the consolidated accounts other than those related to deferred tax assets, namely those resulting from the updating of the rate applicable to temporary differences from Banco de Investimento Imobiliário, S.A., considering the average rate of deferred tax assets associated with temporary differences from Banco Comercial Português, S.A., and the derecognition of part of the deferred tax assets related to tax losses.

The figures related to discontinued operations are shown separately, for the relevant periods, according to the information provided in the consolidated financial statements approved by the shareholders and published by the Bank. Discontinued operations covered by the analysis period in this document are mainly related to the Planfipsa Group, which was considered as a discontinued operation with reference to the 3rd quarter of 2018 (after the communication and publication of results to the market) and whose sale took place in February 2019.

In 2019, 2018 and 2017, the gains/losses related to Millennium bcp Gestão de Ativos pursuant to adjustments to the sale price agreed for the sale of that company were also included in earnings from discontinued operations.

In 2019 no changes were made to the information regarding previous financial years. Therefore, the figures re-expressed for the purpose of ensuring the comparability of the information result exclusively from the situations previously mentioned.

The evolution of the activity of Millennium bcp in 2019 was characterised by an expansion of core income and by a reduction in impairments and provisions compared to the previous year, being impacted by the acquisition of Euro Bank S.A. by the Polish subsidiary.

In 2019, the consolidated net income of Millennium bcp amounted to 302 million Euros, slightly above the 301 million Euros obtained in the previous year, with the good performance of the activity in Portugal together with the results of discontinued operations having been offset almost entirely by the evolution of international activity, impacted by the performance of the Polish subsidiary.

The consolidated net income for 2019 was influenced by a negative impact of 67 million Euros (before taxes) due to specific items, related to restructuring costs and compensation for the temporary salary cuts in Portugal and the costs incurred with the acquisition, merger and integration of Euro Bank S.A., booked by the Polish subsidiary. In 2018, the impact, also negative, of specific items amounted to 29 million Euros (before taxes), related to restructuring costs and the ongoing digital transformation project, both reflected in the activity in Portugal. Excluding the specific items mentioned, the net income of the Group in 2019 showed a significant improvement over the previous year.

Total assets of the Group amounted to 81,643 million Euros on 31 December 2019, a significant growth compared to 75,923 million Euros at the end of 2018 due to the performance of both the activity in Portugal and, mainly, the international activity. The growth in total assets of the international activity was influenced by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary, mainly related to loans to customers portfolio, which simultaneously benefited from the organic growth of the commercial business of the subsidiary. In the activity in Portugal, the increase in cash at Central Banks is worth mentioning.

Total liabilities of the Group stood at 74,262 million Euros in 2019, increasing significantly from 68,959 million Euros at the end of 2018, determined by the evolution of deposits and other resources from customers, both in the activity in Portugal and, above all, in the international activity.

Loans to customers (gross) stood at 54,724 million Euros on 31 December 2019, showing a significant growth from the 51,032 million Euros at the end of the previous year, determined by the evolution of the international activity, which was driven by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary. In the activity in Portugal, loans to customers (gross) stood slightly below the amount as at 31 December 2018, being noteworthy on the one hand, the reduction of 1,551 million Euros in NPE, following the strategy of divestment in this type of assets implemented by the Bank in recent years, and on the other hand, the good performance of the loans performing portfolio, which grew by 1,078 million Euros over the same period.

Total customer funds amounted to 81,675 million Euros on 31 December 2019, a very favourable performance compared to 74,023 million Euros at the same date of the previous year, thanks to the good performance of both the activity in Portugal and the international activity, partly influenced by the impact of the acquisition of Euro Bank S.A.. In consolidated terms, total customer funds recorded a good performance in all items, with an increase in balance sheet customer funds and more specifically in deposits and other resources from customers.

PROFITABILITY ANALYSIS

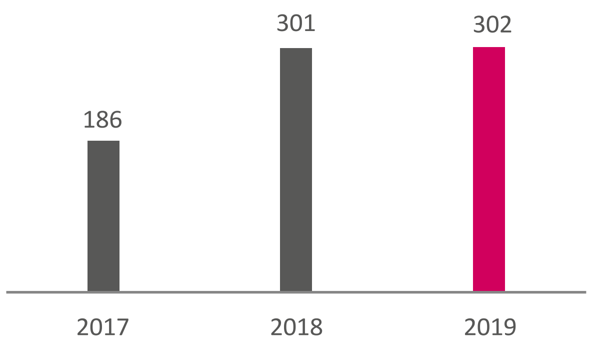
NET INCOME

In 2019, the consolidated net income of Millennium amounted to 302 million Euros, slightly (0.3%) above the 301 million Euros recorded in 2018. The 2019 net income includes the negative impact of 67 million Euros (before taxes) considered as specific items, related to restructuring costs and compensation for temporary salary cuts recognised in the activity in Portugal and the costs incurred with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary. In 2018, the impact of specific items was also negative in the amount of 29 million Euros (before taxes), related to restructuring costs and the ongoing digital transformation project, both reflected in the activity in Portugal.

In the evolution of the consolidated net income of the Group, it is important to highlight the growth in net interest income and net trading income, on the one hand, and the reduction of loans impairment, on the other, despite the increase in operating costs and the tax impact caused by the low interest rates scenario in 2019. At the same time, the gain of 13 million Euros resulting from the sale of the Planfipsa Group in February 2019, reflected as discontinued operations, contributed positively to the net income of the Group.

NET INCOME

Million euros



QUARTERLY INCOME ANALYSIS

Euro million

	2019 1st quarter	2019 2nd quarter	2019 3rd quarter	2019 4th quarter	2019 Total	2018	2017
NET INTEREST INCOME	363	377	413	396	1,549	1,424	1,391
OTHER NET INCOME							
Dividends from equity instruments	0	1	0	0	1	1	2
Net commissions	167	176	177	184	703	684	667
Net trading income	60	35	24	24	143	79	148
Other net operating income	(11)	(65)	(12)	(13)	(101)	(89)	(102)
Equity accounted earnings	19	3	18	4	43	89	92
TOTAL OTHER NET INCOME	235	149	206	200	790	763	806
NET OPERATING REVENUES	598	527	619	595	2,338	2,187	2,197
OPERATING COSTS							
Staff costs	152	172	164	180	668	593	527
Other administrative costs	80	87	102	107	376	377	374
Depreciation	27	30	33	35	125	58	54
TOTAL OPERATING COSTS	260	289	299	322	1,169	1,027	954
OPERATING RESULTS	338	238	320	273	1,169	1,159	1,243
IMPAIRMENT							
For loans (net of recoveries)	87	114	99	91	390	465	624
Other impairment and provisions	17	25	35	73	151	136	301
INCOME BEFORE INCOME TAX	234	99	186	109	627	558	318
INCOME TAX							
Current	31	16	28	26	101	106	102
Deferred	34	39	25	40	138	32	(72)
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	169	43	133	43	388	420	288
Income from discontinued operations	13	(0)	(0)	0	13	(1)	1
NET INCOME AFTER INCOME TAX	182	43	133	43	401	419	290
Non-controlling interests	28	27	32	12	99	118	103
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	154	16	101	32	302	301	186

In the activity in Portugal[1], net income of 2019 reached 145 million Euros, showing an increase of 25.4% over the 116 million Euros recorded in 2018, strongly influenced by the decrease in credit provisioning needs. The good performance of the activity in Portugal also reflects the performance of net trading income and other impairment and provisions and, although to a lesser extent, also of commissions and other net operating income. The favourable evolution of net income from the activity in Portugal was offset by the increase in operating costs and by the fiscal impact resulting from a context of low interest rates, also reflecting a lower contribution from equity accounted earnings and net interest income.

The growth in operating costs in the activity in Portugal compared to 2018 is partly due to the recognition of a higher level of restructuring costs and the impact of compensation for temporary salary cuts in 2019, both recognised as staff costs and considered as specific items. The increase in deferred tax expense in 2019 compared to 2018 is primarily due to the write-off of deferred tax assets as a result of the maintenance of the low interest rate scenario and the effect of actuarial losses related to the pension fund.

In international activity, net income amounted to 144 million Euros in 2019, compared to 187 million Euros in the previous year. The increase in core income from 443 million Euros in 2018 to 484 million Euros in 2019 is worth noting

Excluding the abovementioned specific items, related to costs incurred with the acquisition, merger and integration of Euro Bank S.A., core income of the international activity grew 15.3%, from 443 million Euros in 2018 to 511 million Euros in 2019, benefiting from a very positive evolution of core income, in particular of net interest income, which largely exceeded the increase in operating costs.

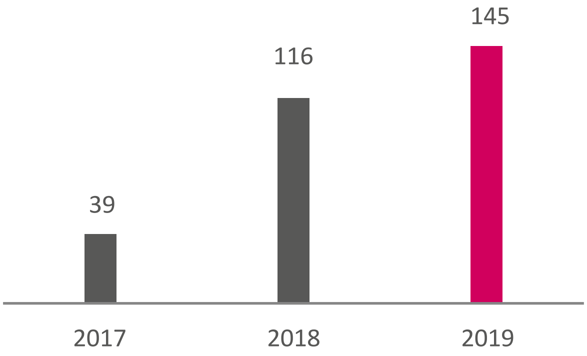
The performance of international activity in 2019 was determined by the lower contribution of the Polish operation and by the lower appropriation of income generated by Banco Millennium Atlântico compared to the previous year.

he performance of the Polish subsidiary was limited by the impact resulting from the costs associated with the integration of Euro Bank S.A., which implied, on the one hand, a higher level of operating costs, and, on the other hand, an increase in loans impairment through additional impairments at the time of the initial recognition of the credit portfolio of the operation, in May 2019.

NET INCOME

Activity in Portugal

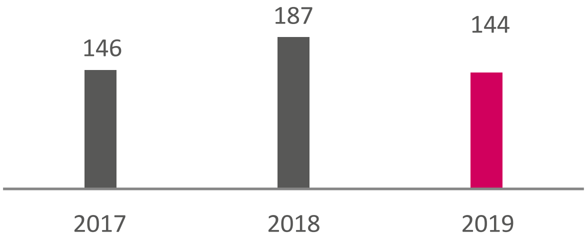
Million euros



NET INCOME

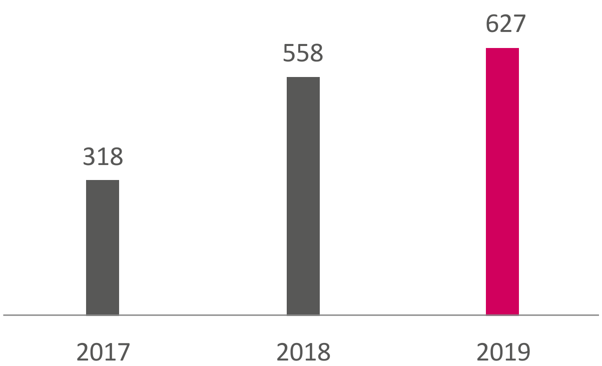
International activity

Million euros



INCOME BEFORE INCOME TAX

Million euros



[1] Does not consider income arising from operations accounted as discontinued operations, amounting to 13 million Euros in 2019 and a negative amount of 1 million Euros in 2018.

In addition, the contribution of Bank Millennium Group was also influenced by an extraordinary provision for processes related to mortgage loans granted in Swiss Francs. The operation in Mozambique, on the other hand, improved its performance over the previous year. The lower appropriation of income generated by Bank Millennium Atlântico, in 2019 was influenced both by the increase in the risk coverage by impairments and provisions, and by the impact of the end of the IAS 29 application.

Bank Millennium in Poland reached a net income of 131 million Euros in 2019, reflecting a decrease of 48 million Euros compared to the 178 million Euros recorded in 2018. As previously mentioned, this evolution is influenced by the impact of the acquisition of Euro Bank S.A., which was reflected in the increase in the cost of risk of the loan portfolio and the growth in operating costs. In addition, the performance of Bank Millennium was also determined by the impact of provisions to cover the legal risk associated with mortgage loans granted in Swiss Francs and also by provisions to cover the possible need to return to customers fees associated with personnel credit operations reimbursed in advance. On the contrary, net income of Bank Millennium reflects a very favourable performance compared to the previous year in what refers to net interest income reflecting both growing business volumes and the acquisition of Euro Bank S.A..

Millennium bim in Mozambique presented a net income of 99 million Euros, up 5.8% from 94 million Euros in 2018, benefiting from the reduction in the cost of risk, on the loan portfolio and from improved results in net trading income, partially absorbed by the performance of net interest income, which was influenced by the context of falling reference interest rates, as well as by increased operating costs and other impairments and provisions. It should be noted that the economy of Mozambique faced huge challenges in 2019 due to the severe impact of natural disasters.

As for Angola, the contribution to net income of international activity in 2019 totalled 3 million Euros, a decrease of 88.3% compared the previous year. This decrease stems from the lower result of Banco Millennium Atlântico, reflecting an increase in the risk coverage by impairments and provisions, the end of the application of IAS 29 and, additionally, from the adverse effect of the depreciation of Kwanza.

NET INCOME OF INTERNATIONAL ACTIVITY

Euro million

	2019	2018	2017	Chan. % 19/18
Bank Millennium in Poland (1)	131	178	160	-26.8%
Millennium bim in Mozambique (1)	99	94	85	5.8%
BANCO MILLENNIUM ATLÂNTICO (2)				
Before the impact of IAS29	8	21	29	-60.1%
Impact of IAS29	(6)	1	(28)	<200%
BMA AFTER THE IMPACT OF IAS29 (2)	3	21	0	-88.3%
Other	9	13	9	-28.7%
Non-controlling interests	(98)	(120)	(108)	18.3%
NET INCOME OF INTERNATIONAL ACTIVITY	144	187	146	-23.1%
NET INCOME OF INTERNATIONAL ACTIVITY EXCLUDING IAS29	149	186	175	-19.7%

(1) The amounts showed are not deducted from non-controlling interests.

(2) Corresponds to the proportion of the results of Banco Millennium Atlântico appropriated by the Group, considering the equity method.

Note: Net income of 2019 (after taxes and non-controlling interests) attributable to the international operations amounted to 144 million euros. For the same period, net income from Poland amounted to 131 million euros (of which 65 million euros attributable to the Bank). The net income from Mozambique ascended to 99 million euros (of which 66 million euros attributable to the Bank). The net income of the activity in Angola, associated to the contribution of Banco Millennium Atlântico to the consolidated, calculated by the equity method, was of 3 million euros. Net income from the activities in Switzerland and in the Cayman Islands included in "Other" were fully attributable to the Bank.

NET INTEREST INCOME

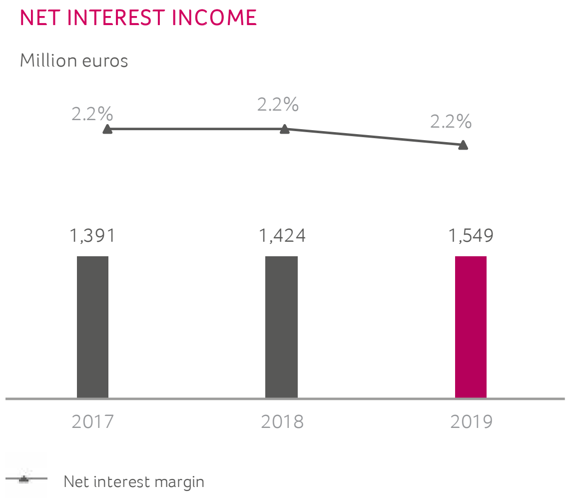
Net interest income showed a favourable performance, increasing 8.8% from 1,424 million Euros in 2018, reaching 1,549 million Euros in 2019. This was determined by the good performance of the international activity, namely by the dynamic of the Polish operation, partially offset by the performance of the activity in Portugal, whose net interest income lowered 1.8% from the figure for the previous year.

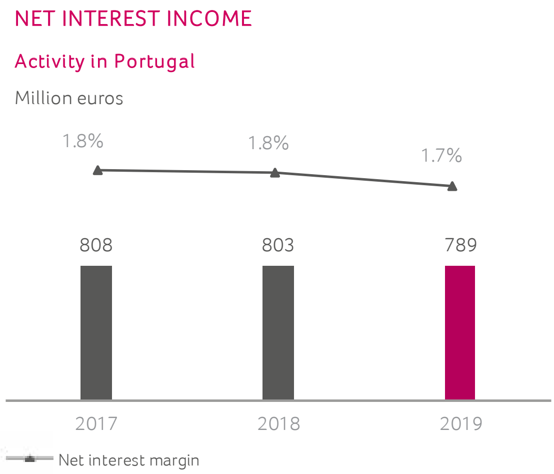
Net interest margin, in consolidated terms, has remained stable at 2.2% over the last few years, recording, however, distinct performances in the activity in Portugal and in the international activity. The net interest margin in the activity in Portugal, although pressured by the negative interest rate environment, stood at 1.7% at the end of the year, reflecting only a slight decrease from the 1.8% recorded in the previous year. In the international activity, net interest margin increased from 3.1% in 2018 to 3.2% in 2019, benefiting from the effect of the acquisition of Euro Bank S.A., from May 2019.

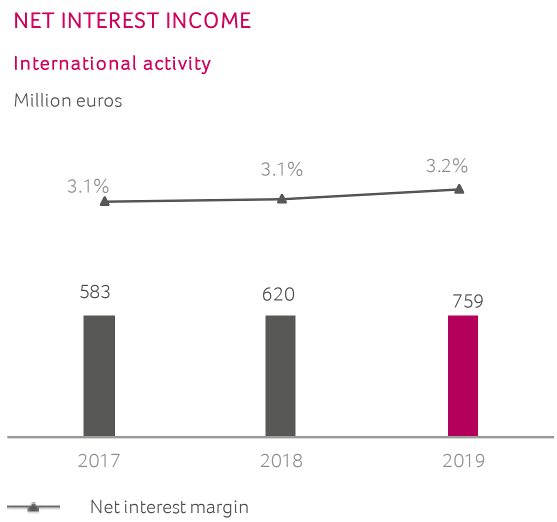
In the activity in Portugal, net interest income totalled 789 million Euros in 2019, compared to 803 million Euros recorded in the previous year. Although the evolution of net interest income in Portugal benefited from the reduction in the cost of funding, this positive effect was not enough to offset the drop of revenues resulting from the lower income generated by the securities portfolio and the loans to customers portfolio. The evolution of income generated by securities portfolio in the activity in Portugal mainly reflects the impact of the lower implicit interest rates, as the average volumes over the year were higher than those in the previous year. The current context characterised by a macroeconomic scenario marked by the persistence of low interest rates also contributed to the lower income generated by the domestic credit portfolio compared to the previous year, notwithstanding the increase in the credit volumes, since during 2019, with the growth in the performing credit portfolio exceeding the reduction in the volume of Non-Performing Exposures (NPE).

The reduction in the cost of funding in the activity in Portugal benefited from the continued decline in the remuneration of term deposits, which average balance also fell compared to 2018, and at the same time from the lower cost of subordinated debt and other debt issued. On the other hand, the revenue on the targeted longer-term refinancing operations (TLTRO) generated by a negative funding rate was lower in 2019 than in 2018.

In the international activity, net interest income performed quite favourably, increasing 22.4% from 620 million Euros in 2018, reaching 759 million Euros in 2019. This progression was mainly driven by the Polish subsidiary, whose growth in net interest income resulted, on the one hand, from the strong organic growth and, on the other, from the integration of the commercial business of Euro Bank S.A.







The good performance of net interest income generated by the Polish subsidiary was determined by the increase in revenues associated with the loans portfolio, justified not only by the growth in the volumes of credit granted in both business segments, companies and retail, but also by the effect of the merger with Euro Bank S.A., with a loan portfolio having a predominance of products with higher commercial margins. Net interest income generated by the securities portfolio in the Polish subsidiary was also higher than in the previous year, driven by the increase in average volumes held. On the other hand, the financing of the growth of activity and the balance sheet, either through a higher volume of customer deposits or through the issuance of debt, including subordinated debt, was reflected, in 2019, in a higher cost in net interest income.

In the subsidiary in Mozambique, net interest income was slightly below the amount recorded in 2018, as the reduction in revenue associated with the loan and securities portfolios fully absorbed the positive effect resulting from the reduction in the cost of funding, obtained through the lower cost of customer deposits, due to the reduction in interest rates.

AVERAGE BALANCES

Million euros

	2019		2018		2017	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	4,033	1.0%	2,702	1.0%	3,070	0.9%
Financial assets	15,400	1.7%	13,250	2.2%	11,163	2.3%
Loans and advances to customers	50,674	3.2%	47,620	3.2%	47,861	3.3%
TOTAL INTEREST EARNING ASSETS	70,107	2.8%	63,572	2.9%	62,094	3.0%
Non-interest earning assets	9,484		9,847		10,575	
TOTAL ASSETS	79,590		73,419		72,669	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	8,066	0.2%	7,397	0.1%	9,140	0.0%
Deposits and other resources from customers	57,228	0.5%	53,258	0.6%	50,560	0.7%
Debt issued and financial liabilities	3,271	1.2%	2,787	1.6%	3,162	2.7%
Subordinated debt	1,364	4.4%	1,116	5.5%	929	6.9%
TOTAL INTEREST BEARING LIABILITIES	69,930	0.6%	64,558	0.7%	63,791	0.8%
Non-interest bearing liabilities	2,089		1,944		2,116	
Shareholders' equity and Non-controlling interests	7,571		6,917		6,762	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	79,590		73,419		72,669	
NET INTEREST MARGIN (1)		2.2%		2.2%		2.2%

(1) Net interest income as a percentage of average interest earning assets.

Note: Average balance calculated based on monthly average of end of month balances, accumulated in the period. Interest related to hedge derivatives were allocated, in 2019, 2018 and 2017, to the respective balance item.

In 2019, average net assets increased considerably from 73,419 million Euros in the previous year to 79.590 million Euros. This progression was supported by the general increase in interest-bearing assets, reflecting, in part, the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary, which consolidation was in May 2019.

Interest-bearing assets stood at 70,107 million Euros in 2019 compared to 63,572 million Euros in 2018, benefiting from the growth in loans to customers, from 47,620 million Euros in 2018 to 50,674 million Euros in 2019, from the increase in financial assets, from 13,250 million Euros in 2018 to 15,400 million Euros in 2019 and from the increase in deposits in credit institutions which stood at 4,033 million Euros in 2019 compared to 2,702 million Euros in 2018. On the other hand, non-interest bearing assets decreased from 9,847 million Euros in 2018, totalling 9,484 million Euros in 2019.

Average interest-bearing liabilities rose from 64,558 million Euros in 2018 to 69,930 million Euros in 2019. This evolution was mainly due to the growth in customer deposits, whose average balance rose from 53,258 million Euros in 2018 to 57,228 million Euros in 2019, partially influenced by the impact of the acquisition of Euro Bank S.A., with effects from May 2019. The increase in interest-bearing liabilities also benefited from the performance of the average balance on deposits from credit institutions, which rose from 7,397 million Euros in 2018 to 8,066 million Euros in 2019, as well as from the aggregate of debt securities issued and financial liabilities and subordinated debt, which rose respectively from 2,787 million Euros and 1,116 million Euros in 2018 to 3,271 million Euros and 1,364 million Euros in 2019.

In terms of average balance sheet structure, interest-bearing assets represented 88.1% of average net assets in 2019, with an increase compared to the relative weight of 86.6% recorded in 2018. Loans to customers remained the main aggregate of the portfolio of interest-bearing assets, although their relative weight in the balance sheet structure declined from 64.9% in 2018 to 63.7% in 2019. In contrast, the financial assets portfolio saw its relative weight in the balance sheet structure strengthened, rising from 18.0% in 2018 to 19.3% in 2019.

In the structure of average interest-bearing liabilities, customer deposits remain the main instrument for financing and supporting activity, although their relative weight decreased slightly in 2019, accounting for 81.8% of the balance of interest-bearing liabilities, compared to 82.5% in the previous year. Deposits from credit institutions continue to represent 11.5% of the average balance of interest-bearing liabilities, as in the previous year, while the aggregate of debt securities issued and financial liabilities increased their relative weight slightly from 4.3% in 2018 to 4.7% in 2019.

The evolution of the average balance of the shareholders' equity, from 6.917 million Euros in 2018 to 7,571 million Euros in 2019, mainly reflects the placement in the market, in January 2019 of an Additional Tier 1 issue in the amount of 400 million Euros.

in 2019, net interest margin stood at 2.2%, in line with the rate obtained in the previous year. This alignment reflects a roughly proportional growth in net interest income and in average interest bearing assets during 2019.

In 2019, the average interest rate on credit remained in line with the rate obtained in the previous year, while the average interest rate on deposits fell slightly compared to the rate recorded in the previous year.

OTHER NET INCOME

Other net income, which includes dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, showed a favourable evolution compared to the 763 million Euros recorded in 2018, standing at 790 million Euros in 2019. The performance of activity in Portugal was a determining factor in this evolution, having been offset by the international activity which fell from the amount recorded in 2018.

In the activity in Portugal, other net income grew 35 million Euros compared to the amount recorded in 2018, mainly driven by the performance of net trading income and net commissions, which were 39 million Euros and 8 million Euros higher, respectively, than the previous year. The positive performance of other net operating income was offset by the 15 million Euro reduction in equity accounted earnings.

In international activity, the good performance shown by the Polish and Mozambican subsidiaries, in other net income, was fully absorbed by the reduction in the appropriation of the income generated by Banco millennium Atlântico recognised in equity accounted earnings.

OTHER NET INCOME

Million euros

	2019	2018	2017	Chan. % 19/18
Dividends from equity instruments	1	1	2	25.4%
Net commissions	703	684	667	2.8%
Net trading income	143	79	148	82.5%
Other net operating income	(101)	(89)	(102)	-12.6%
Equity accounted earnings	43	89	92	-51.8%
TOTAL	790	763	806	3.5%
of which:				
Activity in Portugal	545	510	544	6.8%
International activity	245	253	262	-3.0%

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments, which incorporate dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, amounted to 1 million Euros in 2019, showing an increase of 25.4% over the amount obtained in the previous year, supported by the evolution of income on investments in the share portfolio of the Group.

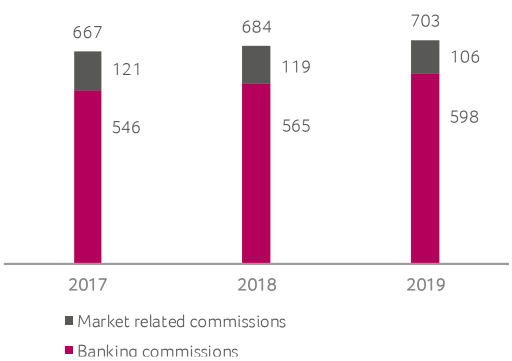
NET COMMISSIONS

In 2018, some of the amounts recorded by the subsidiary in Poland under the items "Credit and guarantees", "Bancassurance", "Other commissions" and "Asset management" were reclassified in order to improve the integration of the information reported on a consolidated basis. These items are presented for 2017 on a proforma basis in order to ensure their comparability. The total amount of net commissions did not change.

In 2019, net commissions, which include commissions related to banking business and commissions more directly related to financial markets, amounted to 703 million Euros, showing, in consolidated terms, a growth of 2.8% from 684 million Euros in the previous year. This growth benefited both from the good performance of activity in Portugal and in the international activity.

NET COMMISSIONS

Million euros



In the activity in Portugal, net commissions reached 483 million Euros in 2019, representing an increase of 1.7% compared to 475 million Euros in 2018, determined by the favourable performance of commissions related to the banking business, which showed a growth of 5.0%. On the contrary, commissions more directly related to financial markets and less recurring were 19.3% below those obtained in 2018, influenced by the impact of the current market environment on this type of commissions and by the lower commissions associated with investment banking operations.

In the international activity, net commissions grew 5.5% from the 209 million Euros in 2018 to 220 million Euros in 2019, mainly due to the performance of the Polish subsidiary, influenced by the impact of the acquisition of Euro Bank S.A., but also, although to a lesser extent, by the higher contribution of the subsidiaries in Mozambique and Switzerland.

In consolidated terms, the good performance of commissions related to banking business should be highlighted, since they recorded an increase of 5.9% from 565 million Euros in 2018 and reached 598 million Euros in 2019, benefiting from the evolution of both the activity in Portugal and the international activity. In the same period, commissions related to financial markets decreased by 11.4%, mainly due to the performance of the activity in Portugal.

The good performance of commissions related to the banking business, both in the activity in Portugal and in the international activity, reflects the generalised growth across different types of commissions, with particular emphasis on the evolution, in consolidated terms, of commissions on the management and maintenance of accounts and bancassurance commissions.

Commissions related to cards and transfers grew 2.0% from 167 million Euros in 2018 to 170 million Euros in 2019, boosted by the evolution of international activity, which grew 6.0%, largely due to the contribution of the subsidiary in Mozambique. In the activity in Portugal, related to cards remained in line with the figures obtained in 2018.

Commissions related to credit and guarantee operations increased by 3.6% from 164 million Euros in 2018 to 170 million Euros in 2019, benefiting from the higher contributions from both the activity in Portugal and the international activity, which grew by 2.8% and 5.1%, respectively, from the previous year. The good performance of the international activity is mainly due to the evolution of the Polish subsidiary, which was partially offset by the decrease in the Mozambican operation.

In 2019, bancassurance commissions, which include commissions obtained from the placement of insurance products through the Bank's distribution networks in Portugal and Poland, evolved favourably in both countries, growing by 6.8% and 31.4% respectively over the previous year. It should be noted that the growth in bancassurance commissions in the Polish subsidiary reflects, on the one hand, the increase in commissions charged by Bank Millennium on insurances sold to customers, mainly connected to personal and mortgage operations, and, on the other, the impact attributable to the integration of Euro Bank, S.A..

In consolidated terms, bancassurance commissions amounted to 118 million Euros, up 12.4% from 105 million Euros in 2018.

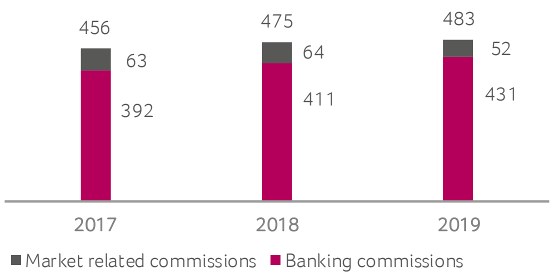
Commissions related to the opening and maintenance of customer accounts rose 12.4% from 106 million Euros in 2018 to 119 million Euros in 2019. The good progression of these commissions was mainly due to the 11.0% increase in the activity in Portugal, although in the international activity there was an increase of 24.4% compared to the previous year, driven by the contribution of the operation in Poland.

Commissions related to financial markets stood at 106 million Euros in 2019, down 11.4% from 119 million Euros in the previous year, mainly due to the performance of the entities of the Group in Portugal, which fell 19.3%, but also, although to a lesser extent, of the group of operations based abroad, which fell 2.2% over the same period. The drop in international activity was mainly due to the performance of the Polish subsidiary, since a reverse trend was recorded in the Swiss subsidiary.

NET COMMISSIONS

Activity in Portugal

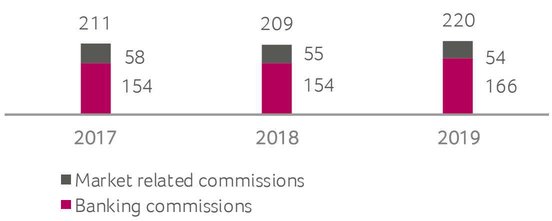
Million euros



NET COMMISSIONS

International activity

Million euros



It should be pointed out that the current market context with lower market rates has led to an adjustment of this type of commissions associated with investment products and asset management activity.

Commissions related to securities transactions totalled 66 million Euros in 2019, 14.6% below the amount for the previous year, and were mainly influenced by the performance of the activity in Portugal, whose commissions fell by 20.4%. In the international activity, these commissions increased 3.0% from 2018, driven by the good performance of the operation in Switzerland.

In 2019, commissions generated by asset management fell by 5.6% compared to the previous year (42 million Euros) to 40 million Euros. This evolution was mainly due to the performance of the international activity, which showed a 4.9% decline, mainly influenced by the reduction of the subsidiary in Poland, despite the growth of the Switzerland's operation. At the same time, in the activity in Portugal, commissions generated by asset management fell by 9.8% compared to the previous year.

NET COMMISSIONS

Million euros

	2019	2018	2017	Chan. % 19/18
BANKING COMMISSIONS				
Cards and transfers	170	167	156	2.0%
Credit and guarantees	170	164	156	3.6%
Bancassurance	118	105	101	12.4%
Current accounts related	119	106	104	12.4%
Other commissions	21	23	29	-9.6%
SUBTOTAL	598	565	546	5.9%
MARKET RELATED COMMISSIONS				
Securities	66	77	77	-14.6%
Asset management	40	42	44	-5.6%
SUBTOTAL	106	119	121	-11.4%
TOTAL NET COMMISSIONS	703	684	667	2.8%
of which:	–	–	–	0
Activity in Portugal	483	475	456	1.7%
International activity	220	209	211	5.5%

NET TRADING INCOME

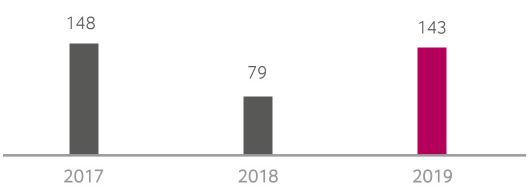
Net trading income includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortized cost, results from derecognition of financial assets measured at fair value through other comprehensive income and results from financial assets available for sale, in the latter case only until 2017.

In 2019, net trading income amounted to 143 million Euros, showing a considerable growth of 82.5% compared to the 79 million Euros recorded in 2018, which reflects both the performance of the activity in Portugal and the international activity, in this case particularly Poland and Mozambique.

The growth in net trading income in the activity in Portugal was boosted by gains on the sale of Portuguese public debt, which amounted to 69 million Euros in 2019, compared to 15 million Euros in the previous year.

NET TRADING INCOME

Million euros



It should also be noted that, notwithstanding the pace of reduction of NPE during 2019, the level of costs incurred with the sale of this type of exposure was lower than in the previous year, as the losses totalled 29 million Euros, compared to 49 million Euros in 2018.

In the international activity, net trading income was mostly influenced by the evolution of the Polish subsidiary, driven by the gain, amounting to 10 million Euros, related to the revaluation of PSP - Polish Payment Standard shares, following the agreement signed for the entry of Mastercard in the share capital of that entity. In the operation in Mozambique, net trading income was also higher than the one obtained in the previous year, essentially due to the revenue generated by foreign exchange operations.

NET TRADING INCOME

Million euros

	2019	2018	2017	Chan. % 19/18
Net gains / (losses) from financial operations at fair value through profit or loss	5	1	14	>200%
Net gains / (losses) from foreign exchange	69	75	72	-7.9%
Net gains / (losses) from hedge accounting operations	(6)	3	(33)	<-200%
Net gains / (losses) from derecognition of assets and financial liabilities measured at amortised cost	(25)	(50)	(8)	50.4%
Net gains / (losses) from derecognition of financial assets measured at fair value through other comprehensive income	100	49	–	101.6%
Net gains / (losses) from financial assets available for sale	–	–	103	-
TOTAL	143	79	148	82.5%
of which:				
Activity in Portugal	51	12	85	>200%
International activity	92	66	63	38.6%

OTHER NET OPERATING INCOME

Other net operating income, which includes other operating income, net of operating costs, net gains from the insurance activity and gains/losses arising from sales of subsidiaries and other assets, totalled a -101 million Euros in 2019, compared to -89 million Euros recorded in the previous year. In 2019, this includes 1 million Euros related to costs with the acquisition, merger and integration of Euro Bank, S.A., booked by the Polish subsidiary and considered specific items. The evolution in other net operating income, in consolidated terms, mainly reflects the performance of the international activity which was lower than that achieved in the previous year, having been slightly offset by the improvement of the activity in Portugal.

In the activity in Portugal, other net operating income increased from a negative amount of 32 million Euros in 2018 to an also negative amount of 30 million Euros in 2019, with the increase in income from the sale of other assets and the lower losses recognised with the sale of investment property being noteworthy. On a negative note, gains on the sale of financial holdings and on non-current assets held for sale decreased. Other net operating income includes with mandatory contributions which in 2019 amounted to 69 million Euros, remaining in line with the amount recorded in 2018. The overall amounts paid as mandatory contributions in Portugal includes the cost with the European Resolution Fund (FUR) of 19 million Euros (21 million Euros in 2018), the contribution of 16 million Euros for the national resolution fund (12 million Euros in 2018), the contribution on the banking sector of 32 million Euros (33 million Euros in 2018), supervision fee, which remained at around 2 million Euros in 2019 and 2018, and the contribution to the Deposit Guarantee Fund, whose value is relatively immaterial.

In the international activity, other net operating income, including the abovementioned specific items, totalled -71 million Euros in 2019, compared to -57 million Euros in 2018, penalised by the increase in mandatory contributions, which stood 15 million Euros above the previous year. The mandatory contributions reflected in the international activity amounted to 87 million Euros and were supported almost entirely by the Polish subsidiary, where the increases of the special tax on the Polish banking sector and the resolution fund, partially offset by the reduction of the deposit guarantee fund, stand out.

The performance of the Polish subsidiary was also influenced, although to a lesser extent, by losses on the sale of tangible assets. In the evolution of other net operating income from international activity, it is also important to mention the increase in income from the insurance activity in Mozambique, although this was absorbed by the less favourable performance of the remaining items.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates, include the results appropriated by the Group related to the entities where, despite exercising some influence, it does not have control over their financial and operating policies. In 2019, equity accounted earnings amounted to 43 million Euros, compared to 89 million Euros in the previous year, a lower level than in the previous year in both Portugal and international activity.

In the activity in Portugal, the evolution of equity accounted earnings, from 55 million Euros in 2018 to 40 million Euros in 2019, was determined by the reduction of 7 million Euros in the contribution from Millennium Ageas, mainly reflecting the negative impact of lower interest rates in the insurance business. The results generated by the stakes in SIBS and Unicre also contributed to this decrease, by showing, together, a decrease of 6 million Euros in the same period.

The decrease in equity accounted earnings from international activity was due to the lower appropriation of profits generated by Banco Millennium Atlântico, which stood at 3 million Euros, compared to 34 million Euros in the previous year. This reduction was justified simultaneously by the impact of the increased coverage of risks through impairment and provisions and of the end of the application of the IAS 29, with effect from January 1, 2019.

Excluding the impact of IAS 29 in both periods, the appropriation of the income generated by Banco Millennium Atlântico showed a reduction of 12 million Euros.

EQUITY ACCOUNTED EARNINGS

Million euros

	2019	2018	2017	Chan. % 19/18
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	28	35	35	-19.6%
UNICRE - Instituição Financeira de Crédito, S.A.	3	7	7	-51.8%
Banco Millennium Atlântico, S.A.	3	34	40	-92.6%
Banque BCP, S.A.S.	4	4	4	12.1%
SIBS, SGPS, S.A.	6	8	3	-29.6%
Other	(1)	1	3	<-200%
TOTAL	43	89	92	-51.8%

OPERATING COSTS

Operating costs include staff costs, other administrative costs and depreciation. Excluding the effect of specific items[2], operating costs totalled 1,103 million Euros in 2019, recording an increase of 10.6% compared to 998 million Euros in the previous year. This evolution mainly results from the increase in international activity, although in the activity in Portugal there was also an increase in operating costs, albeit to a lesser extent.

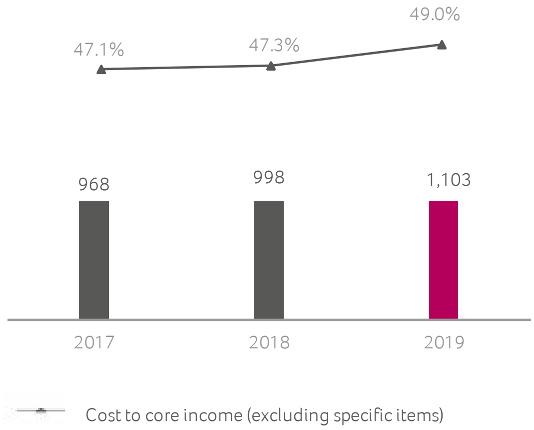
In the activity in Portugal, operating costs, not considering the effect of the specific items abovementioned, amounted to 634 million Euros in 2019, 3.7% above the 612 million Euros accounted for in the previous year, mainly reflecting the increase in staff costs. The entry into force of IFRS 16 - Leasing, on January 1, 2019, has largely justified the changes in the opposite direction in other administrative costs, which decreased by 22 million Euros compared to the amounts recorded in 2018, and in depreciations, which rose by 33 million Euros over the same period.

In the international activity, operating costs, excluding the effect of the abovementioned specific items, stood at 469 million Euros in 2019, an increase of 21.5% compared to the 386 million Euros accounted for in the previous year. Staff related costs increased by 24.2% when compared to 2018, with changes in other administrative costs, which fell by 0.9%, and in depreciations, which more than doubled compared to the previous year, being strongly influenced, in opposite directions, by the entry into force of IFRS 16 - Leasing.

The increase in operating costs compared to the previous year in the international activity mainly reflects the performance of the Polish subsidiary, and the operating costs of the subsidiary in Mozambique also proved to be higher than those recorded in 2018.

OPERATING COSTS

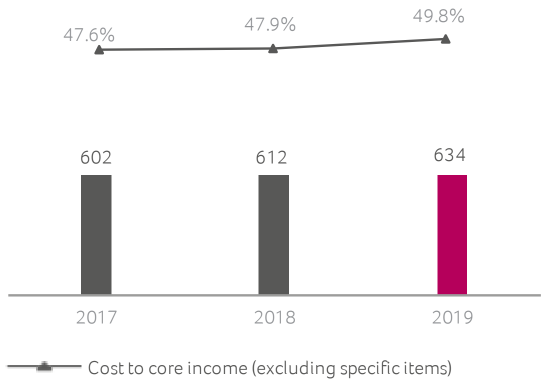
Million euros



OPERATING COSTS

Activity in Portugal

Million euros



2 Negative impact of 66 million Euros in 2019, of which 40 million Euros related to restructuring costs and compensation for temporary salary cuts, both recognised as staff costs in the activity in Portugal and 26 million Euros related to costs with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary, mostly as other administrative costs. In 2018, the impact was also negative, amounting to 29 million Euros, of which 27 million Euros related to restructuring costs recognised as staff costs and 3 million Euros associated with the ongoing digital transformation project, recognised as other administrative costs, both in the activity in Portugal. In 2017, the impact was positive by 14 million Euros and includes, on the one hand, the revenue recognised following the negotiation and agreement with the "*Sindicato dos Bancários do Norte*" (Union of Bank Employees of the North) for the revision of the WCA (Work Collective Agreement), and, on the other hand, the restructuring costs, both accounted as staff costs, in the activity in Portugal.

Operating costs in Poland show a growing trend explained simultaneously by the organic growth of the subsidiary itself, namely dur to prices' and wages' dynamics in the Polish economy and also by the impact resulting from the consolidation of Euro Bank S.A..

The cost to core income ratio of the Group in 2019, excluding specific items, stood at 49.0%, slightly above the 47.3% ratio recorded in 2018, as the negative impact of the increase in operating costs was partially offset by the favourable evolution of both net interest income and commissions.

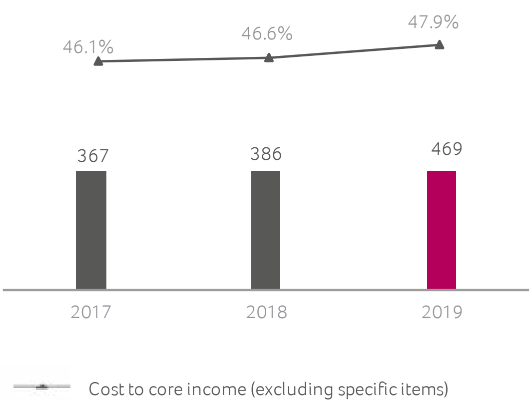
In the activity in Portugal, the cost to core income ratio, excluding specific items, reached 49.8% in 2019, compared to 47.9% in 2018, reflecting, on the one hand, the increase in operating costs and, on the other, the slight decrease in core income.

In the international activity, the cost to core income ratio, not considering the specific items, stood at 47.9% in 2019 (46.6% in 2018), reflecting the growth in operating costs, which, in relative terms, proved to be higher than that recorded in core income.

OPERATING COSTS

International activity

Million euros



OPERATING COSTS

Million euros

	2019	2018	2017	Chan. % 19/18
ACTIVITY IN PORTUGAL (1)				
Staff costs	371	359	346	3.3%
Other administrative costs	194	216	222	-10.3%
Depreciation	69	36	33	89.5%
	634	612	602	3.7%
INTERNATIONAL ACTIVITY (1)				
Staff costs	257	207	194	24.2%
Other administrative costs	156	158	152	-0.9%
Depreciation	56	21	20	160.5%
	469	386	367	21.5%
CONSOLIDATED (1)				
Staff costs	628	566	541	11.0%
Other administrative costs	350	374	374	-6.3%
Depreciation	125	58	54	115.8%
	1,103	998	968	10.6%
SPECIFIC ITEMS	66	29	(14)	125.7%
TOTAL	1,169	1,027	954	13.8%

(1) Excludes the impact of specific items previously mentioned.

STAFF COSTS

Staff costs, not considering the effect of specific items, related almost entirely to domestic activity, totalled 628 million Euros in 2019, reflecting an increase of 11.0% over the 566 million Euros recorded in 2018, mainly due to the evolution of international activity, with the activity in Portugal also having higher staff costs than in the previous year.

In the activity in Portugal, staff costs amounted to 371 million Euros in 2019, increasing 3.3% compared to 359 million Euros in 2018. It should be noted that these amounts do not take into account the impact of specific items, which in 2019 amounted to 40 million Euros and are related to restructuring costs and compensation for temporary salary cuts and in 2018 totalled 27 million Euros, in this case related to restructuring costs including, among others, the accounting of early retirement costs.

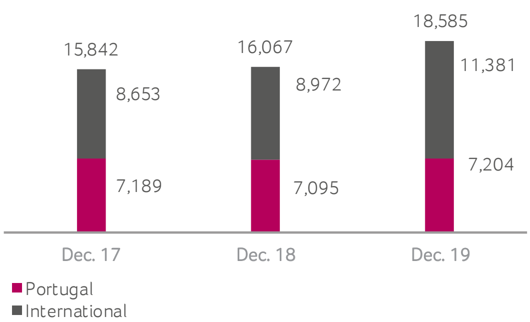
The growth in staff costs in the activity in Portugal reflects, in part, the increase in the number of employees from 7,095 at the end of December 2018 to 7,204 employees at 31 December 2019, highlighting the impact of the internalisation of outsourcers and the strengthening of the skills required to implement the digital transformation project.

In the international activity, not considering the impact, in this case negligible, of the specific items fully recognised by the Polish subsidiary following the merger with Euro Bank S.A., staff costs stood at 257 million Euros in 2019, up 24.2% compared to the 207 million Euros recognised in the previous year.

Although staff costs at the subsidiary in Mozambique were higher than in 2018, the Polish subsidiary was mainly responsible for the evolution observed in international activity, affected by the increase in the number of employees from 6,270 (6,132 FTE - full-time equivalent) at 31 December 2018 to 8,615 employees (8,464 FTE - full-time equivalent) at the end of 2019. This increase was mainly due to the integration of 2,425 employees from Euro Bank S.A. in May 2019.

The total number of employees in international activities increased from 8,972 as of 31 December 2018 to 11,381 employees at the end of 2019.

EMPLOYEES



STAFF COSTS

Million euros

	2019	2018	2017	Chan. % 19/18
Salaries and remunerations	507	458	433	10.9%
Social security charges and other staff costs	121	108	108	11.2%
TOTAL EXCLUDING SPECIFIC ITEMS	628	566	541	11.0%
SPECIFIC ITEMS	40	27	(14)	50.3%
TOTAL	668	593	527	12.7%

OTHER ADMINISTRATIVE COSTS

Other administrative costs showed a decrease of 6.3% from 374 million Euros in 2018, totalling 350 million Euros in 2019. This evolution reflects the impact of the entry into force, on 1 January 2019, of IFRS 16 - Leasing, both in the activity in Portugal and in the international activity, and does not take into account the effect of specific items, amounting to 26 million Euros, related to the costs incurred with the acquisition, merger and integration of Euro Bank S.A., recognised by the Polish subsidiary in 2019 and 3 million Euros associated with the ongoing digital transformation project recognised in 2018 in the activity in Portugal.

OTHER ADMINISTRATIVE COSTS

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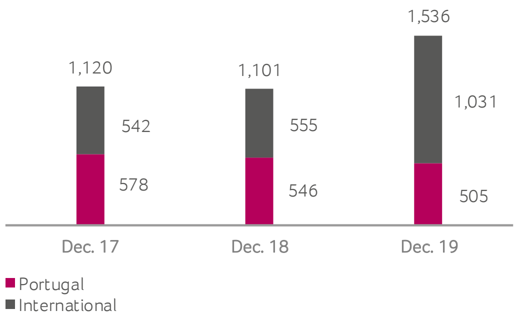
In the activity in Portugal, other administrative costs stood at 194 million Euros in 2019, a decrease of 10.3% from the 216 million Euros (excluding specific items) accounted for in the previous year, mainly justified by the already mentioned impact of IFRS 16 - Leasing. Excluding this impact and the specific items recognised in 2018, other administrative costs show a slight increase from the amounts for 2018, mainly due to costs related to reinforcement of control functions, despite the disciplined management of recurring costs. The reduction of the branch network, which went from 546 at 31 December 2018 to 505 at the end of 2019, together with other measures carried out, allowed savings in items such as advertising, legal expenses and communications, among others of a lesser magnitude.

In the international activity, other administrative costs, excluding the impact of specific items of 26 million Euros related to the costs directly incurred with the acquisition, merger and integration of Euro Bank S.A., stood at 156 million Euros in 2019, slightly below the 158 million Euros in the previous year,largely benefiting from the favourable impact of the entry into force of IFRS 16 - Leasing. Excluding this impact, other administrative costs were higher than in the previous year, both in the subsidiary in Mozambique and in the Polish subsidiary, the latter strongly impacted by the acquisition of Euro Bank S.A.. The acquisition of Euro Bank S.A. also influenced the number of branches in the international activity, which increased from 555 at the end of 2018 to 1,031 at 31 December 2019, with the organic growth of the subsidiary in Poland being responsible for the increase of 10 branches and the subsidiary in Mozambique registering 7 more branches compared to the end of 2018.

BRANCHES



OTHER ADMINISTRATIVE COSTS

Million euros

	2019	2018	2017	Chan. % 19/18
Water, electricity and fuel	17	15	15	7.2%
Consumables	5	5	4	9.6%
Rents	23	73	96	-68.5%
Communications	25	23	21	9.3%
Travel, hotel and representation costs	10	9	8	2.7%
Advertising	29	27	27	6.1%
Maintenance and related services	19	16	17	20.2%
Credit cards and mortgage	8	8	6	-1.9%
Advisory services	19	19	18	2.6%
Information technology services	45	37	18	21.3%
Outsourcing e trabalho independente	77	77	77	-0.1%
Other specialised services	29	21	19	35.1%
Training costs	3	3	2	7.7%
Insurance	4	4	4	1.2%
Legal expenses	5	6	6	-17.5%
Transportation	10	10	8	-2.3%
Other supplies and services	23	20	25	16.8%
TOTAL EXCLUDING SPECIFIC ITEMS	350	374	374	-6.3%
SPECIFIC ITEMS	26	3	–	874.2%
TOTAL	376	377	374	-0.1%

DEPRECIATIONS

Depreciations, excluding the specific items recognised by Bank Millennium S.A. in the scope of the acquisition of Euro Bank S.A., which in this case appear to be minor, totalled 125 million Euros in 2019 and more than doubled compared with the 58 million Euros recorded in the previous year. This evolution was boosted by the impact of the entry into force, on 1 January 2019, of IFRS 16 - Leasing, both in the activity in Portugal and in the international activity.

In the activity in Portugal, depreciations amounted to 69 million Euros in 2019, compared to 36 million Euros in 2018, mainly reflecting the impact of IFRS 16 - Leasing. Excluding this impact, the growth in depreciations was determined by the increase in investment in software and IT equipment, reflecting the Bank's commitment to technological innovation and the to the ongoing digital transformation. On the contrary, depreciation related to real decreased from the previous year.

In international activity, depreciations totalled 56 million Euros in 2019, with an increase of 34 million Euros from the 21 million Euros recognised in 2018, mostly due to the impact of IFRS 16 - Leasing.

Excluding this impact, the main increases in depreciations in international activity, compared to the previous year, were also justified by the commitment of international operations on digital transformation and technological innovation, in both the subsidiary in Poland and the subsidiary in Mozambique. It should be noted that the developments observed in the Polish subsidiary also reflects the impact arising from the acquisition of Euro Bank S.A.

LOANS IMPAIRMENT

Loans impairment (net of recoveries) stood at 390 million Euros in 2019, keeping the favourable trend of recent years, showing a reduction of 16.0% from 465 million Euros in 2018, which confirmed the trajectory of the Group of a gradual reduction in the cost of risk. This performance was possible thanks to the contribution of the activity in Portugal, whose impact was, however, offset by the increase in loans impairment (net of recoveries) that occurred in international activity.

In the activity in Portugal, the downward trend in loans impairment resulted in a reduction of 28.3% from the 389 million Euros accounted in 2018, amounting to 279 million Euros in 2019. In this evolution, we must point out the sharp pace of reduction of NPE during the year.

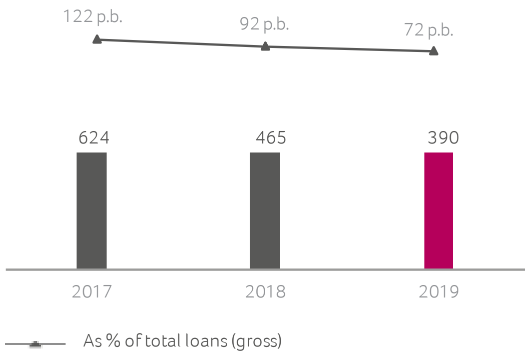
In the international activity, loans impairment (net of recoveries) showed an inverse performance, increasing 47.2% from 75 million Euros in 2018 to 111 million Euros in 2019. This evolution was determined by the performance of the Polish subsidiary, conditioned by the impact of the acquisition of Euro Bank S.A., which includes the mandatory provision, resulting from the applicable accounting standard, of impairments for credit performing at the time of initial recognition of the acquired portfolio. On the other hand, the operation in Mozambique, contributed to lessen this impact, with a lower level of impairment than in 2018.

The cost of risk (net of recoveries) of the Group, including the impact of the acquisition of Euro Bank S.A., continued to evolve favourably for the third consecutive year, standing at 72 basis points in 2019, compared to 92 basis points in the previous year.

In the activity in Portugal, the cost of risk (net of recoveries) fell from 105 basis points in 2018 to 76 basis points in 2019, while in the international activity it intensified from 56 basis points in 2018 to 63 basis points in 2019, due to the performance of the Polish subsidiary, as the operation in Mozambique saw its cost of risk improve over the previous year.

LOANS IMPAIRMENT (NET)

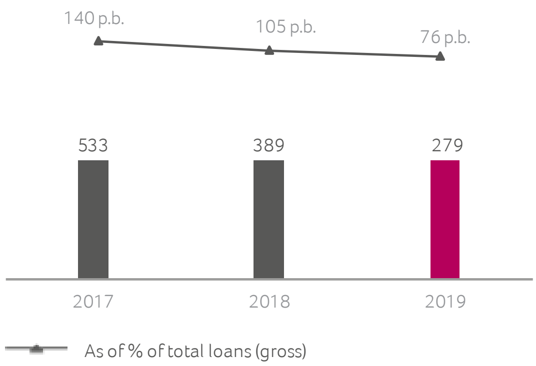
Million euros



LOANS IMPAIRMENT (NET)

Activity in Portugal

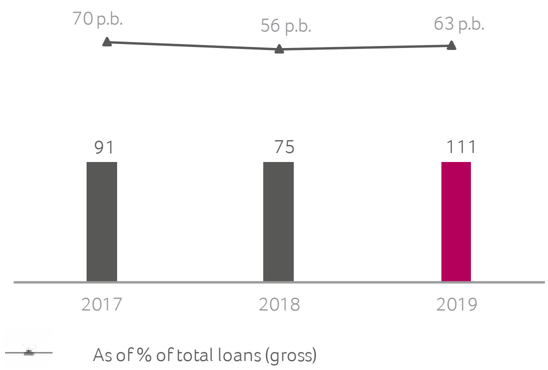
Million euros



LOANS IMPAIRMENT (NET)

International activity

Million euros



LOANS IMPAIRMENT (NET OF RECOVERIES)

Million euros

	2019	2018	2017	Chan. % 19/18
Loan impairment charges (net of reversions)	414	478	641	-13.3%
Credit recoveries	24	13	17	83.7%
TOTAL	390	465	624	-16.0%
COST OF RISK:				
Impairment charges (net of recoveries) as a % of gross loans	72 b.p.	92 b.p.	122 b.p.	-20 b.p.

Note: cost of risk adjusted from discontinued operations.

OTHER IMPAIRMENT AND PROVISIONS

Other impairment and provisions include (i) impairment, net of reversals, for loans and advances of credit institutions classified at amortised cost; (ii) impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case only until 2017); (iii) impairment for other assets, namely for repossessed assets, investments in associates and goodwill of subsidiaries and (iv) other provisions.

In 2019, other impairment and provisions amounted to 151 million Euros, 11.0% more than the 136 million Euros in 2018. This change is due to two opposite effects, as the favourable performance of the activity in Portugal was completely absorbed by the higher provisioning needs of the international activity.

In the activity in Portugal, other impairment and provisions stood at 30 million Euros below the 122 million Euros accounted in 2018, totalling 92 million Euros in 2019, determined by lower provisioning needs mainly for guarantees and other commitments.On the contrary, impairments for non-current assets held for sale were reinforced over the previous year.

In the international activity, other impairment and provisions amounted to 60 million Euros in 2019, showing an increase of 45 million Euros compared to 15 million Euros, in 2018. The amount posted in 2019 includes an extraordinary provision for the processes related to mortgage loans granted in Swiss francs, by the Polish subsidiary, in the amount of 52 million Euros. In addition to this provision, the accounts of the Polish subsidiary were also penalised by the booking of a provision to cover the reimbursement of commissions charged to its customers for the early repayment of personnel loans, following a decision taken by the European Court of Justice. The subsidiary in Mozambique also saw an increase in the level of provisioning, albeit to a lesser extent. The evolution of other impairment and provisions was also influenced by the amount of impairment for the investment in Banco Millennium Atlântico that had been recognised in 2018, following the application of IAS29.

INCOME TAX

Taxes (current and deferred) reached 239 million Euros in 2019, compared to 138 million Euros posted in the previous year.

In 2019, the income taxes include current taxes of 101 million Euros (106 million Euros in 2018) and deferred taxes of 138 million Euros (32 million Euros in 2018).

The increase in deferred tax expense in 2019, compared to 2018, arises primarily from the write-off of deferred tax assets as a result of the maintenance of low interest rate and the effect of actuarial losses in the pension fund

NON-CONTROLLING INTERESTS

Non-controlling interests are the part attributable to third parties of the net income of the subsidiary companies consolidated under the full method in which the Group Banco Comercial Português does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests include mainly the income for the year attributable to third parties related to the shareholdings in Bank Millennium in Poland (49.9%) and in Millennium bim in Mozambique (33.3%).

In 2019, the non-controlling interests amounted to Euro 99 million Euros compared to Euro 118 million Euros in 2018, mainly reflecting the decrease in net income of the subsidiary in Poland.

REVIEW OF THE BALANCE SHEET

Following the entry into force of IFRS 9 - Financial Instruments on 1 January 2018 and the impacts thereon the format of the financial statements of Millennium bcp compared to 31 December 2017, whose balances were not restated, some indicators were defined based on management criteria intended to favour comparability with the financial information presented in previous periods, namely indicators related to loans to customers, balance sheet customer funds and securities portfolio.

BALANCE SHEET AS AT 31 DECEMBER

Euro million

	2019	2018	2017 (1)	Chan. % 19/18
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (2)	5,487	3,081	2,463	78.1%
Financial assets measured at amortised cost				
Loans and advances to credit institutions	893	890	1,066	0.3%
Loans and advances to customers	49,848	45,561	45,626	9.4%
Debt instruments	3,186	3,375	2,008	-5.6%
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	878	870	898	0.9%
Financial assets not held for trading mandatorily at fair value through profit or loss	1,406	1,405	–	0.1%
Financial assets designated at fair value through profit or loss	31	33	142	-4.7%
Financial assets measured at fair value through other comprehensive income	13,217	13,846	–	-4.5%
Financial assets available for sale	–	0	11,472	
Financial assets held to maturity	–	0	412	
Investments in associated companies	400	405	571	-1.2%
Non-current assets held for sale	1,280	1,868	2,165	-31.5%
Other tangible assets, goodwill and intangible assets	972	636	655	52.9%
Current and deferred tax assets	2,747	2,949	3,164	-6.8%
Other (3)	1,298	1,004	1,299	29.2%
TOTAL ASSETS	81,643	75,923	71,939	7.5%
LIABILITIES				
Financial liabilities measured at amortized cost				
Resources from credit institutions	6,367	7,753	7,487	-17.9%
Resources from customers	59,127	52,665	48,285	12.3%
Non subordinated debt securities issued	1,595	1,686	2,067	-5.4%
Subordinated debt	1,578	1,072	1,169	47.2%
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	344	327	399	5.2%
Financial liabilities measured at fair value through profit or loss	3,201	3,604	3,844	-11.2%
Other (4)	2,051	1,853	1,509	10.7%
TOTAL LIABILITIES	74,262	68,959	64,760	7.7%
EQUITY				
Share capital	4,725	4,725	5,601	
Share premium	16	16	16	
Preference shares	–	0	60	
Other equity instruments	400	3	3	
Treasury shares	(0)	(0)	(0)	-37.8%
Reserves and retained earnings (5)	676	735	215	-8.0%
Net income for the period attributable to Bank's Shareholders	302	301	186	0.3%
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,120	5,780	6,081	5.9%
Non-controlling interests	1,262	1,183	1,099	6.6%
TOTAL EQUITY	7,381	6,964	7,180	6.0%
TOTAL LIABILITIES AND EQUITY	81,643	75,923	71,939	7.5%

(1) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by the standard.

(2) Includes Cash and deposits at Central Banks and Loans and advances to credit institutions.

(3) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.

(4) Includes Hedging derivatives, Provisions, Current and deferred income tax liabilities and Other liabilities.

(5) Includes Legal and statutory reserves and Reserves and retained earnings.

The reconciliations between the management criteria defined and the accounting informatiom included in the consolidated financial statements are presented below.

Loans to customers (gross) includes loans to customers at amortized cost before impairment, debt securities at amortized cost associated with credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments. The amount of balance sheet impairment considered for the purpose of estimating loans to customers (net) and the coverage of the loan portfolio includes the balance sheet impairment associated with credit at amortised cost, the balance sheet impairment related with debt securities at amortised cost associated with credit operations and the fair value adjustments associated with loans to customers at fair value through profit or loss.

Loans to customers

Euro million

	2019	2018	2017
Loans to customers at amortised cost (accounting Balance Sheet)	49,848	45,561	45,626
Debt instruments at amortised cost associated to credit operations	2,075	2,271	2,008
Balance sheet amount of loans to customers at fair value through profit or loss	352	291	0
Loan to customers (net) considering management criteria	**52,275**	**48,123**	**47,633**
Balance sheet impairment related to loans to customers at amortised cost	2,417	2,852	3,279
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	12	40	43
Fair value adjustments related to loans to customers at fair value through profit or loss	20	17	0
Loan to customers (gross) considering management criteria	**54,724**	**51,032**	**50,955**

Regarding deposits and other resources from customers, the Bank continued to use the approach previously used for the item "Resources from customers", putting together resources from customers at amortized cost and customer deposits at fair value through profit and loss. Balance sheet customer funds include, apart from deposits and other resources from customers, debt securities classified at amortized cost or designated at fair value through profit or loss.

Balance sheet customer funds

Euro million

	2019	2018	2017
Financial liabilities at fair value through profit or loss (accounting Balance sheet)	3,201	3,604	3,844
Debt securities at fair value through profit or loss and certificates	-1,481	-1,020	-941
Customer deposits at fair value through profit or loss considering management criteria	**1,720**	**2,584**	**2,902**
Resources from customers at amortised cost (accounting Balance sheet)	59,127	52,665	48,285
Deposits and other resources from customers considering management criteria (1)	**60,847**	**55,248**	**51,188**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet)	1,595	1,686	2,067
Debt securities at fair value through profit or loss and certificates	1,481	1,020	941
Non subordinated debt securities placed with institucional customers	-1,316	-1,369	-1,507
Debt securities placed with customers considering management criteria (2)	**1,760**	**1,337**	**1,501**
Balance sheet customer funds considering management criteria (1)+(2)	**62,607**	**56,585**	**52,688**

The securities portfolio includes debt securities at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding amounts related to credit operations and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement. In 2017, it also includes financial assets available for sale and financial assets held to maturity.

Securities portfolio

Euro million

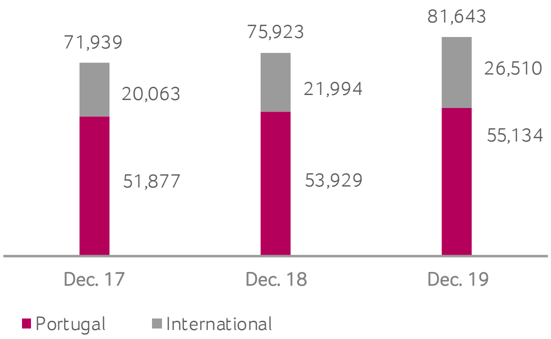
	2019	2018	2017
Debt instruments at amortised cost (accounting Balance sheet)	3,186	3,375	2,008
Debt instruments at amortised cost associated to credit operations net of impairment	-2,075	-2,271	-2,008
Debt instruments at amortised cost considering management criteria (1)	**1,111**	**1,104**	**0**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet)	1,406	1,405	0
Balance sheet amount of loans to customers at fair value through profit or loss	-352	-291	0
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	**1,053**	**1,114**	**0**
Financial assets held for trading (accounting Balance sheet) (3)	878	870	898
of which: trading derivatives (4)	620	645	741
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (5)	31	33	142
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (6)	13,217	13,846	0
Assets with repurchase agreement (accounting Balance sheet) (7)	0	58	0
Financial assets available for sale (accounting Balance sheet) (7)	0	0	11,472
Financial assets held to maturity (accounting Balance sheet) (8)	0	0	412
Securities portfolio considering management criteria (1)+(2)+(3)-(4)+(5)+(6)+(7)+(8)+(9)	**15,671**	**16,380**	**12,182**

2019 was characterised by an increase in the consolidated balance sheet of Millennium bcp, in terms of assets, the growth of loans portfolio and of loans and advances at central banks should be highlighted and, the increase in resources from customers in terms of liabilities. This evolution was influenced by the impact of the acquisition of Euro Bank S.A., which was felt mainly in the loan portfolio and in resources from customers.

Although the structure of the consolidated balance sheet did not change significantly from the previous year, the evolution of deposits and other resources from customers and of the loans to customers portfolio led to a reduction in the commercial gap and, consequently, in the loans to deposits ratio (measured by the ratio of net loans and deposits and other resources from customers), which went from 87.1% at the end of 2018 to 85.9% on 31 December 2019.

TOTAL ASSETS

Million euros



Total assets of the consolidated balance sheet of Millennium bcp stood at 81,643 million Euros, on 31 December 2019, showing an 7.5% increase from 75,923 million Euros at the end of 2018, due to the performance of the activity in Portugal, and especially the international activity, namely through the Polish subsidiary. In consolidated terms, in addition to the above-mentioned growths in the loan portfolio and in loans and advances to central banks, the main increases were in other assets and tangible assets. This evolution was partially offset by the decrease in the securities portfolio and non-current assets held for sale namely in the portfolio of real estate received as payment, as well as deferred tax assets. Total liabilities stood at 74,262 million Euros in 2019, up 7.7% from 68,959 million Euros at the end of 2018, determined by the evolution of deposits and other resources from customers, which increased by 5,599 million Euros in this period. The increase in deposits and other resources from customers reflects the positive performance not only of the activity in Portugal, but above all of the international activity, whose growth reached 1,724 million Euros and 3,875 million Euros, respectively. Also contributing, albeit on a smaller scale, to the evolution of liabilities was the growth of subordinated debt and other liabilities, despite the decline in resources from central banks and other credit institutions. It should be noted that the increase in the subordinated debt of the Group is justified by a subordinate issue made in January 2019 by Bank Millennium in Poland of 830 million zlotys (199 million Euros on 31 December 2019) and the issuance by Millenniumbcp in Portugal in September 2019 of 450 million Euros).

Equity, including non-controlling interests, amounted to 7,381 million Euros at the end of 2019, compared to 6,964 million Euros accounted at the end of the previous year. A decisive factor in this progression was the placement of an Additional Tier 1 issue of 400 million Euros in the activity in Portugal, in January 2019.

LOANS TO CUSTOMERS

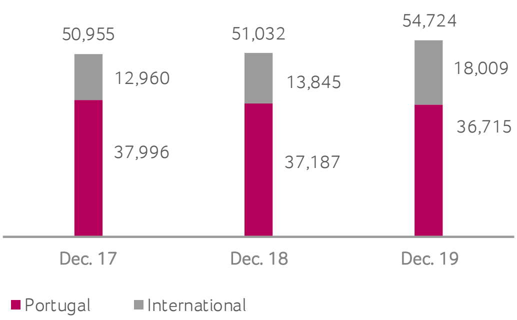
Consolidated loans to customers (gross) of Millennium bcp, as defined above, stood at 54,724 million Euros as at 31 December 2019, showing an 7.2% increase from 51,032 million Euros at the end of the previous year, determined by the evolution of the international activity, which was boosted by the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary. In the activity in Portugal, loans to customers (gross) stood slightly 31 December 2018, reflecting the strategy of NPE reduction. The evolution of the loans to customers portfolio, compared to 31 December 2018, was mainly due to the growth in loans to individuals from international activity, but also from activity in Portugal, although, in this case, to a lesser extent. Loans to companies were at a lower level than at the end of 2018, to the extent that the increase in international activity was not sufficient to offset the decrease in the activity in Portugal, which continues to reflect the effort to reduce non-performing exposures in order to achieve the objectives set out in the plan.

In the activity in Portugal, loans to customers (gross) stood at 36,715 million Euros on 31 December 2019, down 1.3% from 37,187 million Euros at the end of 2018. It should be noted that this trend was determined by the reduction of 1,551 million Euros of NPEs, which fell from 4,797 million Euros on 31 December 2018 to 3,246 million Euros at the end of 2019, thus maintaining the strategy of divestment in this type of assets implemented by the Bank in recent years. On the other hand, the increase of the performing loan portfolio, which grew by 1,078 million Euros over the same period, and the contribution of the companies segment to this growth should be noted.

In international activity, there was a 30.1% increase in the loans to customers portfolio (gross) compared to the 13,845 million Euros recorded on 31 December 2018, amounting to 18,009 million Euros at the end of 2019, due to the performance of the Polish operation, which reflects not only the impact of the acquisition of Euro Bank S.A., but also the recurring activity of the subsidiary

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Euro million

	2019	2018	2017	Var. % 19/18
INDIVIDUALS				
Mortgage loans	25,894	23,781	23,408	8.9%
Personnal loans	6,016	4,017	3,795	49.8%
	31,910	27,798	27,203	14.8%
COMPANIES				
Services	8,578	8,762	9,244	-2.1%
Commerce	3,487	3,504	3,472	-0.5%
Construction	1,702	1,961	2,405	-13.2%
Other	9,047	9,008	8,632	0.4%
	22,814	23,234	23,753	-1.8%
LOANS AND ADVANCES TO CUSTOMERS				
Individuals	31,910	27,798	27,203	14.8%
Companies	22,814	23,234	23,753	-1.8%
	54,724	51,032	50,955	7.2%

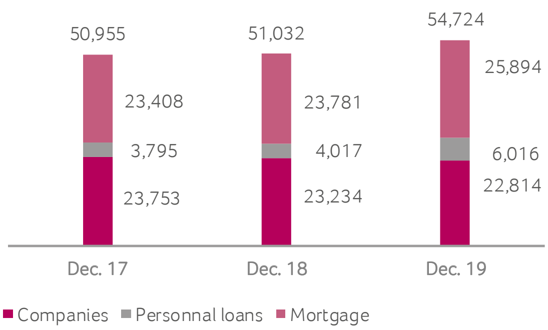
The structure of the consolidated gross loans to customers portfolio was balanced, with the relative weight of loans to individuals in the total amount of the portfolio increasing from 54.5% at the end of 2018 to 58.3% on 31 December 2019, while the weight of loans to companies stood at 41.7% at the end of 2019, compared to 45.5% on 31 December 2018, reflecting in this case the effect of the continued implementation of the NPE reduction plan in force at the Bank. The effect of the consolidation of Euro Bank S.A., which specialised in loans to individuals, also contributed to this evolution.

Loans to individuals, on 31 December 2019, stood at 31,910 million Euros, 14.8% up from 27,798 million Euros at the end of the previous year, mainly due to the evolution of the international activity, which grew 45.0% over the same period. The increase in the loans to individuals portfolio in the international activity, from 8,627 million Euros in December 2018 to 12,511 million Euros at the end of 2019, was due to both the evolution of mortgage loans and personal loans, which on 31 December 2019, amounted to 8,612 million Euros and 3,898 million Euros, respectively, representing growths of 30.5% and 92.4% over December 2018. It should be outlined that the increase in personal loans reflects mainly the impact of the acquisition of Euro Bank S.A. by the Polish subsidiary. In the activity in Portugal, loans to individuals also showed an increase, although more modest, from the 19,171 million Euros in 31 December 2018, to 19,399 million Euros at the same date in 2019, due to the evolution of both mortgage loans and personal loans. On 31 December 2019, in consolidated terms, mortgage loans represented 81.1% of loans to individuals, while personal loans represented 18.9%.

Loans to companies amounted to 22,814 million Euros on 31 December 2019, 1.8% below 23,234 million Euros at the end of 2018, a situation which is due to the fact that the 5.4% increase in international activity was not enough to offset the 3.9% reduction in the activity in Portugal. In the activity in Portugal loans to companies amounted to 17,316 million Euros in 31 December 2019, compared to 18,017 million Euros on 31 December 2018 and it should be noted that this development is largely due to the continued effort to reduce the NPE stock. In the international activity, loans to companies stood at 5.4% above the value on 31 December 2018, amounting to 5,499 million Euros on 31 December 2019, mainly boosted by the organic growth of the Polish subsidiary.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Euro million

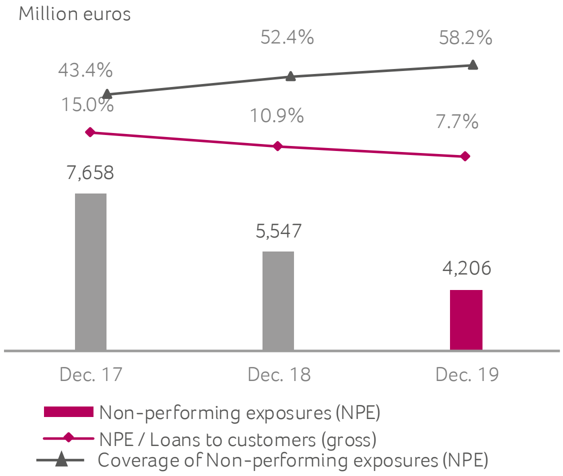
	2019	2018	2017	Chan. % 19/18
MORTGAGE LOANS				
Activity in Portugal	17,281	17,179	17,145	0.6%
International Activity	8,612	6,602	6,263	30.5%
	25,894	23,781	23,408	8.9%
PERSONNAL LOANS				
Activity in Portugal	2,118	1,992	1,988	6.3%
International Activity	3,898	2,026	1,807	92.4%
	6,016	4,017	3,795	49.8%
COMPANIES				
Activity in Portugal	17,316	18,017	18,863	-3.9%
International Activity	5,499	5,217	4,890	5.4%
	22,814	23,234	23,753	-1.8%
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	36,715	37,187	37,996	-1.3%
International Activity	18,009	13,845	12,960	30.1%
TOTAL	54,724	51,032	50,955	7.2%

The focus on selectivity and monitoring of credit risk control processes and the initiatives by commercial areas and credit recovery areas, aiming at reducing the value of loans in default, have improved the quality of the credit portfolio over recent years.

This improvement is evidenced by the favourable evolution of the respective indicators, namely the overdue loans ratio for more than 90 days versus total loans, which went from 3.8% on 31 December 2018 to 2.7% on 31 December 2019, and the ratios of NPL for more than 90 days and NPE as a percentage of the total loans portfolio, which evolved from 6.1% and 10.9% at the end of 2018 to 4.1% and 7.7% on 31 December 2019 respectively, essentially reflecting the performance of the domestic credit portfolio.

At the same time, coverage by impairments showed a generalized positive progression, highlighting the reinforcement of coverage of NPE by impairment from 52.4% on 31 December 2018 to 58.2% at the end of 2019. In the activity in Portugal, the improvement was even more significant, as it increased by 8 percentage points to 57.8% on 31 December 2019, compared to 49.7% at the end of the previous year.

CREDIT QUALITY



The coverage of NPL for more than 90 days by impairments, in consolidated terms, also improved, having increased approximately 15 percentage points compared to 2018. The coverage ratio of overdue loans by more than 90 days by impairments, on a consolidated basis, also deserves to be mentioned, having improved from 148.1% on 31 December 2018 to 164.8% on the same date of 2019 (from 141.8% to 172.5% in Portugal over the same period).

Overdue loans by more than 90 days showed a decrease of 24.3% compared to 1,964 million Euros at the end of 2018, amounting to 1,486 million Euros on 31 December 2019.

Total overdue loans decreased by 23.0% compared to the 2,084 million Euros at 31 December 2018, to 1,605 million Euros at the same date in 2019, benefiting from the evolution in the activity in Portugal, where there was a reduction of 616 million Euros compared to the 1,733 million Euros recorded at the end of 2018.

NPE decreased to 4,206 million Euros on 31 December 2019, a reduction of 1,341 million Euros compared to the end of 2018. In the activity in Portugal, the reduction was 1,551 million Euros in the same period.

CREDIT QUALITY INDICATORS

	Group				Activity in Portugal			
	Dec.19	Dec.18	Dec.17	Var. % 19/18	Dec.19	Dec.18	Dec.17	Var. % 19/18
STOCK								
Loans to customers (gross)	54,724	51,032	50,955	7.2%	36,715	37,187	37,996	-1.3%
Overdue loans > 90 days	1,486	1,964	2,933	-24.3%	1,088	1,681	2,641	-35.2%
Overdue loans	1,605	2,084	3,022	-23.0%	1,117	1,733	2,689	-35.5%
Restructured loans	3,097	3,598	4,184	0	2,529	3,062	3,643	-17.4%
Non-performing loans (NPL) > 90 days	2,261	3,105	4,527	-27.2%	1,689	2,651	4,058	-36.3%
Non-performing exposures (NPE)	4,206	5,547	7,658	-24.2%	3,246	4,797	6,754	-32.3%
Loans impairment (Balance sheet)	2,449	2,909	3,322	-15.8%	1,877	2,383	2,864	-21.2%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS								
Overdue loans > 90 days / Loans to customers (gross)	2.7%	3.8%	5.8%		3.0%	4.5%	7.0%	
Overdue loans / Loans to customers (gross)	2.9%	4.1%	5.9%		3.0%	4.7%	7.1%	
Restructured loans / Loans to customers (gross)	5.7%	7.1%	8.2%		6.9%	8.2%	9.6%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	4.1%	6.1%	8.9%		4.6%	7.1%	10.7%	
Non-performing exposures (NPE) / Loans to customers (gross)	7.7%	10.9%	15.0%		8.8%	12.9%	17.8%	
COVERAGE BY IMPAIRMENTS								
Coverage of overdue loans > 90 days	164.8%	148.1%	113.2%		172.5%	141.8%	108.4%	
Coverage of overdue loans	152.6%	139.6%	109.9%		168.1%	137.6%	106.5%	
Coverage of *Non-performing loans* (NPL) > 90 dias	108.3%	93.7%	73.4%		111.1%	89.9%	70.6%	
Coverage of *Non-performing exposures* (NPE)	58.2%	52.4%	43.4%		57.8%	49.7%	42.4%	

Note: NPE include loans to customers only, as defined in the glossary.

CUSTOMER FUNDS

On 30 June 2018, the concepts underlying the determination of off-balance sheet customer funds were adjusted to reflect the new legal and regulatory framework imposed by the Markets in Financial Instruments Directive (MiFID II), as well as changes in perimeter and criteria, namely regarding the inclusion of third-party products held by customers that contribute to commissions ("assets placed with customers"). The information as of 31 December 2017 is presented under this new criteria.

On 31 December 2019, total customer funds amounted to 81,675 million Euros, showing a very favourable evolution, by increasing 10.3% from the 74,023 million Euros on the same date of the previous year. This increase of 7,652 million Euros was due to the good performance of both the activity in Portugal and the international activity, which grew by 3,506 million Euros and 4,146 million Euros respectively. The evolution of total customer funds, in consolidated terms, reflects the good performance of all items, especially balance sheet customer funds and more specifically deposits and other resources from customers, which grew by 5,599 million Euros compared to the amount recorded on 31 December 2018.

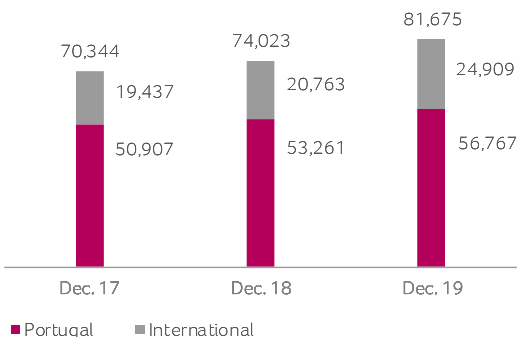
In the activity in Portugal, total customer funds also benefited from the good performance of all items, reaching 56,767 million Euros on 31 December 2019, compared to 53,261 million Euros at the same date in the previous year, with particular emphasis on the 1,724 million Euros increase in deposits and other resources from customers in the same period.

In the international activity, total customer funds grew by 20.0% compared to 20,763 million Euros on 31 December 2018, reaching 24,909 million Euros at the end of 2019.

This performance was supported by the increase in deposits and other resources from customers of the Polish subsidiary, to which contributed not only the impact of the acquisition of Euro Bank S.A., but also the current activity of the subsidiary itself.

TOTAL CUSTOMER FUNDS

Million euros



TOTAL CUSTOMER FUNDS

Euro million

	2019	2018	2017	Chan. % 19/18
BALANCE SHEET CUSTOMER FUNDS				
Deposits and other resources from customers	60,847	55,248	51,188	10.1%
Debt securities placed with customers	1,760	1,337	1,501	31.6%
	62,607	56,585	52,688	10.6%
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	5,745	5,018	5,130	14.5%
Assets placed with customers (*)	4,312	3,793	4,151	13.7%
Insurance products (savings and investment)	9,011	8,627	8,374	4.5%
	19,069	17,438	17,656	9.4%
TOTAL	81,675	74,023	70,344	10.3%

(*) Excludes assets under management.

The balance sheet customer funds of the Group, which include deposits and other resources from customers and debt securities placed with customers, amounted to 62,607 million Euros on 31 December 2019, showing a 10.6% increase from the 56,585 million Euros at the end of the previous year, mainly driven by the increase in deposits and other resources from customers, but also benefiting from the growth in debt securities placed with customers compared to the previous year. Both the activity in Portugal and the international activity showed a good performance under balance sheet customer funds.

On 31 December 2019, balance sheet customer funds represented 77% of total customer funds, with deposits and other resources from customers representing 74% of total customer funds.

Deposits and other resources from customers were up 10.1% compared to the 55,248 million Euros on 31 December 2018, rising to 60,847 million Euros at the end of 2019, confirming their weight in the asset finance structure over recent years. The increase of 5,599 million Euros compared to December 2018 resulted from the performance of both the activity in Portugal and the international activity, which increased by 1,724 million Euros and 3,875 million Euros, respectively. In the international activity, despite the growth in the subsidiary in Mozambique, it was the operation in Poland that boosted the growth revealed by deposits and other resources from customers both through the acquisition of Euro Bank S.A. and the expansion of the commercial business of the subsidiary itself.

Debt securities placed with customers, which correspond to the debt securities issue by the Group subscribed by customers, evolved favourably with an increase of 31.6% from the end of 2018, standing at 1,760 million Euros on 31 December 2019, mainly reflecting the evolution of the activity in Portugal. The international activity, namely the Polish subsidiary, also increased in that period, although to a lesser extent.

Off balance sheet customer funds, which include assets under management, assets placed with customers and insurance products (savings and investment) totalled 19,069 million Euros at the end of December 2019, up 9.4% from 17,438 million Euros at the same date in the previous year. The most significant increase resulted from the activity in Portugal, whose off balance sheet customer funds rose from 14,361 million Euros on 31 December 2018 to 15,751 million Euros at the end of 2019.

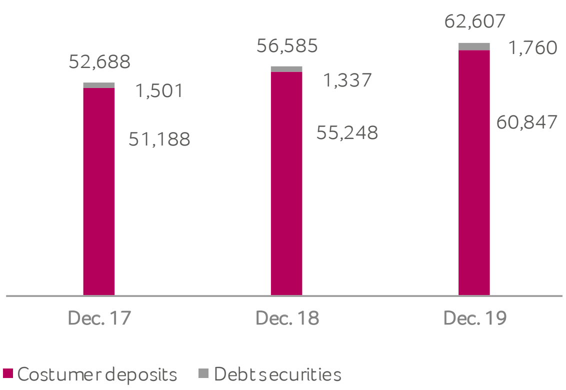
Assets under management, which result from the provision of portfolio management services under existing placement and management agreements, amounted to 5,745 million Euros on 31 December 2019, up 14.5% from 5,018 million Euros at the end of 2018, due to the performance of both the activity in Portugal and the international activity, where the amount of assets under management rose 17.0% and 11.1% respectively.

Assets placed with customers, which correspond to the amounts held by customers third-party products that contribute to, also performed favourably in 2019, having increased 13.7% from the 3,793 million Euros recorded on 31 December 2018, amounting to 4,312 million Euros. The 511 million Euros increase in the activity in Portugal was the main reason for this progression, with assets placed with customers in international activity also being higher than at the end of 2018.

Insurance products (savings and investments) amounted to 9,011 million Euros on 31 December 2019, up 4.5% on the 8,627 million Euros recorded on the same date of the previous year, determined by the 387 million Euros increase in the activity in Portugal.

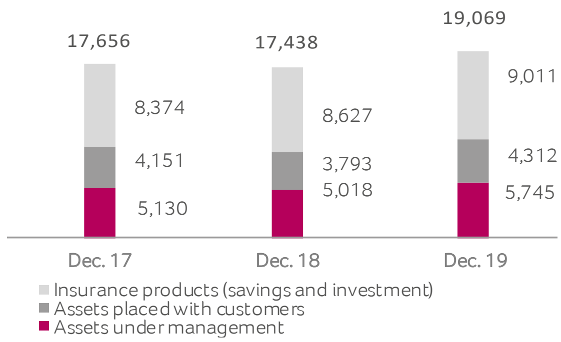
BALANCE SHEET CUSTOMER FUNDS

Million euros



OFF BALANCE SHEET CUSTOMER FUNDS

Million euros



TOTAL CUSTOMER FUNDS

million euros

	2019	2018	2017	Chan. % 19/18
BALANCE SHEET TOTAL CUSTOMER FUNDS				
Activity in Portugal	41,016	38,900	36,681	5.4%
International Activity	21,591	17,685	16,007	22.1%
	62,607	56,585	52,688	10.6%
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	15,751	14,361	14,226	9.7%
International Activity	3,318	3,077	3,430	7.8%
	19,069	17,438	17,656	9.4%
TOTAL CUSTOMER FUNDS				
Activity in Portugal	56,767	53,261	50,907	6.6%
International Activity	24,909	20,763	19,437	20.0%
TOTAL	81,675	74,023	70,344	10.3%

SECURITIES PORTFOLIO

The securities portfolio, as defined above, amounted to 15,671 million Euros in 31 December 2019, compared to 16,380 million Euros on the same date last year, representing 19.2% of total assets compared to 21.6% at the end of 2018. In this evolution, we must point out the decrease of 664 million Euros in the public debt securities portfolio, which decreased from 13,089 million Euros at the end of 2018 to 12,426 million Euros in 31 December 2019, still representing 79.3% of the total amount of the securities portfolio in line with the 79.9% at the same date of the previous year.

The performance of the securities portfolio of the Group was determined by the reduction of 801 million Euros in the portfolio of the activity in Portugal, whose balance sheet amount stood at 9,482 million Euros at the end of 2019 compared to 10,283 million Euros on 31 December 2018. This reduction was largely due to the sale of Portuguese sovereign debt.

SECURITIES PORTFOLIO

Euro million

	2019	2018	2017	Change 18/17
Financial assets measured at amortised cost (1)	1,111	1,104	(0)	0.7%
Financial assets measured at fair value through profit or loss (2)	1,343	1,372	299	-2.1%
Financial assets measured at fair value through other comprehensive income	13,217	13,846	--	-4.5%
Financial assets available for sale	--	--	11,472	-
Financial assets held to maturity	--	--	412	-
Assets with repurchase agreement	--	58	--	-100.0%
TOTAL	15,671	16,380	12,182	-4.3%
of which:				
Activity in Portugal	9,482	10,283	7,047	-7.8%
International activity	6,189	6,097	5,135	1.5%

(1) Corresponds to debt instruments not associated to credit operations.

(2) Excluding the amounts related to loans to customers and trading derivatives.

LOANS AND AMOUNTS OWED TO CREDIT INSTITUTIONS

Resources from other credit institutions, net of cash and loans and advances to other credit institutions, totalled 5,153 million Euros at the end of 2019, compared to 6,536 million Euros on 31 December 2018, reflecting a reduction in net wholesale funding needs in the Portuguese operation, despite the increase in Bank Millennium, in this case resulting mainly from the acquisition of Euro Bank S.A.

The developments in Portugal were due to the impact, in decreasing order of materiality, of the reduction in the commercial gap and in the investments in sovereign debt, cash flow from operations, sale of other assets and reduction of the corporate securities portfolio.

The value of collateralised borrowings with the ECB remained at 4.0 billion Euros, corresponding to the balance of targeted longer-term refinancing operations (TLTRO), which will mature in 2020. Net debt with the ECB, which deducts from the value of the gross borrowings the liquidity deposited with the Bank of Portugal and other liquidity denominated in Euros in excess of the minimum cash reserves, reached the lowest value since the Bank borrows from the central bank at 283 million Euros, a reduction of 2.4 billion Euros over the previous year.

The "Liquidity Risk" section presents an analysis of the main lines of action and objectives of Millennium bcp regarding the liquidity management priorities defined in the Liquidity Plan for the year under analysis, namely the management of the portfolio of assets eligible for refinancing operations, so as to guarantee the appropriate funding of the activity in the short-term and in the medium- to long-term.

OTHER ASSET ITEMS

Other asset items, which include hedging and trading derivatives, investments in associates, non-current assets held for sale, investment property, other tangible assets, goodwill and intangible assets, current and deferred tax assets and other assets, amounted to 7,317 million Euros on 31 December 2019, representing 9.0% of total consolidated assets. At the end of 2018, other asset items represented 9.8% of the total consolidated assets, totalling 7,449 million Euros.

EQUITY

On 31 December 2019, total equity (including non-controlling interests) amounted to 7,381 million Euros, up 6.0% from 6,964 million Euros at the same date in 2018. This increase mainly reflects the evolution of equity attributable to the Bank's shareholders, from 5,780 million Euros at the end of December 2018 to 6,120 million Euros on 31 December 2019, driven by the placement in January 2019 of an Additional Tier 1 issue in the amount of 400 million Euros, by the positive impact of the fair value reserve which increased by 91 million Euros net of tax and by the generation of capital associated with the net income for the year totalling 302 million Euros. Conversely, equity was penalised by negative actuarial deviations associated with the pension fund of the Group, which totalled 336 million Euros after tax, by exchange rate differences on consolidation, totalling 36 million Euros, which resulted mainly from the evolution of the stake in Banco Millennium Angola which was strongly influenced by the devaluation of the Kwanza in 2019, by the impact associated with the distribution of dividends, amounting to 30 million Euros, and by interest on the bonds of the Additional Tier 1 issue, which amounted to 28 million Euros.

At the same time, non-controlling interests stood at 1,262 million Euros on 31 December 2019, up 6.6% from 1,183 million Euros at the same date last year.

Business Areas

Activity per Segments

Millennium bcp conducts a wide range of banking activities and financial services in Portugal and abroad, with special focus on Retail Banking, Companies Banking and Private Banking business.

BUSINESS SEGMENT	PERIMETER
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery Division Banco ActivoBank
Companies, Corporate & Investment Banking (*)	Companies and Corporate Network of Millennium bcp (Portugal) Specialised Recovery Division Interfundos Large Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking Trade Finance Department (**)
Private Banking	Private Banking Network of Millennium bcp (Portugal) Millennium Banque Privée (Switzerland) (***) Millennium bcp Bank & Trust (Cayman Islands) (***)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (****) Millennium Banque Privée (Switzerland) (***) Millennium bcp Bank & Trust (Cayman Islands) (***)
Other	Includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) Excludes the Specialized Credit and Real Estate Division from the commercial network, which are included under "Other".

(**) From Treasury and Markets International Division.

(***) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business.

(****) Consolidated by the equity method.

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit and Portuguese subsidiaries were re-calculated, considering the replacement of the equity book values by the amounts assigned through the allocation process, based on the regulatory solvency criteria.

Thus, as the process of capital allocation complies with the regulatory criteria of solvency in force, the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Each segment's income includes the non-controlling interests, when applicable. Therefore, the values of net income presented incorporate the individual net income of the business units, regardless of the percentage stake held by the Group, and the impacts of the transfers of funds described above.

Operating costs related to the business segments do not include restructuring costs and other costs considered as specific items recorded in 2019 and 2018, respectively.

The information presented below was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 December 2019

RETAIL

Mass Market

- Focus on the capture of new Mass Market clients, (200,000 new Clients were captured), on increasing the current Client's loyalty and on enhancing the digital involvement of Clients with the Bank;
- Campaign "A Escolha certa, agora com mais 4 vantagens" (the right choice, now with 4 additional benefits), following the award to Millennium bcp of the "Consumer's Choice" prize for two consecutive years; this campaign offered 4 exclusive benefits for new clients: integrated solutions, credit card, receiving the wage through the bank and access to the term deposit "Depósito #1";
- Campaign "Summer Festivals 2019" targeting new clients, offering 1 ticket for all the most significant summer festivals: MEO Sudoeste, Super Bock Super Rock, Sumol Summer Fest and Galp Beach Party;
- Campaign "Ser Millennium é ter mais" (being Millennium means having more) based on the draw of nine upper-range mobile phones, addressed to current and new clients, with the purpose of increasing the number of new clients and the loyalty of current ones;
- Promotion of several one-off tailored marketing actions with the purpose of increasing cross-selling of clients with greater appetite for acquiring key financial products;
- The recommendation of the Bank by clients to their family members continued to be promoted by means of the product Vantagem Família (Family Advantage), according to which the subscribers of an Integrated Solution may extend some of its exclusive benefits (credit, insurances, integrated solutions) to their direct family members;
- The Bank was able to achieve historical highs in terms of Customer Experience indicators through the implementation of several improvement actions;
- The Bank was able to achieve a significant improvement of efficiency in Mass Market branches of the Retail network, notably in operating efficiency, by reducing transactions and focusing on digitalisation;
- Ongoing focus on digital enabled the Bank to reach 1.7 million accounts with e-statement, representing a penetration rate in excess of 70%.

Prestige

- Significant increase in the number of Prestige customers, keeping up with the 2018 momentum via the improvement in the commercial systematic, cross-networking and member get member initiatives and also by the establishment of protocols with companies and support to campaigns, such as the campaign "Vantagem Família" (with benefits extended to the relatives of our clients), the campaign "Consumer's Choice" and the Campaign "Médis & Móbis";
- Continuation of the Program #1 Customer Experience, with the implementation of the Diversification Action. Assessment of claims' and compensations' processes, and ongoing training in commercial and service techniques for the entire Personalised Management network, leading to an improved Manager's Net Promoter Score;
- There was an increase in credit granting to clients of the Prestige segment, both in personal loans (*online* and pre-approved), and home loans, with the launching of client-friendly services, namely the provision of after hours services and representation of the client at the deed (by means of a power of attorney). In personal loans, increase of the weight of the digital channel (website and app) in total subscriptions through the launching of new mobile services and products, such as Car Credit and pre-approved offers;
- Regarding savings and investments, the Bank pursued the activities to improve the Client's experience in all channels to be able to correspond to the Client's expectations and objectives, with the diversification of their financial assets. The Bank developed an innovative offer within the scope of Retirement Solutions – non-accumulation products offering the Customer the possibility of receiving an extra income during his/her retirement, guaranteeing an improved quality of life;
- Within the scope of financial literacy of Prestige Clients, the Bank launched the Millennium Talks, a series of online webinars;
- For Prestige Clients, the Bank also developed relationship marketing actions in sporting events, such as the Millennium Estoril Open.
- In Customized Remote Management, the Bank continued to provide a service of quality to Digital Prestige Customers.

Residents abroad

- Launching of the Foreigners Segment (residents in Portugal or abroad), separating it from the Segment of Portuguese Residing Abroad;
- The increase in the number of new Clients, namely foreigners, continued to be supported by referral, communication and strengthening of the relation with Clients in countries with the largest communities of emigrants and via protocols to attract Clients classified as Non-usual Residents and individuals with Golden Residence Permits.
- Excellent dynamics in production of home and personal loans, with a significant growth; the Clients residing abroad already represent a relevant percentage in home and personal loans;
- The Bank carried out 4 Millennium Summer Festivals in several regions of the country, involving around 10,000 individuals from amongst Clients and Suppliers, enhancing Millennium bcp's image as a bank of reference in this Segment.
- Provision of the service to obtain the Multichannel code at millenniumbcp.pt using the foreign tax identification number, a tool to leverage the commercial actions focused at increasing use of this service by clients from Portuguese worldwide communities and by foreigners.

Business

- The Bank continued to contribute towards the economic development of the country, focusing on the support to small and medium-sized companies;
- Consolidation of the main business items, recording a significant increase in credit and in new customers (+12%) versus 2018.
- Reinforcement of the value proposal for the segment, with the launching of the online factoring and confirming contracting (the first credit solution for companies that can be contracted online and whose contract can be signed through a Qualified Digital Certificate) and the launching of a new business systematic model for the follow-up of new managed customers;
- Launching of M Contabilidade, the first open banking service allowing to integrate the accounts of business customers with the platform of the Portuguese Association of Certified Accountants (online TOC), this way benefiting Entrepreneurs and Accountants by means of payment integration and support to banking reconciliation. 9 months after the launching of this service, more than 2400 corporate users and more than 1500 Accountants benefited from this service's advantages;
- For the second consecutive year the Bank was distinguished as the "Best Bank for Companies", in accordance with the survey made by DATA E, maintaining the leading position as the "Main Bank" of Companies with a market share of 18.1%;
- Millennium bcp maintained its leading position in the attribution of "PME 2019", holding to the leading position achieved in 2018;
- The Bank continued to support the brands operating in Portugal under the franchising model and 75 brands chose the Bank as its financial partner, having been once more the host of the CEO *Franchising Conference*. The Bank also attended the largest franchising fair in Portugal, the Expofranchise and was the official partner of Norte Franchise.

PRODUCTS

Personal loans

- Availability of a competitive offer adjusted to the needs of Customers;
- Strong focus on digital Channels with the development of several actions to increase business;
- Availability of a new consumer loan calculation tool in the app;
- Availability of a new online contracting product on the Millennium App, for car financing;
- Investment in the support and education of young people, through the offer of a University Credit Line with Mutual Guarantee;
- Ongoing investment in the loan contracting process, for car financing, aiming at increasing production, agility and speed in that process.

Mortgage loans

- Competitive offer, targeted towards the profile of Clients aiming at simplification, agility and speed in the processes;
- Mixed rate credit solution, for clients that prefer stability in their instalments;
- Attractive proposal for clients intending to transfer to Millennium bcp the Credit they have.
- Focus on comfort and convenience for the Client, namely through the possibility of signing contracts after hours and of being represented at the deed, free of charge for Clients.
- Availability of a specialised follow-up service in the loan contracting stage.

Investment solutions

Considering the current historically low interest rates context, the Retail Network continued to design solutions for customers to diversify their financial assets, including products such as Certificates, Indexed Deposits, Structured Bonds, Investment Funds and Financial Insurances.

- The Bank kept in mind the concern to help Customers plan their future, namely through Retirement solutions;
- For Retired Customers, *Aproveite Mais* Solutions (Enjoy More) were launched, which focus on financial non-accumulation products, within the scope of capital preservation and monthly income as a supplement to the pension;
- For investments, the process of continuous improvement of the offer continued, and of the conditions that allow the consolidation of provision of Information in investment solutions.

Integrated Solutions

- Launch of the Customer acquisition campaign with the promotion of integrated solutions for only 1 Euro/month;
- Reinforcement of "*Vantagens Família*" (Family Benefits), the most comprehensive in the banking system;
- Continuation of the reinforcement in the value proposition of integrated solutions, with the inclusion of MB WAY transfers, continuing to reward Customers with greater involvement with the Bank;
- Awards throughout the year for digital Customers (special pricing on the website);
- Launch of the campaign based on the concept "*1 milhão já tem a Solução*" (1 million already has the solution), with strong visibility;
- Reinforcement of the value proposal for self-employed individuals and small companies with the inclusion of *M Contabilidade* (M Accounting) and P@y.Me in the solution *Cliente Frequente Negócios* (Frequent Client Business).

Account opening

- Possibility to open an account faster and easier, just by presenting the Citizen Card! Simple and effective! (Protocol signed between Millennium bcp and *Agência para a Modernização Administrativa – AMA*).

ActivoBank

- In 2019, ActivoBank reached 302 thousand Customers, which represents a 32% growth in the Customer base compared to 2018, as a result of strong Customer acquisition in the 25-44 year old segment;
- Strengthening of the digital value proposal by making the Account Opening process totally digital on the website, increasing in approximately 72% the acquisition of business via digital, compared to 2018;
- Launching of the new ActivoBank App, with a re-designed user experience and new tools, of which the 100% digital personal loans process stands out, along with with a simpler and intuitive browsing.
- Significant increase in the number of users of the app, which stood at 56% versus the 49% recorded by the end of June 2018;
- Launching of the ActivoTrader investments app with a totally revamped and simplified trading experience, enabling immediate trading and management of orders using the app, access to the most important world markets and trading of Shares, ETF's, Warrants, Certificates and bonds;
- Development and implementation of a credit solution for the purchase of used cars, the Car Loan without reserved ownership.
- Launching of the personal loans campaigns, mostly in radio and in digital means, focusing mainly on the major credit purposes: Renovation works; travelling and first car, and also the Black Friday campaign throughout November with the motto "AB FRIDAY";
- 67% growth in the personal loan portfolio and 58% in the home loan portfolio;
- Launch of Travel Insurance On/Off that offers total freedom and flexibility to its Customers and can be activated/deactivated at any time, through the app. This insurance policy is available through a single contract, with a duration of three years and can be used regardless of the number of trips abroad. Customers activate it whenever they wish and only the days in which the insurance is active are charged.
- ActivoBank's positioning regarding the Mbway price list, with the campaign "*Mbway sem pagar é ABWay*" (Mbway without paying is ABWay) in partnership with the influencer "*Bumba na Fofinha*";
- Launch of the Discovery Lab, a laboratory for testing usability with Customers in order to optimise the servicing/sales processes in digital channels in line with the expectations/needs of Customers;

- Opening of the *Ponto Activo Oeiras Parque* (Branch), reinforcing the bank's physical presence to 16 branches;
- Introduction of the digital queue management system, in order to optimise customer influx at *Pontos Activo* (branches);
- Presence in the social media Hackathon, UPLoad LX reinforcing support for digital marketing and social media initiatives;
- By sponsoring sporting events, ActivoBank was at the Volleyball Nations League 2019, at the Beach VolleyBall Championship ACTIVOBANK and at several stages of the National Circuit of Beach Handball, this way, supporting physical activity and a healthy and active lifestyle.
- Banking product and net income increased by 22% and 39%, respectively, compared to 2018.

Microcredit

- Funding of 177 new operations, totalling 2,924 million Euros of credit and 368 new workstations created in 2019;
- The volume of credit granted to the 676 operations in the portfolio, until December 31, 2019, totalled 5.1 million Euros;
- Establishment of 22 new cooperation agreements for entrepreneurial action and new dynamics for accessing microcredit, 4 of which with City Councils;
- Meetings with Municipalities, Parishes, Schools, Entrepreneurial Associations and Social Economy Entities. The Bank participated, as speaker, in 45 information sessions in events for the disclosure and promotion of employment and entrepreneurial spirit and attended 18 entrepreneurial fairs.

Million euros

RETAIL BANKING in Portugal	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	475	422	12.6%
Other net income	399	387	3.2%
	874	809	8.1%
Operating costs	488	467	4.5%
Impairment (excluding the impairment related to NPE in the begening of the year)	18	14	26.1%
Income before tax (excluding impairment charges for NPE)	368	328	12.3%
Impairment charges for NPE	7	(2)	
Income before tax	361	330	9.6%
Income taxes	111	103	9.2%
Income after tax	250	227	9.7%
SUMMARY OF INDICATORS			
Allocated capital	1,128	975	15.7%
Return on allocated capital	22.1%	23.3%	
Risk weighted assets	9,440	8,794	7.3%
Cost to income ratio	55.8%	57.8%	
Loans to Customers (net of impairment charges)	22,029	21,258	3.6%
Balance sheet Customer funds	30,255	28,187	7.3%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

Income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 250 million in 2019, a 9.7% growth compared to Euros 227 million in 2018, reflecting the favourable performance of this business unit Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income went up to Euros 475 million in 2019 and grew by 12.6% compared to the previous year (Euros 422 million), positively influenced by the higher return on the loan portfolio, in particular through the increase of the existing volumes, by the continuous decrease in costs on term deposits and by the higher income arising from the internal placements of the excess of liquidity.
- Other net income rose from Euros 387 million in 2018 to Euros 399 million in 2019, showing a 3.2% increase.
- Operating costs went up 4.5% from 2018, reflecting, at the staff costs, the impact of the increase in the average number of employees throughout the year. The evolution of other administrative expenses includes, on the one hand, the effect of the reduction in the number of branches and, on the other hand, the impact of branch renewal, following the ongoing digitization project.
- Impairment charges amounted to Euros 25 million in 2019, comparing unfavourably with Euros 12 million in 2018, when impairment on non-performing exposures monitored by the Retail Recovery Division benefited from a higher level of recoveries.
- In December 2019, loans to customers (net) totalled Euros 22,029 million, 3.6% up from the position at the end of December 2018 (Euros 21,258 million), while balance sheet customer funds increased by 7.3% in the same period, amounting to Euros 30,255 million by the end of December 2019 (Euros 28,187 million recorded at the end of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Companies and Corporate

2019 was marked by the renewal of several leading positions, and the bank was elected, for the second consecutive year, as the Best Bank for companies.

The Bank was again recognised as the Closest, Most Innovative, with the Most Suitable Products for Companies (BFin Data-E 2019). The double victory in *PME Líder* and *PME Excelência* was also regained in 2019, with a 27% market share.

The commitment to new financial solutions and support to new sectors of activities confirmed the leading position as #1 Bank in Credit Lines (BFin Data-E 2019):

- Portugal 2020: Within the support to companies with Portugal 2020 applications and investment projects approved within the scope of Portugal 2020 Programme, Millennium bcp granted new loans exceeding 573 million Euros;
- Financial Instrument for Urban Rehabilitation and Revitalisation (IFRRU): Significant increase in 2019 with a total of 28 operations, representing 32 million Euros of contracted financing;
- Local Millennium: Global solution developed for Municipalities and their Services, represented by a set of customisable solutions, with competitive conditions, promoting and boosting the economic and financial needs of Local Government;
- FEI Cosme Line: New loans amounting to 93 million Euros (cumulative) for a unique guarantee solution in Portugal that extended the Bank's offer to new Clients, New Companies or specific economic sectors such as Agriculture, Tourism, Energy, Services or Health;
- Millennium EIF Innovation II Credit Facility: New loans of 231 million Euros (cumulative), reinforcing the Bank's leading position as FEI #1 Bank in Portugal;
- Millennium IFD *Capitalizar* Mid-Caps Line: New financing solutions for loans granted by the Bank, in Portugal and in other countries of the European Union, in sectors of the economy linked to Industry, Agriculture and Tourism.

- Credit Lines with autonomous bank guarantee provided by Mutual Guarantee Societies (*SGM*): New loan agreements in excess of 234 million Euros of guarantees issued, representing a market share of 17.1%, with the Bank reaching the #2 position for the first time in the year;

- Market leading position in factoring and leasing, according to the Leasing and Factoring Association (ALF), with a 27% market share in total factoring and 19% in total leasing. In comparison with the 2018 half-year, the factoring and confirming areas surged 14% and 4%, respectively, in terms of invoice financed and credit balance. New Leasing production above 600 million Euros.

- Global leader in Exporting Companies (BFin Data-E 2019) in trade finance, with an increase of 12% in the number of new Customers, which contributed to the 15% growth in the number of new operations, representing a turnover in excess of 70.6 billion Euros in the year.

Proximity

Strengthening partnerships, constantly seeking for greater proximity and solutions that make it easier for Companies to do business:

- Consolidation of the leading position as the Most Innovative Bank, again the most used bank in NetBanking, with a 27% of market share (BFin Data-E 2019);

- Creation of the Millennium AgroNews, a distinctive and innovative quarterly publication, aimed at presenting the most significant developments in the Agricultural Sector to the market, with a commitment to the strategic strengthening of proximity and investment in this growth sector;

- The 3rd edition of the Millennium Horizontes Awards took place, which had a record number of 2,167 applications, from companies across several sectors of activity, demonstrating the growing vitality and interest that these Awards raise;

- Participation, at the invitation of AIP (*Associ-ação Industrial Portuguesa* / Portuguese Industrial Association), in the Workshops "*Aprender a Exportar*" (Learn to Export), where financing offers were presented within the scope of Portugal 2020 to entrepreneurs in the regions of Lisbon, Torres Vedras, Évora, Castelo Branco, Portalegre, Beja, Loulé, Santarém e Coimbra;

- Participation, at the invitation of NERSANT, in the "*Perspetivas da Banca e Investidores*" workshop (Banking and Investor Perspectives) under the theme "Optimisation of financial costs and access to financing - Banking sector perspective" which that took place in Rio Maior.

Investment banking

- In Corporate Finance, the Bank participated in several projects in Portugal and in international markets, providing financial advisory to its Customers and to the Bank itself in several projects, involving researching, developing and completing M&A operations, valuation of companies, corporate restructuring and reorganization processes, as well as research and economic-financial analysis of projects. In Mergers and Acquisitions, the assistance to Galp Gás Natural Distribuição in the purchase of a majority stake in Tagusgás and the assistance to 4H Investments for Health group, Tecnifar's parent company, in the sale of Imag, should be emphasised.

- In Project Finance, in Portugal, the completion of the financing operation for the EGF subsidiaries should be highlighted, an operation where Millennium investment banking acted as Mandated Lead Arranger, as well as the creation of a new business associated with the auctions for allocation of injection capacity in the electricity grid from a solar photovoltaic source. In the international area, the financial advisory mandates in Mozambique in the area of electricity production and the participation of BCP Group in the major natural gas projects, that should ultimately position Mozambique as one of the 3 largest producers of LNG in the world, stood out.

- In Structured Finance, we highlight the analysis, structuring and negotiation of new financing operations in Portugal (hotels and tourism, pharma, agribusiness, industry, transports, services, retail and distribution, utilities, among others), being particularly noteworthy the successfully closing of Bel / A Duarte Reis' acquisition finance and the Bial's investment plan financing and the financing of the almonds project developed by Rota Única in Alqueva, Alentejo. Referring to the activity abroad, several opportunities of structured finance with final guarantee from COSEC were analysed and the finance to the State of Angola for a Voice and Data Centre was completed.

  During 2019, on the debt capital markets, note should be given to the organization, structuring and placement of two bonds issues by the Autonomous Region of Madeira, of Euros 25 million and Euros 355 million, the latter issued with Government guarantee and together with a banking syndicate. The Bank maintained its regular presence in distribution public offering of bonds, having been part of the placing syndicate of the offers carried out by TAP, SIC, Benfica and Mota-Engil. Also worth of note is the structuring of several commercial paper programs, totalling over Euros 400 million, for a wide range of Portuguese corporates, including REN (Euros 150 million) and the Navigator Company (Euros 75 million). In the equity capital markets Mib acted as financial intermediary in the Acquisition Tender Offer launched over the share capital of SAG Gest and was a syndicate member of HCB's IPO in Mozambique.

- In the Sectoral Approach, ecosystems were mapped in order to create business opportunities and maximize the number of new customers, increasing, in conjunction with the Bank's networks, the added value to companies and investors.

  In the Strategic Approach area, a pre-determined number of customers was analysed, aiming at exploring and presenting, in an all-encompassing perspective, potential investment banking opportunities, therefore fostering a close relationship and structured monitoring of clients.

- Lastly, election of Millennium investment banking, for the second consecutive year, as the Best In-vestment Bank in Portugal, by Euromoney, the international magazine specialized in the financial sector in the context of the Euromoney Awards for Excellence 2019; the magazine Global Finance also considered Millennium investment banking as the Best Investment Bank in Portugal in 2019.

FINANCIAL ADVISORY
Financial advisory in the acquisiton of 58% of Tagusgás by GGND
32.000.000 €
2019

FINANCIAL ADVISORY
Financial advisory in the sale of IMAG to Unilabs
Undisclosed
2019

MANDATED LEAD ARRANGER
Investment plan financing
40.000.000 €
2019

JOINT LEAD MANAGER
Bond Issue Government Guaranteed Due 2029
355.000.000 €
2019

LEAD MANAGER
Commercial Paper Programme
10.000.000 €
2019

MANDATED LEAD ARRANGER
2019-2021 Investment plan financing
30.000.000 €
2019

FINANCIAL INTERMEDIARY
Public Tender Offer
2.079.499 €
2019

LEAD MANAGER
Commercial Paper Programme
30.000.000 €
2019

LEAD MANAGER
Commercial Paper Programme
16.650.000 €
2019

JOINT MANAGER
Public Bond Offer 2019-2024
140.000.000 €
2019

JOINT MANAGER
IPO
3.297.059.112 MT
2019

MANDATED LEAD ARRANGER
Debt refinancing and Investment Plan Financing
65.000.000 €
2019

MANDATED LEAD ARRANGER
Acquisition Finance
33.500.000 €
2019

MANDATED LEAD ARRANGER
Debt refinancing and Investment Plan Financing
63.000.000 €
2019

LEAD MANAGER
Commercial Paper Programme
10.000.000 €
2019

Rota Única
MANDATED LEAD ARRANGER
Almonds project financing
19.500.000 €
2019

LEAD MANAGER
Bond Issue Due 2027
25.000.000 €
2019

LEAD MANAGER
Commercial Paper Programme
150.000.000 €
2019

LEAD MANAGER
Commercial Paper Programme
75.000.000 €
2019

JOINT MANAGER
Public Bond Offer 2019-2022
40.000.000 €
2019

Real estate business

- Priorities for action in 2019:
- In terms of real estate, the management of the portfolio of real estate properties non-allocated to the operation targeted the quick return of these assets to the market. This goal was translated into the management of:
    - Properties available for sale, focused on increasing sales at a fair price, supported by a high-level expertise in terms of technical and financial analysis;
    - Real-estate assets not available for sale, continuing the physical, legal and administrative fine-tuning and implementation of valuing actions / non-degradation of the real estate properties acquired for the recovery of loans or that are no longer assigned to operations in order to their disposal /sale.
    - Stakes controlled by the Bank in Entities that generate real estate risk, Funds and Companies.
- At the level of Specialised Credit management:
    - Regarding credit to real estate promotion - the analysis of the economic feasibility of real estate and tourism projects, the evaluation of the credit risk, the structuring of financing proposals, the issue of opinions underlying credit decisions and technical support to all Commercial Networks;
    - In the factoring area - the operational management of factoring contracts and their collection management, customer service and interaction with debtors, with a focus on supporting and improving the service provided and preventing credit losses.

Interfundos

- Global sales reached 90 million Euros, corresponding to 211 real estate properties in total;
- Takeover of the management of a Real Estate Investment Fund (Cimóvel);
- Transfer of the management of a Real Estate Investment Fund (Inogi Capital);
- Extension of the term for the duration of two Real Estate Investment Fund (Inogi Capital and Neudelinveste);
- Liquidation of SICAFI (Adelphi Gere);
- Ten operations of Capital decrease (Fundipar, Multiusos Oriente, Renda Predial, Imopromoção, Gestão Imobiliária, Gestimo, Imosotto, Imorenda, Intercapital e Oceanico);
- Conclusion of the process for the technical admission in Euronext Access of 44,919,000 shares of Multi24 – Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A., of 12,106,743 shares of Adelphi Gere – Sociedade
- Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A. and of 30,300,000 shares of Monumental Residence – Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A..
- Signing of the deed of sale of the real estate property and of the agreement to assign contractual rights and obligations in the Urban Rehabilitation Contract of Quarteirão de D. João I - a real estate property owned by OII AF Portfólio Imobiliário e Imopromoção;
- In 2019, the volume of assets of the 34 OIIs (Real Estate Investment Funds and SICAFI's) managed by Interfundos reached 1,309 million Euros.

International

- Growth in results in the custody, trade finance and payments business lines, in a context of ongoing change of competitive arenas, mainly through regulatory and technological means, therefore requiring a dynamic adjustment of business processes and models, in order to present innovative, competitive and very focused solutions, targeting customisation and level of service provided to each Customer.
- In the custody of securities, emphasis should be given to new services contracted with current Customers, in addition to attracting new institutional Customers.
- Strong dynamics were maintained in the provision of custodian bank services for participation units from Risk Capital Funds, resulting in the diversification of income sources, the increase in volumes under custody and, consequently, in the sustainability of the results achieved in this business, where the Bank maintained a reference position in the domestic market.
- A dynamic management of counterparties was continued, strengthening partnerships when necessary and adjusting the framework of services provided, in order to maintain appropriate trade finance solutions for any market receiving Portuguese exports or internationalisation projects and cross-border payments, where increasing volumes of transactions in different currencies are registered and handled in a secure, quick, efficient and compliant manner.
- Continuing partnerships with several multilateral entities, in particular EIB, EIF and IFD, in the support to the domestic corporate sector, especially for investment projects with longer financing cycles.

- Disclosure to the market and contract signing event in the total amount of 900 million Euros with the European Investment Fund: 400 million Euros concern the renewal of the guarantee InnovFin and 500 million Euros concern the new Guarantee denominated Cosme, being Millennium bcp the first bank in Portugal to have this instrument.
- The Bank was also forerunner in the signing of a contract with Instituição Financeira de Desenvolvimento, negotiating a 60 million Euros line of the Line Capitalizar MidCaps.
- The final results achieved translate into an important contribution to support the activity of domestic economic agents, especially those involved in international business, alongside sustained growth in business volumes and results.

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING in Portugal	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	275	280	-1.9%
Other net income	136	145	-6.0%
	411	425	-3.3%
Operating costs	126	127	-1.0%
Impairment (excluding the impairment related to NPE in the begening of the year)	148	113	31.3%
Income before tax (excluding impairment charges for NPE)	137	185	-26.1%
Impairment charges for NPE	123	341	-64.0%
Income before tax	14	(156)	
Income taxes	3	(50)	
Income after tax	11	(106)	
SUMMARY OF INDICATORS			
Allocated capital	1,218	1,075	13.3%
Return on allocated capital	0.9%	-9.9%	
Risk weighted assets	11,165	10,018	11.4%
Cost to income ratio	30.7%	30.0%	
Loans to Customers (net of impairment charges)	11,971	13,093	-8.6%
Balance sheet Customer funds	7,885	7,884	-

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

Companies, Corporate and Investment Banking segment in Portugal went from a loss of Euro 106 million in 2018 to a profit of Euro 11 million in December 2019. Net income still reflects the requirements of the Bank's non-performing exposures reduction plan with an impact on the reduction of the loan portfolio and on its levels of impairment charges, although broadly lower than in the previous year. The performance of this segment in 2019 is explained by the following changes:

- Net interest income stood at Euros 275 million in 2019, 1.9% below the previous year (Euros 280 million), reflecting the negative impact arising from the loan portfolio, which remains constrained by the low interest rates environment and the lower credit volumes. Cost savings arising from the reduction of the cost of funding and term deposits partially offset the impact from the performance of the credit portfolio.
- Other net income reached Euros 136 million in December 2019, 6.0% lower compared to the amount achieved in December 2018, which is mainly explained by the lower level of commissions from the investment banking activity.
- Operating costs totalled Euros 126 million by the end of December 2019, slightly down from 31 December 2018, mainly due to Specialized Credit and Real Estate Division ceasing to be considered as a commercial network and being now included as part of the segment Other.

- Impairments showed a significant reduction, falling from Euros 454 million in December 2018 to Euros 271 million in 2019, an amount that still reflects a significant provisioning effort in the implementation of the reduction of non-performing exposures.
- As at December 2019, loans to customers (net) totalled Euros 11,971 million, 8.6% lower compared to the existing position in December 2018 (Euros 13,093 million), reflecting the effort to reduce the non-performing exposures as mentioned above. Balance sheet customer funds reached Euros 7,885 million, in line with the amount at December 2018.

PRIVATE BANKING

- Consolidation of the customer base growth process, taking advantage of the dynamics obtained with the restructuring and reinforcement of the Non-Resident and Customer acquiring Division, which allowed for greater action with non-national Customers based in Portugal and also through cross-referencing actions;
- Development of paperless processes and technological upgrade in terms of software and equipment used by Private Bankers, simplifying the processes and response time to Customers' requests without loss of rigour and security and always bearing in mind compliance principles;
- Reformulation of communication pieces for new and current Customers, to be delivered at account opening or customer servicing meetings;
- Streamlining the use of the Millennium App and MTrader App with the Commercial and Customers area, aiming at boosting the use of these applications and consequently the interaction with the Bank, via technology.
- Several relational marketing actions with numerous types of events carried out, with special mention to the exclusive Concerts for Private Customers in Porto and Lisbon, the ‘Macroeconomic Perspectives for 2020’, with Private Banking Clients also enjoying the ‘Millennium’ events, such as Millennium Estoril Open and *Festival ao Largo*;
- At the end of the year, the implementation of the Private 2.0 Project began with the purpose of significantly increasing the share of wallet, a project centred on three axes: Offer, Commercial Model and Customer Acquiring and with the expected impact in terms of diversifying the type of Customer and Offer, and the increase of Private Spaces. The tools required for this new approach have already started to be implemented, and the recruitment of new Employees is also underway.

Million euros

PRIVATE BANKING in Portugal	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	10	11	-7.5%
Other net income	26	27	-4.2%
	36	38	-5.2%
Operating costs	20	17	15.8%
Impairment (excluding the impairment related to NPE in the begening of the year)	-	1	
Income before tax (excluding impairment charges for NPE)	16	20	-21.1%
Impairment charges for NPE	(1)	-	
Income before tax	17	20	-15.8%
Income taxes	5	6	-15.8%
Income after tax	12	14	-15.8%
SUMMARY OF INDICATORS			
Allocated capital	68	59	15.8%
Return on allocated capital	17.4%	23.9%	
Risk weighted assets	595	534	11.5%
Cost to income ratio	56.3%	46.1%	
Loans to Customers (net of impairment charges)	274	232	18.0%
Balance sheet Customer funds	2,288	2,053	11.5%

Notes:

Allocated capital, Loans to customers (net of recoveries) and Balance sheet Customer funds figures based on average balance.

Income

Income after tax from Private Banking business in Portugal totalled Euros 12 million in 2019, 15.8% down from Euros 14 million in 2018, mainly due to the decrease of banking income. Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Banking income stood at Euros 36 million in 2019, 5.2% down from the previous year (Euros 38 million). This reduction is explained mainly by lower net interest income, but also, to a lesser extent, by other net income. Net interest income totalled Euros 10 million in 2019, comparing to Euros 11 million in 2018, penalized mainly by the lower income generated by the loan portfolio, as a result of the reduction of credit volumes observed in the last quarter of 2018, which were only partially recovered throughout 2019. Other net income amounted to Euros 26 million in 2019, showing a decrease in comparison with Euros 27 million in 2018, benefiting in this period from higher commissions. Operating costs amounted to Euros 20 million in 2019, above operating costs in 2018.
- Impairments impacted positively the profit and loss account, with reversals reaching Euros 1 million in 2019, while in 2018 impairments charges amounted to Euros 1 million.
- Loans to customers (net) amounted to Euros 274 million by the end of December 2019, showing an increase of 18.0% compared to figures accounted in the same period of the previous year (Euros 232 million), while balance sheet customer funds grew 11.5% during the same period, from Euros 2,053 million in December 2018 to Euros 2,288 million in December 2019, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Poland

- Net earnings of €130.5 million, with ROE of 6.4%*[3].
- Net operating revenue up by 27.3%, driven by net interest income; operating costs impacted by a higher contribution to the resolution fund, by increased staff and integrations costs (Euro Bank) and by higher IT costs.
- Business volumes impacted by Euro Bank's acquisition: Customer funds up by 20.8%, while loans to Customers increased by 42.3%, excluding FX-denominated mortgage loans.
- CET1 ratio of 16.9% as of December 31, 2019, with total capital of 20.1%.
- Bank Millennium was considered best bank in Poland by Global Finance. This magazine also voted its website as the best website design in Central and Eastern Europe. Bank Millennium is also the most recommended bank and leader in Customer satisfaction in Poland (according to the survey "Customer satisfaction monitor of retail banks ARC Rynek i Opinia").

Switzerland

- Net income of 6.9 million Euros, in 2019 (+2.5%) with a 9.1% ROE.
- Increase in net operating income (+7.7%), driven by increase in net fees and comissions (+9.9%) and net Interest Income (+7.6%).
- Operating costs expanded 9.8% to 24.9 million Euros, influenced by the costs associated with recruitment to support the implementation of the Bank's expansion strategy.
- Total customer resources increased 16.8% to 3.4 billion Euros.
- Total customer funds increased 7.0% and credit portfolio expanded 11.4%.

Mozambique

- Net earnings of €99.5 million, with ROE of 20.3%, reflecting stable net interest income following the normalisation of interest rates.
- Customer funds grew 6.6%, with loan portfolio down by 11.1% reflecting a conservative approach under a challenging environment.
- Capital ratio of 45.8%.
- Best bank in Mozambique by Global Finance, for the 10th year in a row, and Bank f the Year 2019, by The Banker.

Macao

- Net income of 10.7 million Euros (-10.0%), mainly due to the reduction in net interest income, through the decrease of the loan portfolio and the increase in funding costs, despite the positive evolution of trading income and on credit impairments.
- In december 2019, customer funds stood at 538 million Euros (+1.3%) and gross loans reached 289 million Euros (-29.9%).
- The Branch acted as a support platform for Portuguese companies doing business in Macao and Continental China.
- Financing of Macao and international business customers.
- Trade finance operations to support Portuguese companies with exports to and/or imports from China.
- Attraction of trading companies with international trade operations with China.
- Acquisition of Chinese clients who intend to invest in Portugal, either on an individual or on a business basis.
- Increase in contacts established between the Investment Banking area of Millennium bcp with Chinese companies seeking investment solutions in Portuguese-speaking countries.

Cayman Islands

- Net income of 2.7 million Euros (-39%), with a 0.8% ROE.
- Continuation of the process of reduction of commercial activity, translated into the reduction of core revenues, notwithstanding the reduction in operating costs.
- At the end of 2019, customer funds of Millennium bcp Bank & Trust stood at 2 million Euros and gross loans reached 6 million Euros.

[3] ROE excluding one-offs: 10.2%. One-offs: integration costs and additional provisions for Euro Bank, release of tax asset provision, positive revaluation of shares in PSP and provisions for FX mortgage legal risk.

Million euros

FOREIGN BUSINESS	31 Dec. 19	31 Dec. 18	Chg. 19/18
PROFIT AND LOSS ACCOUNT			
Net interest income	759	620	22.4%
Other net income (*)	245	253	-3.0%
	1,004	873	15.1%
Operating costs	495	386	28.3%
Impairment	171	90	89.6%
Income before tax	338	397	-14.7%
Income taxes	95	88	8.5%
Income after income tax	243	309	-21.3%
SUMMARY OF INDICATORS			
Allocated capital (**)	3,009	2,799	7.5%
Return on allocated capital	8.1%	11.0%	
Risk weighted assets	15,465	12,177	27.0%
Cost to income ratio	49.3%	44.2%	
Loans to Customers (net of impairment charges)	17,437	13,319	30.9%
Balance sheet Customer funds	21,591	17,685	22.1%

(*) Includes equity accounted earnings related to the investment in Banco Millennium Atlântico.

(**) Allocated capital figures based on average balance.

Income

Income after tax from Foreign Business stood at Euros 243 million in December 2019, reflecting a 21.3% decrease compared to Euros 309 million achieved in 2018. This evolution is explained mostly by the unfavourable performance of operating costs and impairments, which were influenced by the impacts arising from the acquisition and integration of Euro Bank S.A., despite higher banking income, which also benefited from the consolidation of Euro Bank, S.A..

- Considering the different items of the income statement, the performance of Foreign Business can be analysed as follows:
- Net interest margin stood at Euros 759 million in 2019 which compares to Euros 620 million in 2018. Excluding the impact arising from the foreign exchange effects, the increase would have been 22.1%, reflecting mainly the positive performance of the subsidiary in Poland, partly mitigated by the evolution observed in the subsidiaries in Mozambique and Cayman Islands, as a consequence of the reduction of the loan portfolio exposures.

  Other net income decreased 3.0%. Excluding foreign exchange effects, other net income increased 0.2%, benefiting from the positive performance of the subsidiary in Poland, although other net income in Poland was also penalized by the increase in mandatory contributions. The Mozambican subsidiary also contributed to this growth through an increase in foreign exchange results, and also through the results arising from the insurance business and the sale of other assets. The lower contribution of Banco Millennium Atlântico, justified both by the Bank's own results that reflect the impact of increased risk coverage by impairments and provisions and by the effect of the end of the application of IAS29, mitigated the evolution of other net income between the end of December of 2018 and 2019.
- Operating costs amounted to Euros 495 million as at 31 December 2019, 28.3% up from December 2018. Excluding foreign exchange effects, operating costs would have risen 27.9%, mainly influenced by the operation in Poland, namely by the costs with the acquisition, merger and integration of Euro Bank S.A..
- Impairment charges at the end of 2019 increased 89.6%, compared to figures reported in the same period of 2018. Excluding the foreign exchange effects, it would have risen 96.4%, reflecting the unfavourable evolution showed by the Polish subsidiary, due to the impact of impairment charges for the loan portfolio of Euro Bank S.A. at the moment of its acquisition, and by the extraordinary provision booked for claims related to mortgage loans granted in Swiss francs. However, this evolution was mitigated by the positive impact arising from the end of the application of IAS 29 on Banco Millennium Atlântico.

- Loans to customers (net) stood at Euros 17,437 million at the end of December 2019, largely exceeding the amount as at 31 December 2018 (Euros 13.319 million). Excluding foreign exchange effects, the loan portfolio increased 29.5%, explained by the growth achieved by the Polish subsidiary, as a consequence not only from the impact of the Euro Bank S.A. acquisition in May 2019, but also from the organic growth of the business generated by Bank Millennium. The Foreign business' balance sheet customer funds increased 22.1% from Euros 17,685 million reported as at 31 December 2018 to Euros 21,591 million as at 31 December 2019. Excluding the foreign exchange effects, balance sheet customer funds increased 20,8%, mainly driven by the performance of the Polish subsidiary, reflecting both the Euro Bank S.A. consolidation impact and the positive evolution from its current business activity.

BANCASSURANCE BUSINESS

Sale of Insurance throught the banking channel

During 2019, all the strategic pillars and ongoing projects were continued, which allow for an excellent customer service and maintenance of the Group's leading position in the sale of insurance through the Banking channel (Bancassurance).

We also highlight the following issues:

- All strategic pillars and ongoing projects were continued, allowing for an excellent customer service and maintenance of the Group's leading position in the sale of insurance through the Banking channel (Bancassurance);
- Several cross-selling actions, with the goal to increase the offer of products held by Customers and simultaneously, to reduce the cancellation rate;
- Digital transformation and intensification of the focus on models of analytical insight supporting the appeal to clients, their management and retention, across the sections of both Life and Non-Life insurance;
- Several 'Médis' Campaigns were carried out, with advantages in the price, reinforcing the focus on prevention, and offering a sensor for children to take care of their oral health and reinforcement of cancer protection, based on 3 pillars: More insured capital; Prevention and Awareness; Customer Experience;
- Development of the "Médis Clinics" dental care network, with the opening of the Algés, Av. Roma (Lisbon) and Bom Sucesso (Porto) clinics, as well as the consolidation of Amoreiras Clinic;
- The *Proteção Flex* option was launched in the "*Proteção Ativa*" Life insurance, and the Bank participated in a fund raising campaign for *Liga Portuguesa Contra o Cancro* (Portuguese League Against Cancer).
- Launch of the life insurance risk "*Proteção Ativa Empresário*" (Active Protection for Entrepreneurs), of the product for local accommodation and of the engineering insurance for construction and/or assembly, applicable to home renovation loans, while these works are in progress;
- Launch of the campaign "*Ser Millennium é estar seguro*" (To be Millennium is to be safe), increasing the offer of the Bank in terms of risk insurance, which was communicated in radio and digital channels;
- In the main lines of business (Retirement Savings, Life Risk, Health, Automobile, Fire and Work Accidents), there is an increase in the Bancassurance market share.

Main indicators	2019	2019	Change
Market Share - Premiums			
Life Insurance	18.2%	16.9%	+1.3 p.p.
Non-Life Insurance	7.2%	7.2%	-
Market Share– Premiums in Bancassurance			
Life Insurance	22.3%	20.6%	+1.7 p.p.
Non-Life Insurance	34.6%	34.7%	-0.1 p.p.

2019 Campaign | João Sousa, tennis player | New App

Strategic Plan 2018-2021

Millennium bcp has successfully executed an operational turnaround, reinforcing its financial and capital position despite the adverse setting of the banking sector in the core Portuguese market. This position reflects its relentless path and multiple achievements, such as a cost reduction of approximately 40% in Portugal since 2011, and a reduction in Group NPEs exceeding 60% since 2013 (from Euros 13.7 to Euros 4.2 billion in December 2019). Three distinctive competences were at the core of this turnaround: a Customer-oriented relationship model, market-leading efficiency, and a competitive international portfolio.

Millennium is now ready to embark on a new cycle of growth with profitability, requiring complementary capabilities to cope with the evolving context and the need to secure a fully sustainable position. These include leading digital, mobile, and analytics capabilities (preparing the organization to be competitive in the new age) and integration in value chains and ecosystems (embedding into its Customers' needs and reach), complemented by a robust balance sheet and rigorous capital allocation and shaped by strong governance (continuing its effort to de-risk the portfolio and reinforcing focus on value-added business).

Against this backdrop, Millennium has defined five overarching priorities for the future:

Talent mobilization, which will entail energizing employees to drive the Bank's agenda as a team, promoting greater engagement and proactivity and empowering decision making in a collaborative model. The Bank's talent will also to be reinvigorated by developing a merit-based growth model and fostering the development of new capabilities. Finally, the Bank will review its compensation processes across teams to ensure alignment with the new agenda and performance.

Mobile-centric digitization, aspiring to double down on efforts to transform Customer experience and enable productivity gains across geographies, reemphasizing Millennium's innovation trademark. The main priorities consist of redesigning the digital experience from a mobile-centric approach, transforming top Customer journeys, setting up a convenient and productive omnichannel model, and transforming operations through the deployment of NextGen technologies (such as robotics and natural language processing). In parallel, an IT strategy focused on upgrading technology, data, security, and ways of working will enable these levers.

Growth and leading position in Portugal, aiming to maximize the potential of the unique position in which the Bank emerges out of the financial crisis (the largest private Portuguese bank) implying a renewed commitment to grow the Customer base and expand relationships. This will materialize into helping Portuguese businesses thrive (e.g., building a position as the preferred partner for sound small businesses), while serving its individual customers across their full range of needs. The Group further aspire to capture the full potential of ActivoBank's simple and value-based offer and assess potential internationalization options.

Growth in international footprint, with the objective of capitalizing on the opportunities offered by the high-growth intrinsics of markets where the Bank has a presence and competitive advantage. This implies growing in Poland by deepening retail relationships and enlarging the Customer business base; a step change in Switzerland by growing existing business and exploring new markets and digital advice; leveraging market leading position in Mozambique to focus on profitability and capturing the tailwinds of large commodity investments planned; building on its position in Angola as a trusted and sound business partner with unique local relationships; and exploring emerging China related opportunities (trade and investment flows, payments, private banking).

Business model sustainability, maintaining the improvement of its credit portfolio quality as a clear priority, by reducing the NPE stock (reduction to Euros 3 billion by 2021) and simultaneously lowering the cost of risk. Risk and compliance governance will also be strengthened to ensure a sustainable growth of credit volume with a sound risk profile.

The successful execution of these priorities should enable us to accomplish a set of strategic objectives for 2021: franchise growth (>6 million active customers[4]), readiness for the future (from 58% to >60% digital customers by 2021), a sustainable business model (with NPEs reaching Euros 3 billion), and attractive returns for shareholders (≈40% cost-to-income and ≈10% ROE in 2021).

		2019	2021 Steady State (Original Plan)
Franchise growth	Total active Customers*	5.6 million	>6 million
	Digital customers	58%	>60%
	Mobile customers	40%	>45%
Value creation	Cost-to-income	50% (47% excluding non-usual items)	≈40%
	ROE	5.1%	≈10%
	CET1**	12.2%	≈12%
	LTD	86%	<100%
	Dividend payout		≈40%
Asset quality	NPE stock ***	EUR 4.2 billion	EUR 3.0 billion
	Cost-of-risk	72 bp	<50 pb

*Customer counting criteria used in the 2021 Strategic Plan.

**Including unaudited earnings of 2019.

*** NPEs includes only loans.

[4] Customers with a debit or credit card movement in the past three months, or who have assets greater than or equal to €100.

RISK AND OUTLOOK

2019 Campaign | Official Bank of the Summer Festivals

Internal Control System

The internal control system substantiates in the set of principles, strategies, policies, systems, processes, rules and procedures established in the Group aimed at ensuring:

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the business continuity and survival of the Group, namely through an adequate management and control of the activity risks, through a prudent and correct assessment of assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud;
- The existence of financial and managerial information which is complete, pertinent, reliable and timely, to support decision-making and control processes, both at an internal and external level;
- Observance of the applicable legal and regulatory provisions issued by the supervision authorities, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical standards and practices, internal and statutory rules, codes of conduct and Customer relations, guidelines of the governing bodies and recommendations of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, shareholders, employees and supervisors.

In order to achieve these objectives, the internal control system is based on the Compliance function, the risk management function and internal audit function, which are exercised by centralised divisions and operate transversally across the Group. The Heads of these three divisions are appointed by the Bank's Board of Directors – the body that has has the capacity to aprove the technical and professional profile of these top managers, as appropriate for the exercise of their respective functions -, by proposal of the Committee for Nominations and Remunerations, after an opinion from the Audit and Risks Assessment Committes.

The internal control system is based on:

- A control environment supported by high integrity and honesty standards, promoting a strict compliance with the laws and regulations, by the effective enforcement of a 'check and balance' system, including adequate segregation of duties, with the objective of preventing conflicts of interest, and also by process based operational management models and control activities, that allow for clear identification of the implemented controls and the assessment of their efficiency;
- A solid risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the Group's activities;
- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks;
- An effective monitoring and correction process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identify any flaws (defined as the group of existing, potential or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective action;
- Strict compliance with all the legal and regulatory provisions in force by the Group's employees in general, and by the people who hold senior or managerial positions, including members of the management bodies, to ensure compliance with the Group's Code of Conduct and other codes of conduct applicable to the banking, financial, insurance and brokerage (of securities or derivatives) activities;
- A governance model that defines that the business areas are responsible for risk taking, ensuring the effective monitoring, control and management ofs the risks assumed, and supporting the independent review of the risk levels incurred as complant with the Risk Apetite Framework.

The internal control system is consistently applied across all Group entities, taking into account and complying with local, legal or regulatory requirements of the countries where operations are based.

The internal control system is based on the three lines of defence model, aiming at ensuring:

- A clear accountability of the business areas for their respective risk taking;
- An effective monitoring, control and management of the risks assumed; and
- An independent assessment, reported to the Board of Directors and its Executive Committee, of the incurred risk levels, their compliance with the Risk Appetite Framework and of the effectiveness of the control systems established.

The Risk Management System, the Information and Reporting System and the Internal Control Monitoring System

The internal control system includes the following subsystems: the risk management system, the information and reporting system and the internal control monitoring system.

The Chief Risk Officer of Banco Comercial Português is responsible for coordinating the risk management system at Group level, through the Risk Officers and Compliance Officers of each Entity that functionally report to him.

The Chief Financial Officer of Banco Comercial Português is responsible for coordinating the information system for the accounting and financial elements and for the planning process at Group level, with the collaboration of the risk management function.

The risk management system corresponds to the series of integrated and permanent processes which enable the identification, assessment, monitoring and control of all material risks, derived internally or externally, to which the Group's institutions are exposed, in order to keep them at levels that are predefined by the management and supervisory bodies, and take into consideration risks related to credit, markets, interest rates, exchange rates, liquidity, compliance, operating, information systems, strategy and reputation, as well as all other risks which, in view of the specific situation of the Group's institutions, could become materially relevant.

This system is suitably planned, reviewed and documented and is supported by risk identification, assessment, monitoring and control processes, which include appropriate and clearly defined policies and procedures, aimed at ensuring that the objectives of the institution are achieved and that the necessary measures are taken to respond adequately to previously identified risks.

The risk management system ensures the segregation between the risk management function and the risk-generating business activities.

The information and reporting system ensures the existence of information which is substantive, up-to-date, understandable, consistent, timely and reliable, so as to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the institution and the behaviour and prospective evolution of relevant markets. For this purpose, each entity of the Group develops, implements and maintains formal processes for obtaining and processing information that is appropriate to the respective size, nature and complexity of the activity carried out, developing communication processes and reporting lines that ensure an adequate and swift transmission of relevant information to the due intervenient, both internal and external.

The financial information process is supported by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institutions and its subsidiaries, in accordance with the rulings and policies issued by the Executive Board of Directors.

The monitoring process includes all the control and assessment actions developed with a view to ensure the effectiveness and adequacy of the internal control system, namely through the identification of deficiencies in the system, either in terms of its design, implementation and/or use. The control and monitoring actions are implemented on a continuous basis and as an integral part of the Group's routines, being complemented with regular or exceptional autonomous assessments. Any deficiencies of material impact which might be detected through the control procedures are duly registered, documented and reported to the appropriate management and supervisory bodies.

Within this context, the internal audit function is performed by the Audit Division on a permanent and independent basis, assessing, at all times and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, as a whole, issuing recommendations based on the outcome of those assessments. Within this scope, the Audit Department is informed of the conclusions of the inspection and internal audit actions carried out in each entity of the Group, especially from those that assess the effectiveness and integrity of the entity's internal control system.

In terms of risks' management, these subsystems of the internal control system are managed by the Risk Office and the Compliance Office , complemented, for information and reporting, by the Planning, Research and ALM Division, the Treasury, Markets and International Division, the Accounting and Consolidation Division and by the areas responsible for accounting in the different subsidiaries which which ensure the existence of the necessary procedures to obtain all relevant information for the consolidation process, for the accounting and financial information and for other elements that support the management, as well as for the monitoring and control of risks at Group level.

The Risk Office's activity is essentially focused on ensuring the effective application of the Group's risk management system, namely, by developing, proposing, implementing and controlling the use of a set of assessment methodologies and metrics, that allow for a correct assessment of the risks incurred and arising from the Group's activities, which are documented by internal rules and regulations. It is also responsible for promoting and coordinating the policies and rules applicable to risk management and control at all entities of the Group, with the responsibility of ensuring the global monitoring of risk and the alignment of concepts, practices and objectives on a consolidated basis. Under this framework, the Risk Office has access to all the sources of information of the Group entities that are necessary for the exercise of the identification, measurement, limitation, monitoring, mitigation and reporing of the various types of risk at consolidated level.

The activity of the Compliance Office is transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Compliance Office has access to the preventive information systems on money laundering and terrorism financing adopted by the different entities of the Group, being equally informed and giving an opinion on all changes to the IT alert systems and the processes for identifying customers and communication of irregular cases verified in the Group's entities, within the scope of the control of money laundering and terrorism financing, in order to promote an alignment of systems, methodologies and criteria with those used by BCP.The Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Planning, Research and ALM Division and Audit Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at Group level - both of an accounting nature and relative to management support and risk monitoring and control - which should include:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required;
- The identification and control of the intra-Group operations;
- Assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms:
- Validating and monitoring the implementation of the corrective measures to resolve internal control deficiencies that have a material potential impact.

Main Risks and Uncertainties

Risk	Sources of risk	Risk level	Trend	Interactions
		ENVIRONMENT		
Regulatory	▪ Risks related to verdicts issued by polish courts in individual lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans. ▪ Regular practice of conducting Stress Tests by the ECB ▪ Absence of fiscal framework for the IFRS 9 transition ▪ European Commission and ECB guidelines on NPL provisioning ▪ EBA's guidelines on IRB models	Medium	↔	▪ Provisioning for legal risk in Poland ▪ Total CET1 requirements in 2020: 9.813% (10.25% fully implemented) ▪ Most guidelines have already been translated into our risk models, which, pursuant to continuous dialogue with the ECB
Sovereign	▪ Economic and social impact of the spread of COVID-19 worldwide, namely the possibility of a slowdown or even a global recession and of a slowdown or even recession in the Euro area and in Portugal ▪ Low interest rates and compression of the spread for active interest rates in Portugal ▪ Still high indebtedness of public and private sectors in Portugal ▪ Exposure to Portuguese and Mozambican and Angolan sovereign debt	High	↑	▪ Possible increase in bankruptcies and unemployment ▪ Rising public debt yields ▪ Share prices fall in capital markets ▪ Implementation of contingency measures at European and national level ▪ Recovery of profitability limited by the low nominal interest rates and by the low potential growth ▪ Still high level of NPA ▪ Increasing funding costs ▪ Uncertainty as regards the timing of normalization of the ECB's monetary policy
		FUNDING AND LIQUIDITY		
Access to WSF markets and funding structure	▪ IMM operating irregularly ▪ Widening of spreads and lack of liquidity in the WSF debt markets, as a result of increased volatility in the financial markets related to COVID-19 ▪ Cost of issuing debt to comply with MREL requirements ▪ Incentive to placement of financial instruments with retail investors ▪ Continuation of the deleveraging process of domestic economic agents versus growth in credit	Low	↑	▪ Balance sheet customer deposits and funds paramount in the funding structure ▪ Need for access to the financial markets to meet MREL requirements, although the gap is manageable
		CAPITAL		
Credit risk	▪ Possible interruption of the downward trend in NPAs, due to the economic impact of COVID-19 ▪ Still high NPA stock ▪ Execution Risk of the NPA Reduction Plans, including CRFs ▪ Exposure to real estate assets, directly or by participating in real estate investment or restructuring funds ▪ Credit exposure to companies held by Angolans and Angolan individuals ▪ Credit to Mozambican companies ▪ Exposure to emerging countries strongly dependent on commodities	High	↔	▪ NPA reduction plan execution is critical to prevent an increase in capital requirements (SREP) ▪ Loan book expansion limited by the reduction of NPEs ▪ Need to decrease the workout time, for both loans and/or companies ▪ Need to decrease exposure to real estate risk, despite the positive trend in real estate prices ▪ Need to reduce the exposure to CRFs ▪ Deterioration of the quality of loans granted directly to emerging countries or to companies in those countries or to Portuguese companies with business relationships with those countries

Risk	Sources of risk	Risk level	Trend	Interactions
CAPITAL				
Market risk	▪ Volatility in capital markets ▪ Decrease of fair value of assets/pledges/collaterals	Low		▪ Market uncertainty ▪ Central Banks monetary policies ▪ Profitability of the assets of the pension fund ▪ Lower trading income
Operational risk	▪ Restrictions on the normal working of financial institutions, as a result of the impact of COVID-19 ▪ Inherent to the Group's business	Low		▪ Service restrictions at branches ▪ Remote work ▪ Streamlining processes ▪ Degrading controls ▪ Increased risk of fraud ▪ Data base security /cybersecurity ▪ Business Continuity
Concentration risk	▪ Concentration of assets of some size	Medium		▪ Need to reduce the weight of the main Customers in the total credit portfolio
Reputational, legal and compliance risk	▪ Inherent to the Group's business ▪ Incentives to place financial products that enable recovery of profitability, not matching the Customers' risk profile or needs ▪ Migration from on-BS customer funds to Off-BS customer funds	Medium		▪ Possible complaints from Customers ▪ Possible sanctions or other unfavourable procedures resulting from inspections ▪ Unstable regulatory framework applicable to financial activities ▪ AML and counter terrorism financing rules
Profitability	▪ Possible impacts on net interest income, commissions and cost of risk as a result of the impacts of COVID-19 ▪ Interest rates at low levels in nominal terms ▪ Risks related to decisions issued by Polish courts in lawsuits, instituted against banks (including Bank Millennium) by borrowers on mortgage loans indexed to foreign currency. ▪ Imposition of asymmetric regulatory limitations on the pricing policy for assets and liabilities ▪ More limited space to reduce fees on time deposits in new production ▪ Regulatory limitations on commissioning ▪ Imposition of limitations on the coverage of problematic assets due to impairments ▪ Exposure to emerging economies ▪ Fintech competition	Medium		▪ Negative impacts on net interest income: price effect, volume effect and overdue credit effect ▪ Negative impacts on commissions, in the event of a slowdown in banking activity or extraordinary measures taken to support companies ▪ Need to continue control over operating costs ▪ Increase in cost of risk ▪ Maintaining adequate coverage of problematic assets by provisions ▪ Reformulation of the business model and digital transformation

Risk management

Framework

Risk appetite

The BCP Group carries out its business activities in a controlled, prudent and sustainable manner, always based on the adequacy and compatibility between the objectives set for the business and the levels of risk tolerance defined in terms of sustainability and profitability, in the long-term.

Thus, the Group establishes and implements controls and limits on the material risks to which its activities are subject, based on its “Risk Appetite Statement” (RAS) which concurs, in a relevant way, for a standing of prudence and sustainability of the business, in view of its profitability, as well as of the satisfaction of the different stakeholders: shareholders, customers and employees.

The RAS is composed by a set of 26 indicators that are considered of primary importance and representative of several risks classified as "material", within the formal risks’ identification and quantification process, carried out at least once a year.

For each of the indicators concerned, two levels of limitation are established: an 'alert level', up to which the level of risk represented is acceptable and from which corrective measures must be taken immediately (in order to that the level of risk regained to an acceptable level) and a 'level of breach’, which requires immediate measures with significant impact, aimed at correcting a risk situation considered unacceptable.

Stemming from the RAS indicators, other lower-level indicators (and respective limits) are established, with a higher level of granularity, ensuring a more detailed monitoring, appropriate for a day-to-day approach to the risks’ control of business processes, based on specialised metrics and with a marked technical nature. All risk limits are approved by the competent Governance bodies defined in the internal and are periodically reviewed and updated.

For the main geographies in which the Group operates, specific risk appetite indicators (“individual” RAS) are also established. Thus, the definition of RAS involves indicators for Portugal, Poland, Mozambique and Switzerland, some of which are common to all geographies (but with appropriate limits for each of the operations and structure in question), while others aim to measure idiosyncratic risks in each geography.

Risk strategy

The above definition of RAS - as the primary set of indicators that render and materialise the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy", which is approved by the Board of Directors of BCP: based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, specifically identified, in order to address the mitigation or control of all material risks identified within the risks’ identification and assessment process. These lines of action formally constitute the Group's Risk Strategy.

Hence, the RAS and the Risk Strategy are inseparable and central elements of the Group's risk management, both aiming to control and mitigate risks classified within the risks’ identification process.

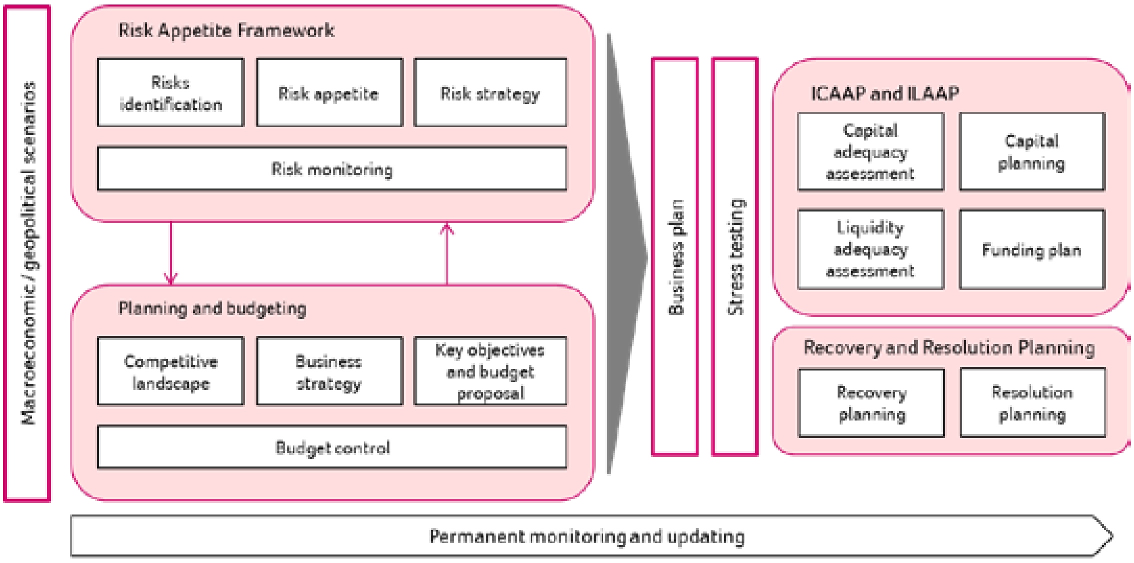
Integration between the business and risk management

The risk appetite structure - which includes the identification of material risks, the RAS and the Risk Strategy and is reviewed at least once a year or whenever the quarterly risks´ monitoring so advises (e,g, conclusion that there are new material risks) - provides a reference framework for the permanent monitoring of risks affecting the business and business support activities developed, for the monitoring of all variables, indicators and respective limits that are derived from RAS. Therefore, the permanent follow-up based on this structure is the result of a strong link between the risk management framework thus defined and the great diversity of methods and indicators applicable to the various activities carried out, this link being essential for the performance of the Group's risk management.

In addition, there is an interaction, in both senses, between the definition of the Group's risk appetite structure and its business objectives, represented in the business planning and budgeting. Thus, the risk appetite structure conditions the environing business objectives, since the business plan respects the risk limits established by the Board of Directors.

In its turn, the business objectives and risk appetite structures are the foundations for all activities and lines of business developed, also setting out the global controls on the Group's financial strength, such as the stress tests and the internal processes to assess capital and liquidity adequacy (ICAAP and ILAAP).

The following figure summarises the relationships described above, providing a graphic representation of the integration of risk management within the scope of the business developed by the BCP Group.



[1] Risk Appetite Framework
[2] Internal Capital Adequacy Assessment Process
[3] Internal Liquidity Adequacy Assessment Process
[4] Recovery and Resolution Planning

Internal control

The Risk Management function is an integral part of the Group's Internal Control System (SCI), along with the Compliance and Internal Audit functions, contributing for a solid control and risk-limiting environment upon which the Group carries out its business (and business support) activities.

Within the SCI, the Risk Management and Compliance functions form the Group's Risk Management System (SGR), which materialises in an integrated and comprehensive set of resources, standards and processes that ensure an appropriate framework to the nature and materiality of the risks underlying the activities carried out, so that the Group's business objectives are achieved in a sustainable and prudent manner

In this sense, the SCI and the SGR provide the Group with the ability to identify, evaluate, monitor and control the risks - internal or external - to which the Group is exposed, in order to ensure that they remain at acceptable levels and within the limits defined by the management body.

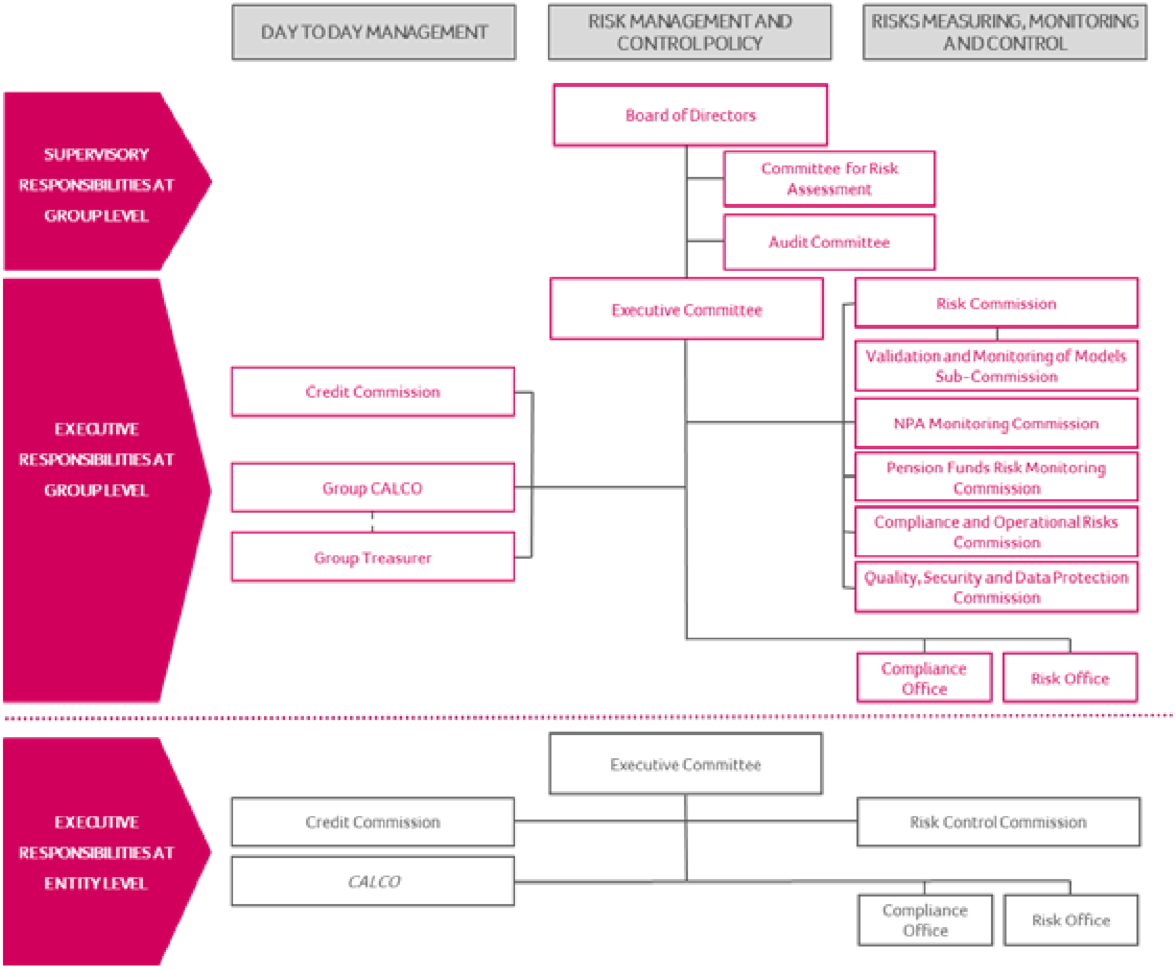
Thus, the SGR embodies the second Line of Defence in relation to the risks that impend over all the Group's activities. Under this approach, the first Line of Defence is ensured, on a day-to-day basis, by all of the Group's organizational units - based on adequate training and awareness of risks, as well as on the framing of activities through a complete and detailed regulations' structure - while the third Line of Defence is developed through the internal supervision/internal review function (IRF) ensured by the Internal Audit function.

It should also be mentioned that the SCI:

- Is supported by an information and communication system that ensures the collection, processing, sharing and disclosure – both internal and external - of relevant, comprehensive and consistent data about the business, the activities carried out and the impending risks on the latter, in a timely and reliable way. This data processing and management information infrastructure is aligned with the principles of the Basel Committee with respect to efficient aggregation of risk and risk reporting data (BCBS 239 - Principles for effective risk data aggregation and risk reporting);
- Is continuously monitored by the Group, the insufficient internal control situations being registered - under the form of recommendations/ deficiencies or improvement opportunities – for correction/elimination and regulatory reporting.

Risk management Governance

The following figure represents the SGR's Governance, as at 31/12/2019, exerted through various organizational bodies and units with specific responsibilities in the area of risk management or internal supervision.



The composition, capacities and responsibilities of the management and supervision bodies that intervene in the risk management governance - besides those of the Board of Directors (BoD) and its Executive Committee (EC) – are the following:

Committee for Risk Assessment

The Committee for Risk Assessment, appointed by the BoD, is composed by three to five non-executive Directors and has, among others, the following capacities:

- Advising the BoD on risk appetite and risk strategy, accompanying and intervening in the definition and review of the Group's Risk Appetite Framework and providing an opinion on its adequacy to the BoD;
- Monitoring the evolution of the RAS metrics, verifying their alignment with defined thresholds and levels and monitoring the action plans designed to ensure compliance with the established risk limits;
- Advising the BoD on the policies regarding the risks' identification, management and control within the Group, monitoring the global risk levels in order to ensure that those are compatible with the goals, the available financial resources and the approved strategies for the development of the Group's activities;
- Monitoring the capital and liquidity planning processes (ICAAP and ILAAP), providing an opinion to the BoD concerning the respective conclusions, as well as analysing and approving the conclusions of the regular follow-up on these processes;
- Monitoring and intervening in the Recovery Plan review, providing an opinion to the BoD on the respective adequacy.

Within the resolution planning, the Committee for Risk Assessment approves its annual work plan and monitors its execution.

The Risk Officer functionally reports to this Committee and participates in its meetings, presenting the evolution of the key risk metrics and indicators, as well as all incidences, changes and evolutions relative to the SGR.

Audit Committee

The BoD's Audit Committee is elected by the shareholders' General Meeting and is composed by three to five non-executive Directors. Within the risk management governance, this Committee has global corporate supervising capacities - e.g. in what concerns the risk levels follow-up - as well as those that are attributed within the SCI, namely:

- Supervising and controlling of the SGR's and the SCI's effectiveness (and, also, of the Internal Audit System);
- Analysing and regularly following-up of the financial statements and the main prudential indicators, the risk reports prepared by the Risk Office, the Compliance Office's activity, the handling of claims and complaints and the main correspondence exchanged with the supervisory authorities;
- Issuing of a prior opinion concerning the entity defined by the Bank to assess the adequacy and effectiveness of the SCI.
- The Audit Committee holds regular meetings with the Heads of the Audit Division, the Risk Office and the Compliance Office.
- The Risk Officer participates in this Committee's regular meetings, reporting on the evolution of the main indicators and metrics concerning risks and credit impairment, as well as on the implementation status of the recommendations that concern the SGR, issued within the scope of internal control or by the supervisory/regulatory authorities.

Risk Commission

This Commission is appointed by the EC and has the responsibility for defining, at an executive level, the framework and the risk management policies and instruments within the Group, establishing the respective principles, rules, limits and practices for the Group Entities, considering the defined risk thresholds.

The Risk Commission monitors the overall levels of credit, market, liquidity and operational risk, as well as all other risks considered materially relevant for the Group, ensuring that the risk levels are compatible with the goals, available financial resources and strategies that have been approved for the development of the Group's activity. This Commission also validates the compliance of risk management with all the applicable laws and regulations.

The Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO), as well as, optionally, the Chief Operations Officer (COO) and the EC members responsible for the Corporate/Investment Banking and the Retail business (Chief Corporate Officer/CCorpO and Chief Retail Officer/CRetO, respectively) are members of this Commission.

Other members of the Commission are the Risk Officer, the Compliance Officer and the Heads of the following Divisions: Treasury, Markets and International (DTMI), Credit (DCR), Rating (DRAT), Models Validation and Monitoring Office (GAVM) and Regulatory and Supervision Monitoring Office (GARS). The Head of the Audit Division (DAU) is a permanently invited member of the Risk Commission, without voting rights.

NPA(*) Monitoring Commission

This Commission is appointed by the EC and has the responsibility of monitoring the evolution of credit risk, under various aspects:

- Monitoring of the NPA Reduction Plan, including its operational scope and the fulfilment of the quantitative goals assumed; besides the NPE reduction, the Commission also monitors the disinvestment process of the real estate portfolio and other assets received in lieu of payment as the result of credit recovery processes (foreclosed assets) and other non-performing assets;
- Analysis of the credit recovery processes' performance;
- Portfolio's quality and main performance and risk indicators;
- Impairment, including the main cases of individual impairment analysis.

(*) Non-performing assets.

The CEO, the CRO, the CRetO and the COO are members of this Commission, as well as, optionally, the CFO. Any other executive Directors may participate in this body's meetings if they deem convenient to do so. The Heads of the following Divisions are also members of this Commission: Risk Office (ROFF), DCR, DRAT, Specialised Monitoring (DAE), Retail Recovery (DRR), Specialised Recovery (DRE), Legal Advisory and Litigation (DAJC), Management Information (DIG) and Specialised and Real-Estate Credit (DCEI). The Head of DAU is a permanently invited member of the Risk Commission, without voting rights.

Pension Funds Risk Monitoring Commission

This Commission is appointed by the EC and has the following competences:

- Assessing the performance and risk of the Group's Pension Funds in Portugal;
- Establishing, for these, the appropriate investment policies and hedging strategies.

The Commission members are the CEO, the CFO, the CRO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The other Commission's members are the Heads of the following Divisions: ROFF, Research, Planning and ALM (DEPALM), Wealth Management (DWM) and Human Resources (DRH). Representatives of the Pension Funds management entity and of Ocidental Pensões also participate in the Commission's meetings, by invitation and without voting rights.

Compliance and Operational Risks Comission

This Commission is appointed by the EC and has the following capacities and responsibilities:

- Monitoring of the Bank's activities, as well of those of the other Group entities, regularly coordinating and managing the policies and the duties of the Bank and its branches/subsidiaries, in order to ensure the compliance with the legal and internal rulings;
- Monitoring of the operational risks management framework, which encompasses the management of the IT risks and the Outsourcing risks;
- Monitoring of the exposures to operational risks, as well as the implementation status and the effectiveness of the risks mitigation measures and of those that aim at the reinforcement of the internal control environment;
- Following-up of the management and improvement to the Bank's processes, in order to monitor and reduce the level of exposure to compliance and operational risks.

The Commission members are the CEO, the COO, the CRO and the CRetO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The Heads of the following Divisions are also members of the Commission: COFF, ROFF, IT (DIT), Operations (DO), Quality and Network Support (DQAR). The Head of DAU, the AML[*] Officer and the managers responsible for the COFF areas that deal with the matters under discussion are also permanently invited members of this Commission, without voting rights.

Quality, Security and Data Protection Commission

This Commission is appointed by the EC and has the following capacities and responsibilities:

- Definition of guidelines and approval of the management policies for IT systems, data management and quality, physical security, business continuity and data protection;
- Regular review of the emerging threats and most relevant trends in terms of data security and information technologies, with a particular focus upon cyber-security;
- Analysis of the periodical security incident's reports (regarding systems/data and physical), identifying the appropriate remediation and improvement measures;

[*] Anti-money laundering.

- Follow-up of initiatives and projects in the fields of systems/data security, physical security and data protection and monitoring of the performance metrics for these areas;
- Approval of the annual plans for the exercises of safety assessment, Disaster Recovery Plan (DRP) and business continuity, and their respective quantitative/qualitative evaluation.
- The Commission members are the COO, the CRO and the CRetO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The Heads of the following Divisions are also members of this Commission: COFF, ROFF, DIT, DQAR, and Data Security (DSI). The head of the Physical Security and Business Continuity Department (DSFCN), the Data Protection Officer (DPO) and the Chief Data Officer (CDO) are also permanent members of this Commission, along with the Head of DAU (the latter, without voting rights).

Credit Commission

This Commission is appointed by the EC and its functions are to assess and decide on credit granting to customers of Banco Comercial Português, in accordance with the competences established by internal regulation ('Credit Granting, Monitoring and Recovery'). This commission may also issue advisory opinions on credit proposals from subsidiary Group entities.

The members of this Commission are the CEO, the CFO (optional), the CCorpO, the CRetO (optional), the CRO (with veto rights) and the COO (optional), as well as the Heads of the following Divisions: DCR, DAJC, DRAT, DCEI, Companies Network Coordination (North/South), Large Corporates, DAE, DRE and Investment Banking Coordination (DCBI), as well as Level 3 credit managers and, depending on the proposals to be decided upon, the coordination managers of other proposing areas (e.g., Private Banking, Retail, DRR) or members of the subsidiaries' Credit Commissions. The Company's Secretary, the Risk Officer and the Compliance Officer are permanently invited members of this Commission, without voting rights. Other Group employees may also be invited to participate (without voting rights), if they are relevant for the matters under discussion.

Group CALCO

The Group CALCO - also referred to as the Capital, Assets and Liabilities Management Commission - is responsible for the management of the Group's overall capital, for assets and liabilities management and for the definition of liquidity management strategies at a consolidated level. Specifically, the Group CALCO is responsible for the structural management of interest rate and liquidity risks, including, among others, the following aspects:

- Establishment of management guidelines for assets, liabilities and off-balance sheet items at consolidated level;
- Definition of the capital allocation and risk premium policies;
- Definition of transfer pricing policy, in particular with regard to liquidity premiums;
- Monitoring of the capital and liquidity indicators, of the Recovery Plan indicators and of the execution of the Liquidity Plan;
- Definition of policies and strategies to access wholesale funding markets and definition of the liquidity buffer composition;
- Definition of the investment policy of the Investment Portfolio and monitoring of its performance;
- Definition of the strategy and positioning within the scope of the interest rate risk management, as well as of the respective policies and limits, taking into account the market conditions at any given moment.
- The Group CALCO meets every month and is composed of the following executive Directors: CEO (optional), CFO, CCorpO, CRetO, CRO and COO (optional). The other members of the Group CALCO are the Risk Officer, the Chief Economist and the Heads of DEPALM, DIG, DTMI and DWM, the responsible for the ALM Department of DEPALM and two representatives nominated by the Retail and the Corporate & Investment Banking Commissions.

Risk Office

The Risk Office (ROFF) is the structure unit responsible for the risk control function at Group level, promoting the overall alignment of concepts and procedures concerning risk monitoring and assessment. The ROFF is responsible for informing the Risks Assessment Committee and the Risk Commission on the general risk level, for proposing measures to improve the control environment and for the implementation of controls which assure compliance with the approved limits. The ROFF has the following functions:

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk;
- Proposing and implementing a set of metrics for the different types of risk;
- Coordinating the NPA (non-performing assets) Reduction Plan;
- Ensuring the existence of a body of rules and procedures, of an effective IT platform and of a database for the robust and complete management of risk;
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations and limits;
- Participating in the Internal Control System;
- Preparing information relative to risk management for internal and market disclosure;
- Supporting the works of the following Commissions: Risk, NPA Monitoring, pension Funds Risk Monitoring, Internal Control and Operational Risk Monitoring.
- The Risk Officer is appointed by the BoD, reporting on a line basis to that body and its EC, also reporting functionally to the Risks Assessment Committee.

Compliance Office

The Compliance Office (COFF) ensures typical functions of a second line of defence functions, within the scope of the so-called "3 Lines of Defence Model", in relation to compliance risk, i.e., the risk of non-compliance with applicable laws and regulations.

COFF’s main missions, in relation to all Group entities, are the following:

- To vitalize the adoption and compliance with the internal and external regulations that frame the Group's activity, watching over the fulfilment of the relevant contractual commitments assumed;
- To promote the organization’s ethical values and to contribute for an internal control culture, in order to mitigate the risk of sanctions being imposed ’s imputation or of the occurrence of property or reputational damages.

The Compliance Officer is appointed by the BoD, reports hierarchically to the EC and, functionally, to the Audit Committee, exercising his/her functions in an independent, permanent and effective manner, defining the policies, guidelines and tools that are appropriate for a proactive and preventive risks’ assessment.

As a second line of defence structure responsible for compliance risk, for the risks associated with money laundering and the financing of terrorism, with conduct and market abuse and for other risks of an operational nature, the COFF issues decisions, with binding force for its recipients, aiming at the legal and regulatory compliance of the various business and business support areas. The COFF’ s performance is based on an approach to the risks of business, customers and transactions, thus contributing for the promotion an effective internal control environment.

Within the scope of opinions and the associated analyses produced at request of several Group areas and Divisions, the COFF:

- Identifies and evaluates the various types of risks – either concerning in what refers to corporate processes and conflicts of interest;
- Issues proposals for the correction of processes and risks mitigation;
- Permanently analyses the general supervisory environment and, in general, provides specialised support in matters of control and regulatory compliance.

Within the scope of its specific functions, the COFF also ensures an assessment and intervention in what concerns:

- The control and monitoring of compliance risks;
- The Anti-Money Laundering and Counter Terrorism Financing (AML/CTF);
- The mitigation of reputation risk at all Group entities, aiming at the alignment of concepts, practices and goals in these matters.

It also has the competence for the preparation and submission of reports to the management body, at least once a year, identifying the compliance flaws verified and the recommendations issued for their correction.

The COFF intervenes and actively participates in the training policy of employees, namely, through training actions in Compliance, for the entire universe of the Group, maintaining a large knowledge repository for matters of its competence, namely, in what concerns the AML/CTF.

Main developments and accomplishments in 2019

In 2019, the focus of risk management activities was maintained on the continuous improvement of the Group's risk control environment, in addition to the permanent monitoring of the risk levels incurred in relation to the RAS tolerance limits - both at consolidated level and for each geography in which the Group operates - ensuring, at the same time, full compliance with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for risk management and control:

- Coordination of the Risk Strategy and of the RAS(*) review (at Group level), including the Risks Identification Process and the implementation of a set of new RAS metrics;
- Coordination of the ICAAP(**) and ILAAP(**) processes;
- Review/update and monitoring of the NPA/NPE(***) reduction plan;
- Integration of the Euro Bank within the risk monitoring and control framework;
- Participation in the '2019 EBA Benchmarking' Exercise, OF THE European Banking Authority (EBA);
- Participation in the 'NPA stocktake' exercises of the European Central Bank (ECB);
- Participation in the LiST (liquidity stress test) exercise organized by the ECB;
- Participation in the EBA' Basel III monitoring report/QIS exercise (Quantitative impact study);
- Adoption of measures for the enhancement of the Internal Control System in the Group;
- Participation in the Group's resolution and recovery planning (RRP) activities;
- Implementation of the monitoring, control and reporting process for leveraged transactions;
- Implementation of the new default definition;
- Application for material changes to the CCF own estimates for Portugal;
- Response to a TRIMIX over the 'Low default portfolios' (PD, LDP models and evaluation of LGD Corporate models);
- Submission of several authorization requests within the scope of IRB models in Portugal and Poland, response to TRIMIX inspections, widening of the models' development and monitoring scope (Retail PD models) and launch of the project for the redevelopment of various models;
- Revision of the liquidity risk management and control framework, including the implementation of new short-term liquidity indicators and the revision of the liquidity stress tests methodology;

(*) Risk appetite statement/definitions.

(**) Internal Capital Adequacy Assessment Process; Internal Liquidity Adequacy Assessment Process.

(***) Non-performing assets; Non-performing exposures.

- Gap analysis assessment as a preparatory work for the implementation of the "Fundamental Review of Trading Book" (FTRB);
- Development of new methodologies for interest rate risk assessment;
- Participation on the projects related with data quality (BCBS239);
- Continuous revision of the set of Bank policies/procedures related with risk management and control;
- Implementation of a new transactions' monitoring system, reinforcing the prevention of money laundering and terrorism financing and enhancing the basis alert systems, with the possibility of in-house development of new alert systems;
- Reinforcement and specialisation of the Compliance Office teams, within the various dimensions of AML/CTF;
- Development of IT solutions concerning archiving, for a better cataloguing of documents requested to clients within the scope of AML/CTF;
- Design of a communication plan for the 1st line of defence, focusing on the most important aspects to be considered, either in what concerns financial crime or operational risks;
- Reinforcement of the instruments, controls and systems used by the 1st line of defence within the scope of AML/CTF;
- Redesign of the compliance processes regarding the development of new products and services.

Credit risk

The materialisation of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations. This type of risk is very relevant, representing the largest part of the Group's overall exposure to risk.

The control and mitigation of this risk are carried out through a solid and reliable structure of risk analysis and assessment, based on internal rating systems suited to the different business segments, through a model for the early detection of potential default of the portfolio, through processes regarding the management and follow-up of the collateral value and through structural units that are exclusively dedicated to credit recovery, for non-performing situations.

Evolution and breakdown of the loan portfolio

The next table presents the evolution of the Group's portfolio subject to credit risk and counterparty credit risk between 31/12/2018 and 31/12/2019, in terms of EAD (Exposure at Default)*, in the three main geographies where the Group operates (Portugal, Poland and Mozambique), which represented around 99.1% of the Group's EAD by 31/12/2019.

(million euros)

Geography	Dec 19	Dec 18	Change	
			Amount	%
Portugal	50,979	49,625	1,354	2.7%
Poland	23,439	19,093	4,346	22.8%
Mozambique	2,177	2,025	152	7.5%
TOTAL	**76,594**	**70,743**	**5,852**	**8.3%**

* Without impairment deduction to the exposures treated prudentially under the Standardised Approach (STD) and including all risk classes (i.e. besides credit to customers, debt positions from Sovereign entities and Institutions are included).

The growth of the Group's credit portfolio in 2019, measured in euros (EUR), was higher than that recorded in 2018 (+ 8.3% vs. + 5.9%) and was due, in good measure, to the acquisition of the Euro Bank, in Poland (see characterization and portfolio volume mentioned ahead). Thus, although the weight of the domestic portfolio in the total of the Group's portfolio continues to be predominant, it decreased by c. 70% to c. 67%, with the portfolio of the Polish geography now representing c. 31% of the Group's total portfolio and registering a growth of practically 23% in 2019. Credit growth in Mozambique also reached a considerable pace, registering a portfolio increase of 7.5% in the year under analysis.

In what concerns the c. 3% growth of the loan portfolio in Portugal, this occurred in the context of the continuity of the NPE Reduction Plan, which mainly focuses on the domestic portfolio and has conditioned the growth of the Corporate portfolio in Portugal. Even so, the Corporate loan portfolio in Portugal registered a small net growth (+ 0.3%), together with a relevant growth in the "Retail - other exposures" (+ 16.3%) and "Banks and Sovereigns "(+ 6.4%) segments. Regarding the "Retail mortgages" portfolio, it presented at the end of 2019a volume practically identical to that of the end of 2018.

The growth of the loan portfolio in Poland occurred for all segments, except for "Banks and Sovereigns", which registered a small contraction (-1.5%, measured in EUR). However, the acquisition of Euro Bank allowed to reinforce the Polish portfolio in the segments of "Retail - other exposures" (+ 61.1% growth, measured in EUR) and "Retail mortgages" (+ 26.4 % growth, measured in EUR). In the "Corporates" segment, growth was also significant (+ 16.3%, measured in EUR), although there was no portfolio reinforcement resulting from the acquisition of Euro Bank.

In Poland, the portfolios expressed in PLN and CHF - with weights of c. 80% and 15% of the global portfolio of this geography, measured in EUR (on 31/12/2019, in terms of EAD) - registered, respectively, changes of +25.8% (portfolio in PLN) and -0.6% (portfolio in CHF) compared to the end of 2018, when measured in the original currencies, the quite significant variation of the portfolio in PLN being mainly due to the aforementioned acquisition of Euro Bank. When measured in EUR, these annual changes were of +27.1% (PLN) and +3.0% (CHF), since the EUR depreciated against both currencies in question (-1.0% against PLN and -3.5% against CHF, between 31/12/2018 and 31/12/2019). In the case of CHF, the FX variation resulted in an increase in the value of the portfolio in CHF as measured in EUR, although there was a decrease in the original currency (CHF). On the other hand, it should also be noted that the organic growth of Poland's portfolio in PLN without the acquisition of Euro Bank, was quite relevant, in the vicinity of 8% (measured in EUR).

Mozambique's global portfolio grew in 2019, which was fully justified by the growth verified in the portfolio of the "Banks and Sovereigns" segment (+ 9.2%, measured in EUR). In this geography, the maintenance of very prudent credit granting policies conditioned the growth of credit to customers, whose portfolio contracted.

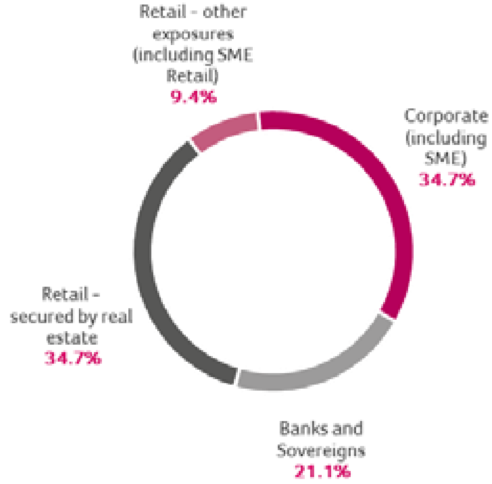
In this geography, credit portfolios expressed in MZN and USD - with weights of, respectively, 78% and 20%, measured in EUR on 31/12/2019, in terms of EAD – registered positive variations significant, both in the original currencies or expressed in EUR, between 31/12/2018 and 31/12/2019: in original currencies, changes in this period reached 6.5% (MZN) and 6.8% (USD), which corresponded to variations in EUR of, respectively, 7.2% and 8.8%, as the EUR depreciated against both currencies in 2019 (-0.6% against MZN and -1.8% against USD).

With regards to the portfolio breakdown by risk classes, this is illustrated by the graphs on the side, representing the portfolios' structures as at 31/12/2019.

As for the composition of portfolios between December 2018 and December 2019, there were no significant variations in the portfolios of Portugal and Mozambique.

On the contrary, in the Polish portfolio, the acquisition of Euro Bank brought some important changes in the structure of the portfolio by segment (some of which have already been mentioned), of which the following weight variations (measured in EUR) are highlighted: reduction of weight of "Banks and Sovereigns" - from c. 31% to c. 25% - and an increase in the weight of "Retail – other exposures" – from c. 20% to c. 26%. In this geography, the combined effect of the organic growth of the portfolio and the acquisition of Euro Bank resulted in the maintenance of the weights of the "Corporate" and "Retail – secured by real estate" segments (c. 18% and 31%, respectively, at the end of 2019, against c. 19% and 30% at the end of 2018).

PORTUGAL

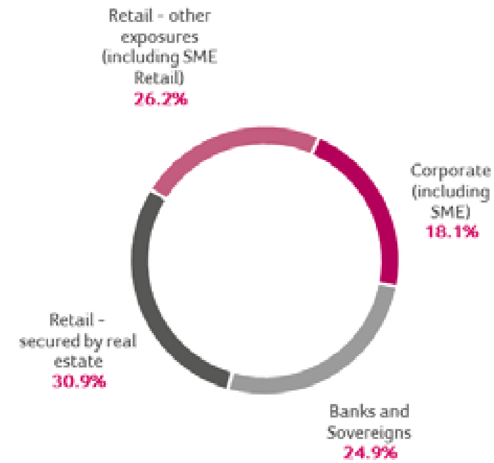


Euro Bank's portfolio

The credit portfolio that resulted from Euro Bank's acquisition by Bank Millennium (Poland) by the end of May 2019 may be simply described as follows (amounts as at 30/06/2019):

- Approximately 1500 million euros of consumer credit;
- Approximately 1500 million euros of mortgages;
- Approximately 330 million euros of exposure to Sovereigns.
- Thus, the portfolio comprised by the acquisition of Euro Bank is not very different from the current portfolio of Bank Millennium, except in what concerns corporate credits and Leasing, which are not present in the acquired portfolio.
- The main impact of the Euro Bank's acquisition, in terms of the portfolio composition and the prospects for its evolution, is the growth of Bank Millennium's loans to individuals' segment – namely, through the increase in the consumer lending portfolio - as well as the improvement of the bank's ability to attract new customers.
- The risk policy, the models and the processes that will frame consumer credit for the new portfolio are those defined and used by Bank Millennium, but with some new features such as: a franchised distribution network and a focus on new customer segments (e.g. farmers).
- Concerning the control of franchised activities, the credit decision process will be maintained with full centralization, as will anti-fraud and audit-strengthening mechanisms. These controls will effectively manage credit and operational risks.

POLAND

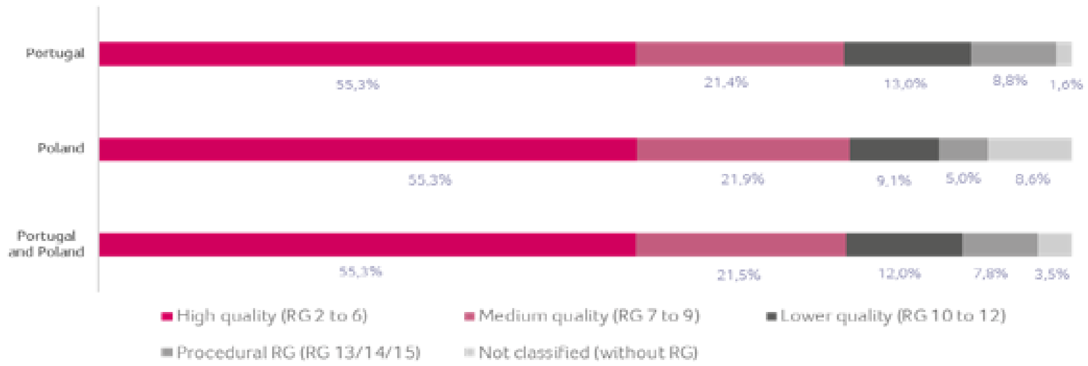


MOZAMBIQUE

Probability of Default (PD) and Loss Given Default (LGD)

The main parameters for credit risk assessment, used in the calculation of Risk Weighted Assets (RWA) within the scope of the Internal Ratings Based method (IRB) - the Probability of Default (PD) and the Loss Given Default (LGD) – assigned to the portfolio's credit operations, have been registering a continuous positive evolution, reflecting a clear trend of improvement in the portfolio's quality.

The following graph illustrates the distribution of the portfolio amounts (in terms of EAD) by the risk grades (internal ratings) attributed to the holders of credit positions in Portugal and Poland, on 31/12/2019. These risk grades (RG) are defined on an internal scale, transversal to the Group (the Rating Master Scale), with 15 grades, corresponding to different levels of debtors' PD. Risk grades 13 to 15 are called "procedural" and correspond to problematic credit; RG 15 corresponds to the Default status.



Banks and Sovereigns and Specialised Lending not included, as well as exposures from eurobank's portfolio

As shown in the graph above, the weight of EAD corresponding to risk grades of medium and high quality, for the two geographies concerned, represented 76.8% of the total EAD on 31/12/2019, which compares with similar corresponding weights of 73.6%, 69.8% and 64.2% at the end of 2018, 2017 and 2016, respectively. This positive evolution results mainly from the evolution of debtors' risk grades in Portugal.

With regards to the weight of the exposure held by clients with procedural RG (without access to new credit), it reached a value of 7.8% on 31/12/2019 in the two geographies as a whole, a much lower weight than that registered at the end of the previous three years: 11.3% (2018), 14.8% (2017) and 18.5% (2016). In Portugal, the decrease in the weight of EAD by customers with procedural RG was even more pronounced in this period: 8.8% (2019), 12.8% (2018), 17.1% (2017) and 21, 8% (2016).

Regarding the LGD parameters, representative of the expected losses in the case of Default and which, to a good extent, reflect not only the efficiency of credit recovery for the different types of credit segments/products, but also the collateralization levels of the loan operations' portfolio, the following table shows their respective average values (weighted by EAD) at the end of 2019 and 2018:

	Mortgages	SME Retail	Retail (other)	Real Estate Promotion	SME Corporate	Corporate	GLOBAL AVERAGE
2019	16.0%	32.7%	32.3%	39.6%	39.9%	45.1%	**27.4%**
2018	16.5%	34.5%	33.9%	43.8%	40.7%	45.7%	**28.2%**

Thus, in 2019, the LGD parameters in Portugal improved slightly for all segments.

In Poland, for the two portfolio segments for which LGD's own estimates apply - the Qualified Retail Renewable Exposures (overdrafts and credit cards, basically) and mortgage loans - the weighted average values calculated for LGD at 31/12/2019 were 63.7% and 30.5%, respectively. These average values are the same order of magnitude as the LGD averages at the end of 2018, for this geography.

Main credit risk indicators

The following chart presents the quarterly evolution of the main credit risk indicators, between 31/12/2018 and 31/12/2019, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Dec 19	Sep 19	Jun 19	Mar 19	Dec 18
CONSOLIDATED					
NPE/Gross credit	7.7%	8.4%	9.1%	10.1%	10.9%
NPL > 90 days / Gross credit	2.7%	2.9%	3.4%	3.5%	3.8%
Past due credit / Gross credit	2.9%	3.2%	3.7%	3.7%	4.1%
Impairment / Gross credit	4.5%	4.6%	4.9%	5.5%	5.7%
PORTUGAL					
NPE/Gross credit	8.8%	9.9%	11.0%	11.9%	12.9%
NPL > 90 days / Gross credit	3.0%	3.2%	4.0%	4.1%	4.5%
Past due credit / Gross credit	3.0%	3.3%	4.1%	4.2%	4.7%
Impairment / Gross credit	5.1%	5.4%	5.8%	6.2%	6.4%
POLAND					
NPE/Gross credit	4.7%	4.5%	4.4%	4.6%	4.6%
NPL > 90 days / Gross credit	2.0%	2.0%	1.9%	1.8%	1.9%
Past due credit / Gross credit	2.5%	2.8%	2.7%	2.3%	2.4%
Impairment / Gross credit	2.8%	2.7%	2.7%	3.2%	3.4%
MOZAMBIQUE					
NPE/Gross credit	22.5%	22.7%	20.3%	18.6%	20.0%
NPL > 90 days / Gross credit	8.4%	8.0%	6.7%	6.7%	5.4%
Past due credit / Gross credit	8.4%	8.0%	6.8%	6.8%	5.5%
Impairment / Gross credit	11.9%	11.4%	9.8%	11.7%	11.3%

Gross credit = Direct credit to clients, including credit operations represented by securities, before impairment and fair value adjustments

The evolution of these indicators in 2019 was clearly favourable in Portugal and at a consolidated level, given the weight of domestic geography in the Group. As in 2018, the improvement in the quality of the credit portfolio measured by the 'NPE / Gross Credit' ratio was of great importance in Portugal, with this indicator reducing by around 4 percentage points, after a significant reduction of around 5 percentage points in 2018 (at the end of 2017, this ratio reached 17.8% in Portugal).

This marked trend of positive evolution resulted mainly from the focus on NPE reduction and on the growth of the credit portfolio based on prudent granting criteria, with a view to preserving the quality of the portfolio in the long term. On the other hand, it should also be noted the lesser extent of reduction in the 'Impairment-of-Gross Credit' ratio (which evolved from 6.4% to 5.1% between the end of 2018 and 2019 in Portugal): although this was also influenced by the NPE reduction (and the use of the respective provisioning), this evolution also reflects a diligent provisioning policy.

In Poland, credit risk indicators remained stable throughout 2019, compared to the end of 2018. Bearing in mind that the portfolio of this geography grew organically (in addition to the acquisition of Euro Bank), the stability of the respective indicators indicates that the credit underwriting policy in the Polish operation is guided by criteria of quality and prudence. The only indicator that varied with any relevance in this geography - the 'Impairment / Gross Credit' ratio - was influenced by the already mentioned acquisition, since the Euro Bank's portfolio acquired was registered at fair value; this effect is quite visible in the evolution of this ratio between March and June 2019 (the acquisition of Euro Bank took place in May 2019).

In Mozambique, the evolution of the indicators was globally unfavourable, given the economic and financial adjustment that was still felt in 2019 in this geography, in conjunction with the contraction of the customer loan portfolio. However, it should be noted, once again, that the impairment ratio remained relatively stable, showing a provisioning policy appropriate to the evolution of the portfolio's credit quality.

NPA/NPE Reduction Plan

The implementation of the Group's NPA Reduction Plan continued to be a priority along 2019, under its two components - of NPE and of assets received in lieu of payment, the foreclosed assets (FA) - focusing mainly on NPE portfolios and on real estate FA held for sale, in Portugal.

The NPA Reduction Plan is framed by a specific Governance model and by a robust management framework, organized by specialised areas of credit recovery and based on systematically defined recovery strategies – either stemming from automated analysis and decision models (for Retail) or based in the relationship of recovery managers with their Corporate clients, allowing for tailor-made solutions. The FA management is based on a specialised structure, privileging circuits and procedures oriented towards the speed of the reception-preparation-sale cycle and the enhancement of the properties' values, in order to facilitate the sale of these assets.

The NPA Reduction Plan also benefits from a technological environment that is supported on specific IT infrastructures for the activities connected with credits recovery, NPE reduction and FA management, with its monitoring being reinforced through the Operational Plan for NPA Reduction, that defines initiatives aiming at accelerating and conferring effectiveness to the recovery or sales' processes (both of loans and real estate properties), distributed throughout the several phases of the credit recovery and NPA reduction processes: prevention; collection; executions; insolvencies and, finally, FA reception, treatment and respective sales.

The fulfilment of the reduction targets for each area involved in NPA reduction is measured on a monthly basis, both in terms of management information for the respective dedicated structures, and of the specific focused activities and initiatives defined in the above-mentioned Operational Plan, with reporting to the top management.

The NPA Reduction Plan has consistently registered very positive and above initially planned and the last annual revision of this Plan occurred in March 2019. The reduction targets for 2020 will be maintained, under the terms of the Strategic NPA Reduction Plan.

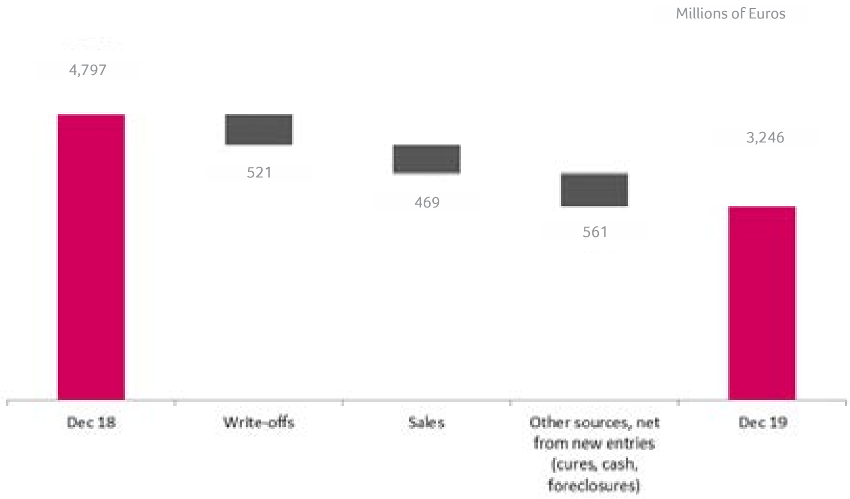
The following table presents the evolution of NPE volumes between 31/12/2018 and 31/12/2019, for the Group and for Portugal:

(Million EUR)

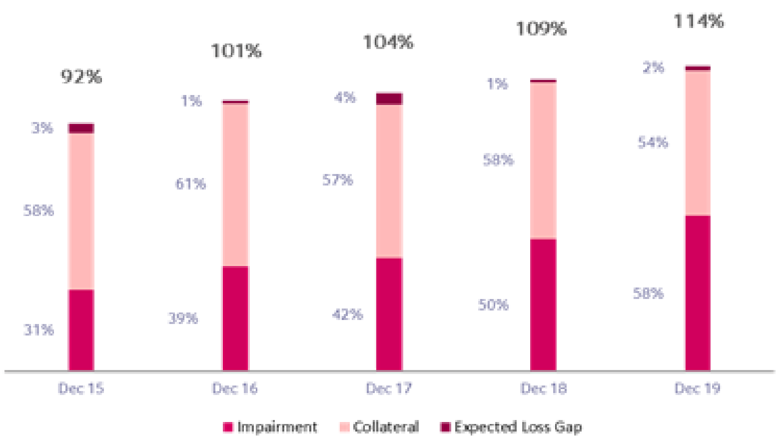
		Dec 19	Sep 19	Jun 19	Mar 19	Dec 18
CONSOLIDATED		**4,206**	4,602	4,970	5,179	5,547
	Change YoY	-1,341				
PORTUGAL		**3,246**	3,691	4,088	4,438	4,797
	Change YoY	-1,551				

The reduction in NPE in 2019, illustrated by the values in the table above, reached more than 1,500 million euros in Portugal, which represents a decrease of about 32% over the amount of NPE in the domestic geography at the end of 2018. At a consolidated level, the NPE growth in Poland (given the strong organic growth of the credit portfolio in that geography, as well as the acquisition of Euro Bank) resulted in a slightly lower NPE reduction, but still higher than 1,300 million euros (-24% over the consolidated NPE portfolio on 31/12/2018). Indeed, the acquisition of Euro Bank resulted in an extraordinary increase of around 128 million euros in NPE in 2019.

The breakdown of the NPE reduction in Portugal in 2019, by the different sources of reduction at stake, is shown in the following graph, in which the item "Other sources, net of new entries" includes the situations of "cure" (i.e., exposures that, in the period concerned, ceased being classified as NPE, due to the extinction of the motives for NPE classification):



The continued growth in coverage of the NPE portfolio - by impairment, collateral and Expected Loss Gap – should also be noted, both for Portugal and at the consolidated level, although this growth was more accentuated in Portugal, as illustrated by the following graph. Thus, after exceeding the 100% threshold for the first time, NPE coverage continued to increase, reaching around 114% at the end of 2019, with almost 60% of the coverage ensured by impairment and more than 50% by collateral.



In what concerns the on-balance assets received as the result of credit repayment (foreclosed assets), the next table shows the evolution of its stock – with a breakdown regarding the different asset types - between December 2016 and December 2019, before impairment:

(MillionEUR)

	Dec 19	Dec 18	Dec 17	Dec 16
Real estate properties	1,020	1,474	1,778	1,782
Real estate Funds and companies	306	330	466	538
Other assets (non-Real estate)	87	156	95	75
SUB-TOTAL - Portugal	**1,413**	**1,960**	**2,339**	**2,395**
Other geographies Foreclosed Assets	52	58	37	18
GROUP TOTAL	**1,465**	**2,019**	**2,376**	**2,413**

The figures in this table show a very relevant and clearly increasing reduction in the last 2 years.

This evolution stems, on the one hand, from the various initiatives implemented to improve internal efficiency in the treatment of FA and, on the other hand, from the greater focus on the sale of this type of non-productive assets, with emphasis on the realization of first sale of real estate by lot in 2019. The reduction in the FA influx - as a result of improvements in credit recovery processes - the sharp reduction the loan portfolio in default, the sale of collateralized loan portfolios of the Corporate segment and the favourable economic environment also contributed for the strong reduction registered on the FA portfolio.

In Portugal, the reduction in FA reached around 550 million euros - an amount c. 45% higher than the one registered in 2018 – with a highlight on the reduction in real estate assets, of around 480 million euros (representing c. 87% of the total FA reduction).

The positive performance in the reduction of real estate FA is framed in the scope of a favourable evolution of the real estate market, which has effectively reduced the risk of real estate FA still on-balance in Portugal (real estate and investment funds/real estate companies). The interesting profit levels from the sale of these assets should also be highlighted (76 million euros in 2019 and 88 million euros in 2018), which demonstrates the Bank's prudence in their valuation.

Credit concentration risk

The following chart presents the weights, in total exposure, of the Group's 20 largest performing exposures, as at 31/12/2019, in terms of EAD and using the concept of "Groups of clients/Corporate Groups", excluding the risk classes of "Banks and Sovereigns":

Client Groups	Exposure weight in total (EAD)
Client group 1	1.1%
Client group 2	0.6%
Client group 3	0.6%
Client group 4	0.5%
Client group 5	0.5%
Client group 6	0.4%
Client group 7	0.4%
Client group 8	0.4%
Client group 9	0.3%
Client group 10	0.3%
Client group 11	0.3%
Client group 12	0.3%
Client group 13	0.3%
Client group 14	0.2%
Client group 15	0.2%
Client group 16	0.2%
Client group 17	0.2%
Client group 18	0.2%
Client group 19	0.2%
Client group 20	0.2%
Total	**7.4%**

Globally, this set of 20 largest 'non-NPE' exposures accounted for 7.4% of total EAD as of 31/12/2019, which compares with a global weight of 7,9% by the end of 2018. Hence, in terms of EAD, there was a reduction of credit concentration on the 20 largest performing exposures.

It should be noted that, in addition to the compliance with the regulatory limits relative to Large Exposures, the Group has specific goals defined for the control of credit concentration, materialised into RAS metrics. Besides, metrics for specific concentration types are monitored regularly: single-name, by sectors of activity, by country, for Institutions and for Sovereign risks.

Except for sectoral concentration, the concentration limits definition depends on the internal/external risk grade attributed to the clients at stake and consider their respective Net Exposure (= LGD x EAD, with LGD =45% whenever an own estimate does not exist or is not applicable). The concentration assessment regarding Sovereigns and countries excludes the geographies in which the Group operates (Portugal, Poland, Mozambique, Switzerland and Cayman Islands) and their respective Sovereigns.

In the case of the single-name concentration, the limits are only defined for performing clients, since the NPE are covered by the NPA Reduction Plan. For clients with exposure above the established limit excess, specific reduction plans are drawn-up.

Operational risk

Operational risk materializes in the occurrence of losses resulting from failures or inadequacies of internal processes, systems or people, or resulting from external events.

In the management of this type of risk, the Group adopts duly documented principles and practices, which are expressed in control mechanisms subject to continuous improvement. This framework has a variety of features, such as: functions segregation, definitions for lines of responsibility and respective authorisations, tolerance limits for exposures to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, key risk indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

The operational risk management system adopts the 3 lines of defence model and is based on a 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, this processes' structure 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, all the Group's 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.

The responsibility for the day-to-day management of operational risk lies with the 1st line of defence which is composed of process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the 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 review of the processes' structure in each geography is ensured by their own structure units.

The Risk management System represents the 2nd Line of Defence, which implements the defined risk policy for the Group, having the responsibility of proposing and developing methodologies for managing this risk, supervising its implementation and challenging the 1st Line of Defence regarding the levels of risks incurred.

In 2019, the usual tasks of operational risk management continued to be carried out by the various intervenient in the management of this risk, aiming at an effective and systematic identification, assessment, mitigation and control of exposures, as well as at the corresponding reporting duties, either to the Group's management bodies or within the regulatory sphere.

The Bank's mobilization to reinvent the banking experience, based on new technologies, presents significant challenges in the management of operational risk, the highlights of which are the strengthening of the security of the digital banking channels, the strengthening of mechanisms for potential frauds' prevention and detection, the responsible management of personal data and the fulfilment of the legally prescribed information duties on sales through digital banking channels. Among the actions carried out in 2019 with the aim of strengthening the mechanisms for controlling and measuring operational risks, the following should be highlighted:

- Higher proximity between the Compliance and Operational Risks team and the teams that design products/ services to be implemented;
- Strengthening of the conflicts of interest monitoring and the follow-up of the outsourcing contracts considered to be critical;
- Execution of the IT Risk Self-Assessment exercise;
- Inclusion of new RAS metrics related to operational risk, in order to monitor digital channels;

- Reinforcement of the quality validation rules for regulatory reports related to Operational Risk;
- Review of the operational RSA methodology.

Risks self-assessment (RSA)

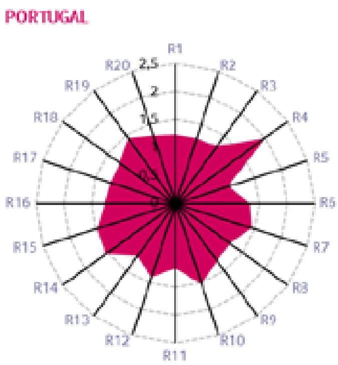
The aim of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered. These assessments are positioned in a risk tolerance matrix, considering the 'worst-case event' that might occur in each process, for three different scenarios. This allows to:

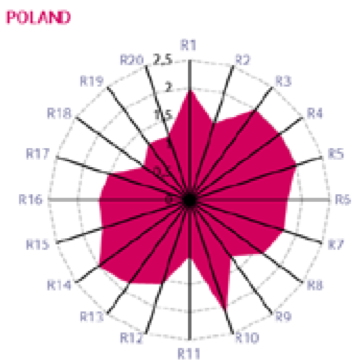
- Assess the risks' exposure of the different processes, not considering the influence of existing controls (Inherent Risk);
- Determine the influence of the existing control environment in reducing the level of exposure (Residual Risk);
- Identify the impact of the improvement opportunities in the risk reduction of the most significant exposures (Target Risk).

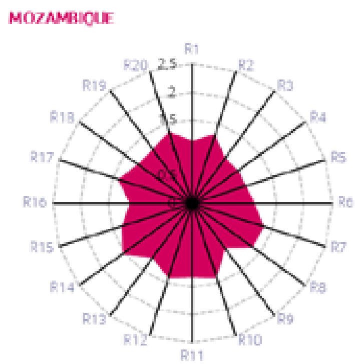
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

In 2019, RSA exercises were carried out in the main geographies in which the Group operates. This exercise uses information originating from the capture of events and monitoring of Risk Indicators to back test the results. The exercise was further strengthened, in Portugal, through the incorporation of information from the Internal Control System, from the supervisory inspection actions and from the updating of internal regulations, through a reinforced connection with the Compliance Office.

The results of these exercises are exhibited in the following graphs, which show the average score for each of the 20 operational risk sub-typologies considered, for the set of processes in each geography, in which the outer line represents a score of 2.5 on a scale from 1 (lowest exposure) to 5 (highest exposure).







R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Breach of work health & safety regulations
R5 Discrimination over employees
R6 Loss of key staff
R7 Hardware and Software
R8 Communications infrastructure
R9 Systems security
R10 Transaction, capture, execution & maintenance
R11 Monitoring and reporting errors
R12 Customer related errors
R13 Products or services flaws/errors
R14 External fraud and theft
R15 Property and disasters risks
R16 Regulatory and tax risks
R17 Inappropriate market and business practices
R18 Project risks
R19 Outsourcing related problems
R20 Other third parties' related problems

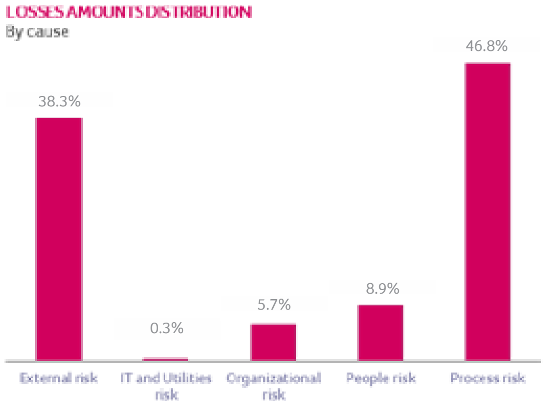
Operational losses capture

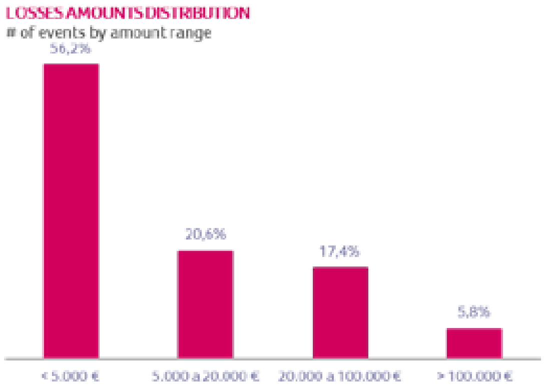
The operational losses data capture (i.e. the identification, registration and characterisation) of operational losses and of the originating events aims at the strengthening of the awareness to this risk and to provide relevant information to process owners, for incorporation within their process management. As such, it is an important instrument to quantify risk exposures and also for the back-testing of the RSA results, enabling the assessment of the evaluation/classification attributed to each risk subtype.

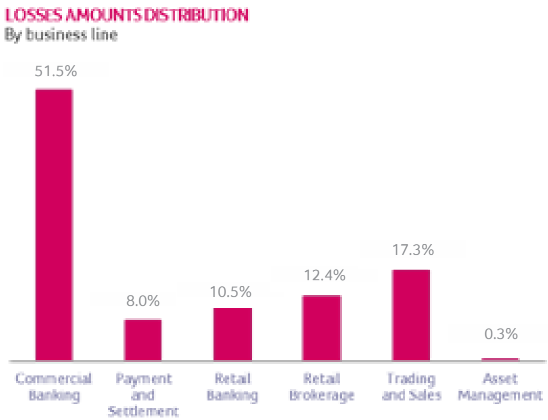
The detection and reporting of operational losses is a responsibility of all employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause). For losses of amounts exceeding a threshold defined by the EC, "lessons learned" reports are presented to that body and discussed.

The graphs on the side present the profile of the losses captured in the respective database in 2019.







The root causes for most of the losses were procedural risks, related to failures to formalize a product discontinued more than 10 years ago and to the credit granting process. The losses related to external risks include the losses that resulted from the natural disaster that fell upon the Beira province, in Mozambique (Idai hurricane) and frauds with cards and transfers. It should be noted that the pattern of operational losses verified is not far from what is usual and expected, with a higher frequency of losses of low amounts, without concentration on significant amounts.

It should also be highlighted that the average ratio of gross losses to the relevant gross income indicator for regulatory capital requirements has been below 1% over the past five years, which compares very favourably with the international benchmark and attests to the robustness of the Group's operational risk management and control environment.

Key risk indicators (KRI)

KRI provide alerts concerning changes in the profile of the operational risks or in the effectiveness of controls, thus enabling to identify the need to introduce corrective actions within the processes, in order to prevent potential risks from materialising into losses. These indicators currently encompass all processes in the main Group operations (Portugal, Poland and Mozambique).

Processes management also uses Key Performance Indicators (KPI) and Key Control Indicators (KCI), the monitoring of which, even if oriented towards the assessment of operative efficiency, also contributes for the detection of risks.

Scenario analysis

Scenario Analysis, carried out in Portugal, is an exercise oriented towards the assessment of potential risks of high severity, aimed at quantifying the impact of extreme events (low frequency/high severity) which would be relevant for the Bank, even if never registered in the past.

All Macro-Process Owners and other top managers from selected Divisions participate in this exercise, due to their knowledge and experience concerning the activities, which are essential for the description of this type of events' impacts and for the quantification of potential losses that could result from those events.

The results from the scenarios assessment are incorporated into the model developed to determine the capital adequacy (ICAAP) and the information gathered also used for risk management and mitigation, thus contributing to the reinforcement of the internal control environment.

Business continuity management

The management of business continuity covers two complementary components: the Business Continuity Plan relative to people, facilities and equipment, and the Technological Recovery Plan relative to information systems, applications and communications infrastructure.

These plans are defined and implemented for a series of critical business processes and are promoted and coordinated by a dedicated structural unit, whose methodology is based on a principle of continuous improvement, guided by international good practices and the recommendations of the supervisory entities.

Within the scope of updating and testing both plans in 2019, the following activities and accomplishments, at the main geographies of the Group, should be highlighted:

In Portugal:

- A general review of the "Business Impact Analysis" exercise of the Bank's key processes, in the current context, was carried out with the support of an external consultant. This process culminated in the updating of the list of existing critical processes, with the inclusion of new processes, namely the information technology (IT) support processes;
- Continuation of the exercising of the different recovery teams, through 7 business recovery exercises and 2 technological recovery exercises.
- In Poland:
- Extension of alternative premises/facilities for business recovery, in Gdansk;
- Recovery exercises carried out in Warsaw and Gdansk (testing of recovery centres in case of serious contingencies), involving more than 50 organizational units and the largest number of participants to date;
- Positive evaluation (89.5%) regarding alternative premises/facilities, allowing the recovery of practically all business activities:
- Execution of a 'table top exercise'(*) involving 10 organizational units and the use of a modern mobile command center.
- In Mozambique:
- Restructuring of the Business Continuity Spaces in what concerns their layout and communications, in order to improve the degree of readiness of the Business Continuity Plan;
- The occurrence of Cyclone Idai promoted a factual vision of the business continuity management policy, as well as the issuing of recommendations to ensure greater resilience in similar future situations;
- Continuation of the exercising of the different recovery teams, through 7 business recovery exercises and 6 technological recovery exercises.

(*) Analysis and discussion of the results of a disaster simulation exercise.

Insurance contracting

The contracting of insurance for risks related to assets, persons or third-party liability is another important instrument in the management of operational risk, where the objective is the transfer - total or partial - of risks.

The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Compliance and Operational Risks Commission and authorised by the E

Legal, Compliance, Conduct and Financial Crime risks

In carrying out its banking activity, Banco Comercial Português is governed by operating principles and rules that ensure a good conduct, following the best international practices and adopting the appropriate measures in terms of preventing compliance and conduct risks. Pursuing the objective of permanently adapt its internal practices to the best market practices, to the evolution of banking activity, and to society as a whole, the Bank regularly reviews its internal regulations and procedures to safeguard that the conduct of its employees is always guided by highest ethical principles, of satisfaction and protection of the interests of the client and the Bank, in the pursuit of sustainable profitability. The Compliance Office strengthened the monitoring of the Bank's activity and internal conduct, by implementing a system for monitoring potential situations of conflicts of interest, covering various aspects of this issue such as operations with related parties, credit operations, development of extra-professional activities and the receipt of gifts by employees.

To comply with the relevant legal and regulatory norms related with Anti Money Laundering and Counter Terrorism Financing (AML/CTF), as well as to safeguard the compliance with best international practices on this matter, the Bank has a set of policies, procedures and systems that ensure an effective control of the financial crime risk prevention, also ensuring an operational model that allows the Bank to identify, assess and mitigate the potential risks inherent to the activity of its clients, non-clients and business relationships established with one or the other.

The impact and relevance of this risk in the banking activity developed, compels the Bank to address this risk in multiple dimensions and on a continuous basis, whether in the establishment of new business relationships or in the continuous evaluation of an already established business relationship. Through a risk-based approach (RBA) for the assessment and monitoring of its business relationships or occasional transactions execution, the Bank complies with all the required duties enshrined in Law no. 83/2017, of 18 of August, like for example, due diligence, abstention, refusal or reporting.

For an effective and efficient AML/CTF activity, the Bank defines a set of policies and procedures that are supported by a wide range of information systems, of which it is worth highlighting:

- Business Relations monitoring and alerts system;
- Financial transactions monitoring system;
- Entity filtering system;
- New Business relationships validation system;
- External information platforms.

Pursuing the continuous improvement of the internal control processes, these risks' management system was enhanced along 2019, to enable the Bank to respond adequately to the demands of the future banking business with origin in market dynamics changes and regulation evolution. From the set of initiatives, it is worth mentioning the following:

- Reinforcement of resources and expertise of the operational AML/CTF model
- Acquisition and deployment of a new transaction monitoring and alerts
- Enhancement of the 1st Line of Defence tools for the initial assessment of AML/CTF risk
- Deployment of new AML/CTF controls in specific business processes
- Update of record-keeping procedures
- Launching of a new "Compliance Culture" communication program, with regular actions towards the 1st Line of defence
- Training contents renewal

- Revision of the new products and services approval process
- Creation of organic and functional units to monitor the AML/CTF system of subsidiaries of the Bank

Market risks

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

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

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

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

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored daily (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(*)

The Group uses an integrated market risk measurement that allows for the monitoring of all risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: 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 (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) 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.

(*) Positions assigned to the Trading Management Area (not specifically included in the accounting trading book).

The table below presents the amounts at risk for the Trading Book, between 01/01/2018 and 31/12/2019, as measured by the methodologies referred to above, that registered moderate levels along the period under analysis:

(Thousand EUR)

	Dec 19	Max of global risk in the period	Min of global risk in the period	Dec 18
GENERIC RISK (VaR)	2,095	5,491	884	3,039
Interest rate risk	1,876	5,596	714	3,125
FX risk	1,170	306	415	363
Equity risk	81	32	7	34
Diversification effects	*(1,033)*	*(444)*	*(252)*	*(483)*
SPECIFIC RISK	3	15	10	47
NON-LINEAR RISK	0	0	0	0
COMMODITIES RISK	5	2	3	5
GLOBAL RISK	**2,103**	**5,508**	**897**	**3,091**

VaR model monitoring and validation

In order to check the appropriateness of the internal VaR model for 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.

The VaR model's hypothetical back-testing exercise for the Trading Book of Portugal, in 2019, resulted in 5 negative excesses over the model's predictive results (and 6 positive), representing a frequency of 2% in 255 days of observation. Hence, in terms of the frequency of excesses verified, this back-testing results validate of the model as appropriate for measuring the risk at stake.

Trading Book Stress Tests

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.

The results of these tests on the Group's Trading Book, as at 31/12/2019, in terms of impacts over this portfolio's results, were the following:

(Thousand EUR)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	+100 bps	-10.284,6
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	+25 bps	-1.713,4
4 combinations of the previous 2 scenarios	+100 bps and +25 bps	-11.820,0
	+100 bps and -25 bps	-8.713,1
Variation in the main stock market indices by +/- 30%	-30%	-398,7
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-5.508,2
Variation in swap spreads by +/- 20 bps	-20 bps	-1.201,9
NON-STANDARD SCENARIOS		0,0
Widening/narrowing of the bid-ask spread	Widening	-4.283,8
Significant vertices [(1)]	VaR w/o diversification	-10.122,0
	VaR w/ diversification	-10.088,0
Historical scenarios [(2)]	7/Oct/2008	-5.818,0
	18/Jul/2011	-11.751,8

[(1)] Scenarios in which the more adverse variations of the last seven years, relative to the portfolio's five most significant risk factors for VaR, are applied to the current portfolio.

[(2)] Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the 2008 financial crisis and the Eurozone Sovereign Debt crisis in 2011.

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenario to be taken into account refers to a general increase in interest rates, especially when accompanied by an increase in the slope of the yield curve (the case of a higher increase in longer terms than in shorter terms). In what concerns the non-standard scenarios, the main loss case refers to the variations occurred at 18/07/2011when applied over the current portfolio.

Interest rate risk of the Banking Book

The interest rate risk arising from the Banking Book operations is assessed by the Bank in two complementary ways: the portfolio's economic value method (EVE) and the financial margin sensitivity method (NII), through a risk sensitivity analysis carried out every month, for the universe of operations included in the consolidated balance sheet of the Group, broken down by the currency of exposure.

Variations of market interest rates influence the Group's net interest income, both in the short term – affecting the Bank's NII – and in the medium/long term, affecting the balance sheet economic value (EVE method).

The main risk factors arise from the repricing mismatch of the portfolio positions (gap risk) which may cause direct or indirect financial losses in the banking Book, due to changes in interest rates that have different impacts over assets and liabilities' classes, making the Bank vulnerable to variations of the yield curve. On their turn, the changes in interest rates may alter the behaviour profile of clients, inducing pre-payments/withdrawals in assets and liabilities, including the exercise of options' rights incorporated in the products' design (behavioural and optional risk). Besides this, but with less impact, there is also the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including cost components for liquidity, capital, operations 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 impacts stemming from the clients' behaviour are also considered, in particular, for the products for which this is especially relevant – namely, for products without defined term (checking accounts, revolving credit) – as well as the impacts resulting from changes in contractual cash flows (credits prepayments).

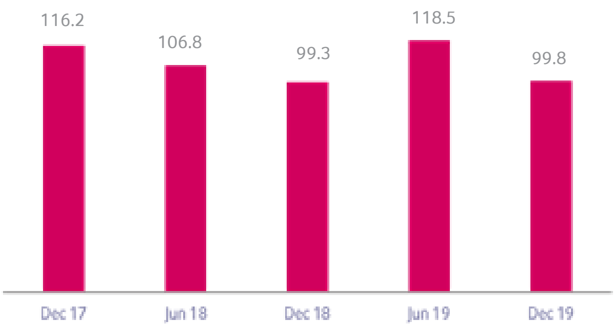
The result of this analysis for a +100 basis point change in the level of the Euro interest rates (for all maturities, i.e. assuming a parallel shift of the yield curve), on the Banking Book portfolio as at 31/12/2019 consists in a positive impact on the balance sheet's economic value of around 9 million euros. On the other hand, the impact of a generalized drop in Euro rates of -100 basis points and considering a floor of 0% for the cash flows discount rate, would be of around +67 million euros. Hence, on that date, the Group was positively exposed to interest rates' variations (increase or decrease).

Complementing the previous approach, the Bank calculates monthly the impact on net interest margin projected for the following 12 months, due to changes in market interest rates (NII method). For this purpose, all assets, liabilities and off-balance products that generate interest are considered and the calculation of interest cash flows is performed based on the repricing and amortization characteristics of the products and on yield curves for 12 months projected in accordance with the 'cash and carry trade' and 'non-arbitrage principle' methods. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of maturity and price is generated.

To capture the net interest margin sensitivity, several simulations are processed, corresponding to 10 different scenarios of the market's interest rates evolution. The next graph shows the estimated impact over the net interest income, over the last 2 years, at the end of each semester, considering the scenario in which interest rates globally increase +100 bps combined with the most "aggressive" scenario for the coefficients that transmit the market variations over the deposits' rates and other liabilities that generate interest ('betas'), which illustrates the evolution of the NII sensitivity to changes in the markets' rates.

Hence, for a change of +100 bps in interest rates, as at 31/12/2019, the financial margin would have an increase of around 100 million euros.

Impacts over the NII with increasing rates scenario
(+100 bps)



FX and equity risks of the Banking Book

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

As at 31/12/2019, the Group's holdings in convertible foreign currency were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, through a 'Fair Value Hedge' methodology, I this case.

Excluding the financial holdings from the participations in the foreign subsidiaries, the exposure to FX risk is quite limited, corresponding to 1.2 million euros in terms of VaR, as at 31/12/2019.

Regarding equity risk, the Group maintains a set 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

Liquidity risk is the potential incapacity of the Group to meet its liabilities concerning funding repayment without incurring in significant losses, whether due to the deterioration of funding conditions (funding risk) or due to the sale of assets for amounts below market value (market liquidity risk).

The Group's Wholesale Funding (WSF) structure is defined for each annual period by the Liquidity Plan (which is an integral part of the budgeting process), formulated at consolidated level and for the main subsidiaries of the Group. The preparation of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously throughout the year, being reviewed whenever necessary.

In 2019, a reduction of 2,346 million euros in net wholesale financing needs was observed, in consolidated terms, between 31/12/2018 and 31/12/2019, corresponding to a reduction of needs of 2,740 million euros in Portugal and an increase of 393 million euros in Poland - in the latter case attributable mainly to the acquisition of Euro Bank. In Portugal, the variation was due to the impact, by decreasing order of materiality, of the following factors: reductions in the commercial gap and investments in sovereign debt, release of resources through activity, sale of assets and reduction in the portfolio of corporate bonds.

As for the financing structure, the reduction in the liquidity needs of the operation in Portugal was reflected in very significant decreases in net financing from the ECB (of 2,369 million, resulting in a net balance of 283 million euros at the end of 2019 - the lowest ever balance since the Group uses this funding source) and in borrowing from money market instruments (of 1,250 million euros, divided between the interbank market and REPOS, resulting in a zero balance for the latter instruments), with the reinforcement of 850 million euros of medium/long term financing eligible for MREL (Minimum Requirement for Own funds and Eligible Liabilities), as provided for in the Group's Liquidity Plan for 2019.

Thus, BCP placed an Additional Tier 1 issue, in the amount of 400 million euros, in January 2019, returning to the market in September, with a new issue of 450 million euros of sub-subordinated debt securities eligible as Tier 2 own funds, this operation having been placed in a very diverse set of European institutional investors. Bank Millennium, in its turn, issued subordinated bonds in the amount of 830 million zlotys, with a view to strengthen its financial structure for the acquisition of Euro Bank, also assuming long-term liabilities originating from that entity in the amount of 878 million zlotys. The total amount of debt placed by the Group on the market amounted, at the end of 2019, to 2,591 million euros. The medium/long-term funding component was further strengthened by an increase of 131 million euros in the balance of Loan Agreements (to 1,887 million euros on 31/12/2019), shared between Bank Millennium (90 million euros) and BCP (41 million euros).

The gross value of collateralized borrowings from the ECB remained stable at 4,000 million euros, corresponding to the balance of Targeted Longer-Term Refinancing Operations (TLTRO), which will reach maturity in 2020.

The following table illustrates the WSF structure as of December 31, 2018 and 2019, in terms of the relative weight of each of the instruments used:

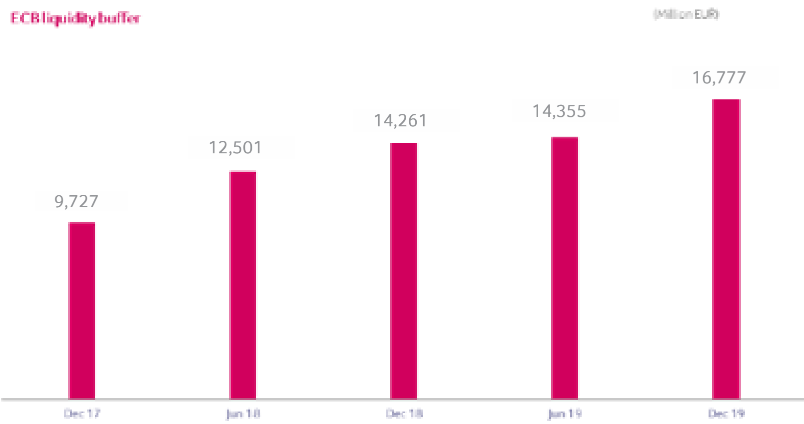
	Dec 19	Dec 18	Change in weight
Money Market(*)	**-0.7%**	10.3%	-11.1%
ECB(*)	**5.9%**	37.1%	-31.2%
Private Placements	**1.5%**	1.0%	0.5%
REPOS	**0.0%**	6.0%	-6.0%
Loan Agreements	**39.3%**	24.6%	14.8%
EMTN	**1.2%**	0.0%	1.2%
Covered Bonds	**20.8%**	14.0%	6.8%
Subordinated Debt	**31.9%**	7.0%	25.0%
Total	**100.0%**	**100.0%**	

Reductions in the weights of net borrowing from the ECB (from 37.1%, to only 5.9%) and in the interbank money market (from 10.3%, to -0.7%) were observed in the financing structure, in contrast with the increases in the medium/long term components: Loan Agreements (from 24.6% to 39.3%) and Subordinated Debt (from 7.0% to 31.9%).

Throughout 2019, the evolution of liquidity buffers discounted at central banks showed a favourable evolution in the three main operations of the Group, assuming, in any case, a very comfortable dimension in relation to the total of customer deposits – a measure used by the Group to assess the resilience of the liquidity buffer to a financial stress scenario.

(*) WSF components considered in net terms (= borrowing – lending/deposits) on this table; in previously reported versions, only the Money Market component was so considered; the ECB component is strongly reduced when considered in net terms.

In Portugal, the growth in liquidity applications at Banco de Portugal and in the portfolio of eligible assets with the ECB allowed the buffer to be increased by 2,516 million euros (between 31/12/2018 and 31/12/2019), reaching 16,777 million euros at the end of the year.



At the end of 2019, Bank Millennium's liquidity buffer had a balance identical to that observed one year earlier (5,088 million euros), recovering from a reduction of the balance with the Polish central bank by 1,169 million euros at the end of May, for settling the acquisition of Euro Bank.

Banco Internacional de Moçambique maintained a strong liquidity position throughout 2019, with the buffer with the respective central bank registering a reinforcement of 79 million euros at the end of the year, when compared to the end of 2018, to a total of 800 million euros.

The Group's counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to cope with potential situations of financial stress. The measures for its reinforcement are described in the Recovery Plan and, as of December 31, 2019, registered for Portugal an estimated total value of 3,610 million euros, with the following origins: sale of corporate bonds, sale of commercial paper, securitization of a consumer credit portfolio and own issue of mortgage bonds to be mobilized for the ECB's monetary policy pool.

In consolidated terms and considering the execution of the issuance plan foreseen in the 2020 Liquidity Plan, the future refinancing needs of medium and long-term instruments will remain with low levels of materiality in the next five years, exceeding 1,000 million euros only in 2022, with the repayment of an issue of mortgage bonds of the same amount, whose collateral will be integrated into the ECB's discounted liquidity buffer after repayment. Therefore, this will result in a minor reduction in liquidity.

The conclusions of the Bank's ILAAP process repeatedly demonstrate the adequacy of the Group's liquidity to meet its liquidity commitments.

Liquidity risk control

The Group’s liquidity position is assessed on a regular basis, with the identification of all factors underlying the variations that have occurred.

The Group controls the structural liquidity profile through the regular monitoring of a set of indicators defined both internally and by the regulators, aimed at characterising liquidity risk, such as the loans-to-deposits ratio (which was of 83.5% as at 31/12/2019), the regulatory ratios LCR (Liquidity coverage ratio) and NSFR (Net stable funding ratio) - respectively, of 216% and 135% at the same date - and also the size of the collateral surplus available for discount at the European Union central banks compared to the total of customer deposits - an indicator already mentioned that remained clearly within the levels of liquidity considered appropriate within the scope of the Group's risk appetite.

Pension Fund risk

This risk arises from the potential devaluation of the assets of the Fund associated with the Defined Benefit Plan or from the reduction of its expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted with such scenarios, the Group may have to make unplanned contributions in order to maintain the benefits defined by the Fund.

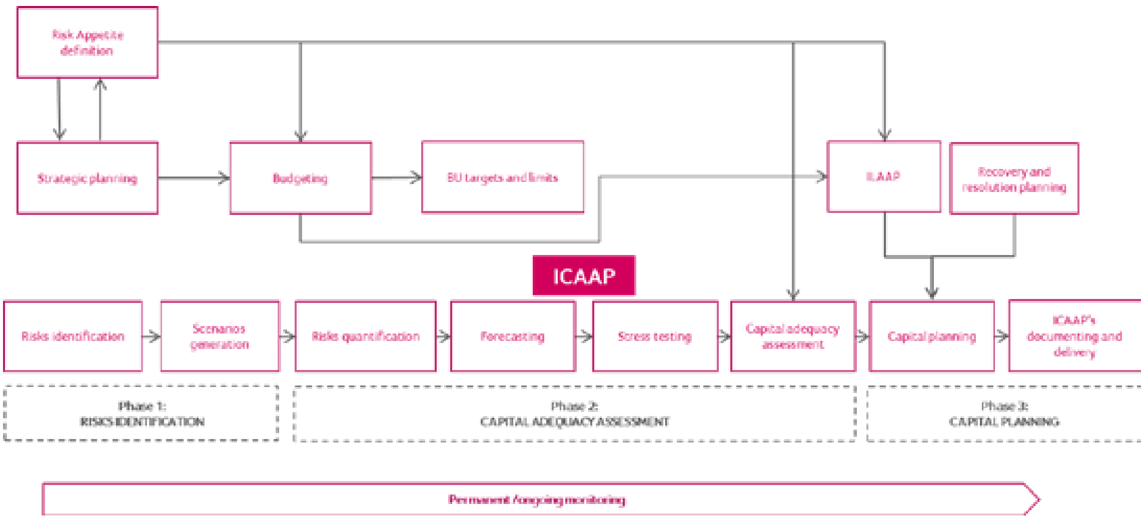
The responsibility for the regular monitoring of this risk and the follow-up of its management lie with the Pension Funds Risk Monitoring Commission.

In 2019, the BCP Group Pension Fund recorded a net return rate of 8.1%, lower than the return of the respective benchmark by only 0.1%. All asset classes contributed positively to the Fund's performance, the Equities' component being the one with the highest contribution for the overall return of the portfolio, namely through the Domestic Equities component. Despite the positive return of the fixed rate component, the Fund's positioning in this asset class, with a duration shorter than that of the benchmark, did not allow the capture of the total valuation of this market, which is the reason for the marginal difference verified against the market's return.

The fall in market interest rates in 2019 determined the need to update the discount rate for the assessment of the Fund's liabilities. Thus, the discount rate in effect on 12/31/2018, of 2.1%, was reduced to 1.6% on 30/06/2019 and, again, to 1.4% on 31/12/2019. Even so, on this date, the coverage of the Pension Fund's liabilities showed a slight excess of around 10.5 million euros.

Internal Capital Adequacy Assessment Process (ICAAP)

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



The ICAAP is a key process within the scope of the BCP Group's risk management function and developed under an internal governance model that ensures the involvement of the BoD (the body responsible for approving the results) and its Risks Assessment Committee, of the EC, of the Risk Commission and of the top management, along the various stages of the process.

The ICAAP's results enable the management bodies to test whether the Bank is appropriately capitalized to face the risks arising from its activity at present, as well as those inherent to the balance sheet projections and results of the strategic plan and budget, in order to ensure the Group's sustainability in the medium term, respecting the risk limits defined in the Risk Appetite Statement (RAS) approved by the BoD.

For this purpose, the ICAAP is rolled-out from a prospective vision of the impact estimates concerning the occurrence of risks over the Bank's capital (capital requirements), considering their scale or dimension, complexity, frequency, probability and materiality, against a background consisting of the medium term (3 years) projection for the developments of the Group's activities. The impacts are estimated for different scenarios, including stress scenarios, with a severely negative evolution of macro-economic indicators. Through this process it is possible to test the Group's resilience and to verify the adequacy of the capital levels to cover the risks to which its activity may become subject. To this effect, the different risks are modelled or incorporated into the Group's stress tests methodology framework.

The ICAAP's first stage is the identification of the material risks to which the Group's activity is subject, which involves the Bank's management and the management from the main subsidiaries abroad. For this purpose, the Group uses a methodological approach based on an internal taxonomy covering more than 60 different risks, considering the relevancy of each one by taking into consideration its probability of occurrence and the magnitude of the impacts of its occurrence – either before or after the implementation of risk mitigation measures.

The result of this stage is the list of risks to be incorporated in the ICAAP, as well as of the variables to be considered for the establishment of the base and the stressed scenarios. The approval of the results of the risks identification process is a capacity attributed to the Committee for Risk Assessment (CRA).

In a second stage, the base and stressed scenarios that make the ICAAP's framework were defined. While the base scenario represents the Group's vision of the most probable evolution of the business constraints in the medium term (baseline scenario), the stressed scenarios incorporate extreme conditions, with low probability of occurrence but with severe impact over the Group's activity (adverse scenarios). The approval of the scenarios to be considered in the ICAAP is also a responsibility of the CRA.

In the third stage of the ICAAP, the impact of the risks identified is modelled for the reference date and the capital requirements are calculated for that date. All of the material risks identified by the Bank are quantified in terms of their impact over the Risk Weighted Assets (RWA) level or over the P&L, in accordance with a set of methodologies and internal models, formally approved, documented, validated and audited, considering a significance level in line with the regulatory requirements (CRR or Solvency 2) and a time horizon of 1 year (which is lower for the trading portfolio, due to its business nature). The non-quantifiable or non-material risks are considered through an additional buffer to the capital. The approval of the estimation methodologies for the risks impacts in the Group's activity is a competence of the Risk Commission.

Once the impacts of the various risks over the Group's P&L and balance sheet and, in particular, over own funds - are estimated, the Group is able to assess the adequacy of its Risk-Taking Capacity (RTC) against the expected profile for its exposure.

The Group adopts a RTC that is aligned with the definitions of the regulatory capital ratios, pursuant to Directive 2013/36/EU and Regulation (EU) No 575/2013 (the CRR – Capital Requirements Regulation), including some adjustments in order to encompass other elements or capital instruments that the Group considers appropriate to cover the existing risks, prudently projected along the timeframe under analysis.

The ICAAP's results are assessed by the EC and by the CRA and approved by the BoD, being one of the main sources for the review of the Group's RAS.

Quarterly, the Bank reviews the ICAAP's assumptions assessing, namely: the materiality of the risks that are considered as "non-material"; the validity of the projections considered under the macroeconomic scenarios; the analysis of deviations against the business plans; the quantification of the main material risks; and the RTC calculation. The results are reported to the Bank's management body, through the EC and the CRA.

The results of the ICAAP, as of 31/12/2019, show that current capitalization levels are adequate for the 3-year time horizon, both in the baseline scenario and in the stressed/adverse scenario, which is confirmed by the quarterly monitoring performed by the Bank.

Models validation and monitoring

This function is ensured by the Models Monitoring and Validation Office (GAVM), reporting to the Chief Risk Officer.

GAVM is a unit structure from the 2nd line of defence, within the scope of model risk management, functionally independent from the areas that are responsible for the models (model owners and developers) and from the Internal Audit Division. Hence, an adequate functions' segregation is assured. Its mission consists in the follow-up and validation of risk assessment and valuation models used at BCP and other Group entities in Portugal, as well as to independently ensure the quality and adequacy of the risk management framework in what concerns internal models, metrics and completeness of the associated data.

GAVM's scope of action encompasses, *inter alia*, the validation of the internal models for credit risk, market risk and for the risks included in ICAAP, as well as the regular monitoring of their performance and evolution. The results of the follow-up and validation exercises are reported to the Models Monitoring and Validation Sub-Commission and to the Risk Commission.

Besides the activities directly connected with the follow-up and performance validation of models, GAVM is responsible for the coordination of the model risk management (MRM) activities, including the creation and maintenance of a complete repository of the models used by the Bank and its permanent monitoring and updating through the use of the model management and risk assessment tool implemented at the Bank as support for the MRM framework. This tool is supported by a functional and approval workflow that corresponds to a set of internal documentation requirements that are fully aligned with applicable regulations and supervisory expectations.

In 2019, several actions were carried out to monitor and validate the internal models in use by the Bank. These actions aim, *inter alia*, to reinforce the confidence in the models, to monitor their performance and evolution, ensuring their adequacy to the business reality and their compliance with current regulations, as well as to reinforce the identification and reaction capabilities to changes in their predictive quality.

Within the scope of models' validation, a highlight is made on the analysis of the risks quantification under the ICAAP, the ILAAP's qualitative assessment, the validation of the internal model for market risks, the validation of the credit risk internal models concerning the Probability of Default (PD) for the Retail, Corporate and Real estate Promotion segments, as well as of the *Slotting Criteria* model applied to Project Finance, the Loss Given Default (LGD) models and the Credit Conversion Factors (CCF) models. Also noteworthy is the preparation of new reporting templates on the validation results of internal credit risk models in the light of the ECB Instructions (Instructions for reporting the validation results of internal models).

GAVM has the responsibility to maintain a robust and documented validation process for internal risk models and systems, in line with current regulations, challenging existing systems and models. For this, it develops and applies validation procedures and methodologies capable of ensuring proper model assessments and the alignment with growing regulatory challenges, by significantly reinforcing (i) the scope of validation exercises, (ii) the depth of analysis and (iii) the transparency and auditability of the work performed.

Within the scope of model monitoring, GAVM is also responsible for coordinating and supporting the preparations for the on-site inspections of the Targeted Review on Internal Models (TRIM), as well as ensuring the response, in collaboration with other areas of the Bank, to the requests made in the scope of TRIM and of the regulatory benchmarking exercises, both promoted by the Supervision.

Due to their importance and allocated resources, a highlight should be made concerning GAVM's participation in the TRIM's on-site inspections of PD models associated with Low Default Portfolios, Corporate LGD and the CCF model.

Recovery Plan

Complying with the applicable law - Directive 2014/59/EU and its transposition to the *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (RGICSF) through Decree-Law 23-A/2015, from the 26th of March – the Group annually revises the Recovery Plan for its business and activities, in which a large set of key indicators are defined; these are permanently monitored, allowing for immediate management action whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), the report of which, to the Group's management and supervision bodies, is mandatory.

Indeed, from the strategic analysis and the establishment of possible scenarios for the business evolution and the external environment and from the modelling of all variables, metrics and scenarios considered, the business evolution is permanently monitored within the scope of the Recovery Plan and its respective indicators.

The priorities, responsibilities and specific measures to be taken in a liquidity contingency situation are defined by the Recovery Plan, which is supported by an Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible crises, namely, of liquidity. Simultaneously, the Recovery Plan contains a 'playbook', intended to provide key information for rapid decision-making in a crisis situation.

The Recovery Plan is aligned with the definition of the business continuity framework and its respective plans (see the Operation Risk section), the Communication Plan – towards the market and stakeholders (in contingency situations), Bank Millennium's Recovery Plan (Poland) and the results from the capital and/or liquidity adequacy assessment processes already mentioned (ICAAP e ILAAP).

Ratings assigned to BCP

During 2019, there was an improvement of macroeconomic indicators in Portugal, namely, the reduction in external vulnerability and budget consolidation, with an expected budget deficit of 0.1% in 2019. Additionally, the Portuguese economy continues to record GDP growth rates above the Euro Zone average.

Also noteworthy were the improvements in the sustainability of public debt, progress recognized by the rating agencies, in particular Standard & Poor's, which on March 15, 2019 revised the Portuguese Republic's rating from BBB- to BBB, and DBRS, which on October 4, 2019 revised the Portuguese Republic's rating from BBB to BBB (high).

Portuguese banks continued to pursue their activities within a challenging context during 2019, with the ECB announcing additional decreases in interest rates, which already were at significant low levels.

These conditions constrain the net interest income. However, in some cases, the negative impact on the net interest income was compensated by the new tiering system announced by the ECB, trading gains and the continued reduction in operating costs and cost of risk.

It is also important to highlight the progress in the improvement of Portuguese banks' asset quality – through the reduction of NPEs –, as well as the strengthening in capital and profitability levels, contributing for a better outlook of the Portuguese banking sector's performance.

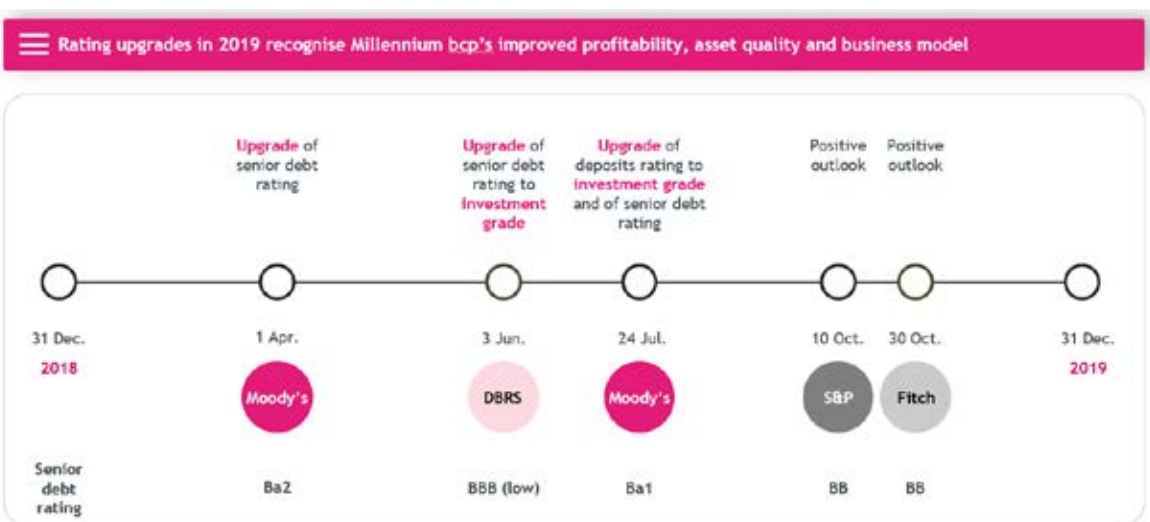
Notwithstanding the significant reduction in problematic assets by Portuguese banks, its amount remains high, which is one of rating agencies' main concerns.

In 2019, the four rating agencies that assign ratings to BCP recognised the success on the implementation of BCP's strategic plan:

On April 1, Moody's upgraded the Deposits rating to Ba1 and the Senior Debt rating to Ba2 and following the upgrade of the Portuguese Republic's ratings, Moody's upgraded the Deposits rating to Baa3 and the Senior Preferred Debt rating to Ba1. This action by Moody's reflects the improvement in BCP's credit profile by significantly reducing the stock of problematic assets and improving domestic profitability, in line with Moody's expectation that the bank's financial fundamentals will continue to improve in 2019. It further reflects Moody's expectation that BCP will issue an additional Euros 1.2 billion of debt (net of amortizations) to meet MREL requirements by the end of June 2022.

On June 3, DBRS upgraded the long-term Deposits rating in one notch, from BBB (low) to BBB, and the long-term Senior Debt rating from BB (High) to BBB (low), reflecting improved profitability that is supported by improved results in Portugal, maintenance of high efficiency levels, cost of risk reduction and a fast paced NPE reduction.

On october 10 and 30, Standard & Poor's and Fitch Ratings, respectively, upgraded BCP's outlook, from stable to positive.



Moody's

Baseline Credit Assessment	Ba2
Adjusted Baseline Credit Assessment	Ba2
Counterparty Risk Assessment LT / ST	Baa3 (cr)/ P-3 (cr)
Counterparty Risk LT / ST	Baa3 / P-3
Deposits LT / ST	Baa3 / Prime-3
Senior Debt	Ba1 / NP
Senior Non Preferred	B1
Outlook deposits / senior	Stable
Subordinated Debt - MTN	(P) B1
Subordinated Debt	B1
Additional Tier 1	B3 (hyb)
Other Short Term Debt	P (NP)
Covered Bonds	Aa3

Rating Actions

22 January 2019 – Assigned a 'Caa1 (hyb)' rating to AT1 Notes.
1 April 2019 - Upgraded the long term Deposits rating from 'Ba1' to 'Ba3' and the long term Senior Debt rating from 'Ba3' to 'Ba2'. Upgraded the Baseline Credit Assessment (BCA) and the Adjusted BCA, from 'b1' to 'ba3', the Subordinated Debt rating, from 'B2' to 'B1', the Additional Tier 1 rating, from 'Caa1 (hyb) to 'B3 (hyb)' and the Counterparty Risk rating, from 'Ba1 / Not-Prime' to 'Baa3 / Prime-3'
14 May 2019 - Assigned a 'B1' rating to the Senior Non Preferred Debt
24 July 2019 – Upgraded the Deposits rating from 'Ba1/Not Prime' to 'Baa3/Prime-3', the Senior Debt rating from 'Ba2' to 'Ba1', and the Baseline Credit Assessment (BCA) rating and the Adjusted BCA from 'ba3' to 'ba2'.

Standard & Poor's

Stand-alone credit profile (SACP)	bb
Resolution Counterparty Credit Rating LT / ST	BBB- / A-3
Issuer Credit Rating LT / ST	BB / B
Senior Debt	BB
Senior Non Preferred	B+
Outlook	Positive
Subordinated Debt	B
Additional Tier 1	CCC+

Rating Actions

22 January 2019 - Reaffirmed the AT1 Notes rating at 'CCC+'
10 May 2019 - Assigned a 'B+' rating to Senior Non Preferred Debt.
10 October 2019 – Reaffirmed the long term Issuer Credit Rating at 'BB/B' and the long and short term Resolution Counterparty Credit Rating at 'BBB-/A-3'. Outlook upgrade, from stable to positive.

Fitch Ratings

Viability Rating	bb
Support	*5*
Support Floor	No Floor
Deposits LT / ST	BB / B
Senior Debt LT / ST	BB / B
Senior Non Preferred	BB
Outlook	Positive
Subordinated Debt Lower Tier 2	BB-
Additional Tier 1	B-
Covered Bonds	BBB+

Rating Actions

22 January 2019 - Assigned a 'B-' rating to AT1 Notes.
20 May 2019 - Assigned a 'BB' rating to Senior Non Preferred Debt.
30 de outubro de 2019 – Reaffirmed the Viability Rating at 'bb' and outlook upgrade from stable to positive.

DBRS

Intrinsic Assessment (IA)	BBB (low)
Critical obligations	BBB (high) / R-1 (low)
Deposits LT / ST	BBB / R-2 (high)
Senior Debt LT / ST	BBB (low) / R-2 (middle)
Senior Non Preferred	BB (high)
Trend	Stable
Dated Subordinated Notes	BB
Additional Tier 1	B
Covered Bonds	A

Rating Actions

22 January 2019 - Assigned a 'B (low)' rating to AT1.
16 May 2019 - Assigned a 'BB' rating to Senior Non Preferred Debt.
3 June 2019 – Upgraded Intrinsic rating from 'BB (high)' to 'BBB (low)'; the Critical Obligations rating from 'BBB' to 'BBB (high)'; the Deposits rating from 'BBB (low)' to 'BBB'; the Senior Debt rating from 'BB (high)' to 'BBB (low)'; the Senior Non Preferred Debt rating from 'BB' to 'BB (high)'; and the Subordinated Debt rating from 'BB (low)' to 'BB'.

Capital

According to our interpretation of CRD IV/CRR to date, the CET1 estimated ratio as at 31 December 2019 stood at 12.2% both phased-in and fully implemented, consistent with the amounts presented at the same period of 2018 (12.1% phased-in and 12.0% fully implemented) and above the minimum required ratios under the SREP (Supervisory Review and Evaluation Process) for 2019 (CET1 9.625%, T1 11.125% and Total 13.125%).

The CET1 phased-in ratio performance during 2019 mainly reflects:

- the phased-in progression along with the application of the 2019 SREP result, determined an increase of 47 million euros in CET1 and 53 million euros in risk weighted assets (+10 basis points in CET1 phased-in ratio);
- the IFRS16 adoption originated 256 million euros of increase in risk weighted assets (-7 basis points in CET1 phase-in ratio);
- the acquisition of Euro Bank, S.A. by Bank Millennium in Poland, that took place in May 2019, determined an increase of 32 million euros in CET1 and of 2,067 million euros in risk weighted assets (-49 basis points in CET1 phase-in ratio);
- the pension fund's responsibilities discount rate reduction, as a consequence of the interest rate decrease, although partially compensated by the fund's appreciation, led to a decrease of 389 million euros in the CET1 and 148 million euros in the risk weighted assets (-89 basis points in CET1 phase-in ratio).

The T1 and Total ratio were also influenced, in 2019, by the following impacts:

- the issuance of perpetual subordinated notes qualified as Additional Tier 1 (AT1), in January, in the amount of 400 million euros (+96 basis points in both T1 and Total ratios phased-in);
- the issuance, also in January, by Bank Millennium, S.A. in Poland of subordinated bonds qualified as Tier 2 capital instruments, amounting 830 million zlotys (+10 basis points in Total ratio phased-in).

The organic generation of capital, including the positive net income of 2019, contributed significantly to the good capital ratios performance on this period.

SOLVABILITY RATIOS

(Euro million)

	31 Dec. 19	31 Dec. 18	31 Dec. 19	31 Dec. 18
	PHASED-IN		FULLY IMPLEMENTED	
OWN FUNDS				
Common Equity Tier 1 (CET1)	5,508	5,047	5,496	5,024
Tier 1	6,012	5,121	6,000	5,102
TOTAL CAPITAL	7,036	5,688	7,028	5,663
RISK WEIGHTED ASSETS	45,031	41,883	44,972	41,819
CAPITAL RATIOS (*)				
CET1	12.2%	12.1%	12.2%	12.0%
Tier 1	13.4%	12.2%	13.3%	12.2%
Total	15.6%	13.6%	15.6%	13.5%

(*) Includes the cumulative net income recorded in each period.

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

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) and the capital conservation buffer (CCB).

Banks will also be allowed to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, for example Additional Tier 1 or Tier 2 instruments, to meet the Pillar 2 Requirements (P2R).

This brings forward a measure that was initially scheduled to come into effect in January 2021, as part of the latest revision of the Capital Requirements Directive (CRD V).

Despite the above measures provide significant capital relief, the Bank does not currently have objective data to estimate the impacts of this crisis on its activity.

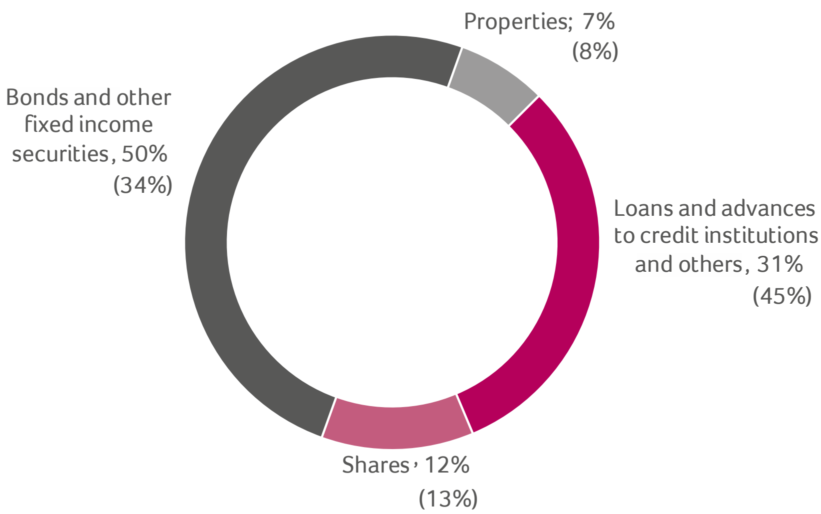
Pension Fund

The Group's responsibilities with pensions on retirement and other benefits are related with the payment to Employees of pensions on retirement, permanent disability pensions and widow and orphan benefits. As at 31 December 2019, the Group's responsibilities stood at 3,490 million Euros, comparing to 3,066 million Euros at the end of 2018.

At the end of 2019, the Pension Fund's assets reached 3,501 million Euros (3,078 million Euros as at 31 December 2018) and a positive rate of return of 8.1%, which compares favourably to the assumed actuarial rate of 2.1%. The actuarial rate was reduced to 1.6% at the end of first half of 2019 and to 1.4% at the end of 2019.

As at 31 December 2019, the structure of the Pension Fund's asset portfolio shows an increase in investment in bonds and other fixed income securities compared to the previous year, in contrast to the reduction in the value of the category Loans and advances to credit institutions and others. At the end of 2019, the main asset categories in the Pension Fund's portfolio, were as follows:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 31 DECEMBER 2019



(xx%) Proportion as at 31 de December 2018

The main actuarial assumptions used to determine the Pension Fund's liabilities for the years ended in 2019, 2018 and 2017 are shown below:

ASSUMPTIONS	2019	2018	2017
Discount rate	1.40%	2.10%	2.10%
Increase in future compensation levels	0.75%	0.25% until 2019 0.75% after 2019	0.25% until 2019 0.75% after 2019
Rate of pensions increase	0.50%	0% until 2019 0.5% after 2019	0% until 2019 0.5% after 2019
Projected rate of return on fund's assets	1.40%	2.10%	2.10%
Mortality tables			
Men	TV 88/90	TV 88/90	TV 88/90
Women	TV 88/90 - 3 years	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Not applicable	Not applicable	Not applicable
Turnover rate	Not applicable	Not applicable	Not applicable
Normal retirement age	66 years and 5 months	66 years and 4 months	66 years and 3 months
Total salary growth rate for Social Security purposes	1.75%	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%	1.00%

At year-end 2016 the Collective Labour Agreement was revised and the respective impacts were recognized in the consolidated profit and loss account. The changes introduced in the Collective Labour Agreement were only formally accepted by the "Northern Trade Union" in April 2017 and therefore the respective impact was recognized in first half of 2017.

At year-end 2017, the agreement of the Group's Pension Fund was amended in order to incorporate the responsibilities that have been directly supported by each Group entity (extra-fund liabilities), as well as the changes introduced in the Group's Collective Labour Agreements, in terms of retirements benefits.

In September 2019, the Bank established 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 establishes from 1 January 2018 onwards, the increase in the base salary by 0.75% up to salary level 6 and by 0.50% for salary levels 7 to 20 and the increase of other pecuniary clauses, such as the lunch allowance, seniority payments, among others.

The actuarial differences recorded in 2019 were negative by 285 million Euros, before taxes (98 million Euros, before taxes of also negative actuarial deviations in 2018), including 182 million Euros of positive financial deviations related to the pension fund's return, 367 million Euros of actuarial losses as a consequence of the reduction in the discount rate and 100 million Euros of actuarial deviations between expected and actual liabilities.

The main indicators of the Pension Fund as at the end of 2019, 2018 and 2017 are as follows:

MAIN INDICATORS	2019	2018	2017
Liabilities with pensions	3,490	3,066	3,050
Minimum level of liabilities to cover*	3,431	3,015	2,997
Value of the Pension Fund	3,501	3,078	3,166
Coverage rate	100.3%	100.4%	103.8%
Coverage rate of the minimum level of liabilities*	102.0%	102.1%	105.7%
Return on Pension Fund	8.1%	0.2%	4.2%
Actuarial (gains) and losses	285	98	-29

* According to the Bank of Portugal requirements

As of 31 December 2019, the Group's responsibilities showed a 100% coverage level, being fully funded at a higher level than the minimum set by Banco de Portugal.

Information on trends

Despite the ongoing economic recovery in Portugal, the stabilisation of the banking industry and the decrease in public and private indebtedness, Portuguese banks continued to operate in a challenging environment in 2019. Banks are operating within a context of very low interest rates, exercising pressure on the net interest income. Moreover, Portuguese Banks still have a significant number of non-interest bearing assets in their balance sheets. In addition, the context is marked by fast technological evolution and, pursuant to the Payment Services Directive 2 ("PSD2"), by the competition from new players in the market (Fintechs). There are also new regulatory requirements, namely, as a result of the adoption of IFRS16 since January 2019.

Banco de Portugal's forecasts for the Portuguese economy, from 2019 to 2022, point towards the slowdown of the recovery of economic activity, converging to the expected GDP growth for the Euro Area. GDP is expected to have grown, on average, 2.0% in 2019, 1.7% in 2020 and 1.6% in 2021 and 2022. It is expected that the contribution provided by net exports will gradually decrease its importance in GDP's growth between 2019 and 2022. Public deficit decreased to 0.1% of the GDP in 2019, the lowest ever since Portugal joined the Euro Area. A surplus is expected as soon as 2020.

At the end of 2019, all the rating agencies assigned an investment grade rating to the Portuguese Republic, which, together with the improvement in the perception of the market vis-à-vis the Portuguese economy, led to a sharp reduction in sovereign risk premiums and of banks.

In accordance with Banco de Portugal, Portuguese banks resort to the ECB in the amount of EUR 17.3 billion at the end of December 2019. There figures are consistent with the downwards trend in place since the second half of 2013. These figures show an improvement in the liquidity position of the domestic banks which has benefited from the resilient performance of deposits, namely from individuals (+5.3% year-on-year in December 2019, with demand deposits up 8.8%).

Moreover, the deleveraging of the Portuguese financial sector continues and the total loans to individuals increased 3.5% and loans to companies decreased 2.6%, year-on-year, respectively, in December 2019. The loans-to-deposits ratio of the banking sector in Portugal stood at 88% at the end of September 2019 versus 128% at the end of 2012 and 158% at the end of 2010.

The loans granted by BCP continued to decrease but reflects two different dynamics: the NPE portfolio decreased by EUR 1.3 billion in December 2019, year-on-year, and the performing portfolio increased by EUR 5.0 billion, of which EUR 3.0 are related to the Euro Bank acquisition (in Portugal: NPE portfolio decreased by EUR 1.6 billion and performing portfolio increased by EUR 1.1 billion). At the same time, deposits also continued to grow: +4.6% year-on-year, in Portugal, in December 2019. As BCP has excess liquidity (loans-to-deposits ratio stood at 86% in December 2019), it decided to reduce its use of net funding from the ECB to EUR 0.3 billion in December 2019.

At the end of December 2019, BCP was the largest Portuguese private sector bank, with a robust asset structure, a fully implemented CET1 ratio of 12.2%, above regulatory requirements (SREP) and a loans-to-deposits ratio of 86%.

The low level of interest rates is contributing to decrease the spread on term deposits of the Portuguese banks, a trend which continued, albeit at a slower pace, in 2019, more than offsetting the lower spreads in credit. The rates of the term deposits reached, by the end of December 2019, values around 10 basis points, and the portfolio's average rate should converge to these levels over the course of next year.

The price effect on the net interest income should continue to be globally positive, translating the improvement of the net interest income on operations with Customers (differential between the loans average rate and the average rate at which the banks remunerate the deposits). The profitability of the Portuguese banks is expected to continue to be constrained by the prospects of continuation of a low short term interest rates environment.

Several institutions should continue to apply restructuring plans, to increase operating efficiency and the adjustment of business models, which translates into the decrease in the number of branches and employees and in the release of capital allocated to non-core activities. Profitability in the banking industry is still affected by a high NPE stock. Organic capital generation continues to be limited by the low for longer interest rate environment which resulted in DTAs derecognition and downward revision of the pension fund discount interest rate.

There is great focus on the management of the stock of problematic assets and respective coverage levels by LLRs. BCP has recently presented a new Strategic Plan (Mobilizing Millennium: 2021 Ambitions and Strategic Plan) which includes a new target of NPEs reduction: 60% reduction of NPE stock, reaching approximately EUR 3 billion by 2021.

Regarding mortgage loans granted by Bank Millennium in CHF, there are risks related to verdicts issued by polish courts in individual lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans.

Vast majority of verdicts in lawsuits concerning Bank Millennium have been favourable to the Bank so far. However, it should be noted that there is a significant risk that such favourable verdicts may change, as a result of which pending lawsuits' verdicts may not be taken in accordance with the Bank's expectation. If such risk materializes, it may have a significant negative impact on Bank Millennium.

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, in connection with the preliminary questions formulated by the District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU, combined with the interpretation of European Union Law, is binding on domestic courts.

CJEU's judgment concerns only the 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 particular contract term can be identified as abusive in the circumstances of the lawsuit. It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be further examined by the national courts within the framework of the disputes considered, which could possibly result in the emergence of further interpretations relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis 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 may also be filed

As at 2019, the Bank had 2,010 FX-indexed mortgage loans under individual litigations, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 203 million (Euros 47.74 million). Until 31 December 2019, only 19 of these cases had obtained a final verdict, being the vast majority in accordance with the Bank's interest. The case is pending before its first hearing.

According to the Polish Bank Association (ZBP), during 2019, over 70% of the lawsuits regarding FX-indexed mortgage loans obtained a final verdict favourable to the banks involved. However, after the CJEU judgment regarding Case C-260/18 issued on 3 October 2019, there is a risk that this so far positive scenario for the banks may change.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created a provision in the amount of PLN 223 million (Euros 52.45 million) for legal risk. 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.

Bank Millennium undertakes a number of actions at different levels towards different stakeholders in order to mitigate legal and litigation risk regarding the FX-indexed mortgage loans portfolio. Bank Millennium is open 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.

It is not yet possible to determine what will be the final impact of the resolution of BES on BCP as an institution participating in the resolution fund created by Decree-Law no. 31-A/2012, of 10 February (the "Resolution Fund").

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 mechanism was as of 30 June 2016 of Euros 7,838 million (book value of the associated assets, net of impairments), and the value of the portfolio, as of 31 December 2018, amounted to approximately Euros 3,920 million (book value, net of impairments);
- The accumulated losses of the covered assets and their management, between 30 June 2016 (reference date of the mechanism) and 31 December 2018, correspond to Euros 2,661 million. Of this amount, the Resolution Fund paid in 2018, in accordance with the terms and conditions of the CCA, around Euros 792 million, hence, the amount of losses not borne by the Fund was, at the end of 2018, approximately Euros 1,869 million;
- The amount necessary to maintain the capital ratios of Novo Banco for 2018 at the agreed levels is Euros 1,149 million. The amount payable by the Resolution Fund results from a comparison between the amount of Euros 1.869 million (accumulated loss on the covered assets not supported by the Fund) and the amount of Euros 1,149 million, corresponding to the lower of those amounts, i.e. Euros 1,149 million.

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 792 million to Novo Banco using its available financial resources from banking contributions (direct or indirect) and complemented by a State loan of Euros 430 million under the terms agreed between the Portuguese State and the Resolution Fund in October 2017. In its 2018 annual results press release, on 1 March 2019, Novo Banco states that, in connection with the impact of losses related to the sale and write-downs of legacy assets, Novo Banco will request a compensation of Euros 1,149 million under the existing CCA. The Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to 2018 exercise of Euros 1.149 million. For this purpose, the Resolution Fund used its own resources and also resorted to a State loan of Euros 850 million, which corresponds to the annual maximum funding limit agreed between the Resolution Fund and the State. The amount paid by the Resolution Fund to Novo Banco in two years was Euros 1,941 million.

According to Novo Banco's 2019 earnings press release, Novo Banco will request a compensation of Euros 1.037 million under the Contingent Capital Agreement (CCA), as stipulated in the sale agreement. The amount of the compensation requested in 2017 and 2018 and to be requested relating to 2019 totals Euros 2.98 billion. The maximum amount of compensation established in the CCA is Euros 3.89 billion.

As at 31 December 2019, Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

The Bank has been notified by the Banco de Portugal on the Single Resolution Board's decision regarding the minimum requirement for MREL for the resolution group headed by the Bank, at a sub-consolidated level, which includes the operations based in Portugal, Switzerland and Cayman, and excludes the operations based in Mozambique and Poland (the "Resolution Group").

The MREL requirement has been set at 25.98% of its RWA for the resolution group based on the data of 31 December 2017. Moreover, the Bank has been informed that the MREL requirement needs to be met by 1 July 2022.

This is fully aligned with the Bank's expectations and generally consistent with the funding projections already included in the Bank's strategic Plan for the period 2018-2021, which underpins the medium term performance targets disclosed to the market with the results announcement for the first six months of 2018. Nevertheless, it must be noted that the MREL requirement may be adjusted in the future by the competent authorities, to reflect their assessment of the underlying risks, business evolution or changes in the profile of the Bank's assets and liabilities.

Covid-19 has been affecting a very wide range of countries, having infected thousands of people worldwide. The known data suggest that these numbers will continue to increase. Bearing in mind the spread of this situation in global terms, and in particular in some economies of the Eurozone, the Bank considers that it is still premature to estimate possible impacts. However, it should be noted that research notes have been issued by supranational entities and rating agencies towards the downward revision of the world and European economic growth prospects in 2020.

The Bank, as the parent of a financial group, is following a "Contingency Plan" adapted to the pandemic scenario, which has been updated specifically for the current crisis, having created a specific Crisis Management Office for this effect. In this context, in line with the guidelines issued by the authorities and supervisory entities, the Bank, which is in permanent communication with supervisors, has defined an action plan aimed at protecting Customers and Employees, minimizing the possibilities of contagion and ensuring the operational continuity of the business. Guidance was also issued to service providers.

The Contingency Plan comprehends, among others, the following measures:

- Communication to Employees of mitigation measures and information about the virus that aim to safeguard Employees and the entire surrounding community, as well as ensuring that the business activity maintains the service levels that Customers expect from Millennium BCP:
  - National and foreign travel for work should only occur in exceptional cases. National or foreign trips for personal reasons and using air transport are not recommended;
  - Whenever possible, meetings by videoconference or conference calls should be privileged;
  - Employees must limit some of their social habits, such as complying with physical contact;
  - Employees who have been abroad in the past 14 days should inform their hierarchy and their Human Resources Manager to assess the need for additional protection measures
  - Distribution of masks and procedures on when and how to use them.
- Daily monitoring of absent employees.
- Physical segregation of the workspace to minimize the risk of spreading the virus and implementing remote work for part of the teams.
- The Crisis Management Office monitors the evolution of the situation and, if necessary, will implement new actions.

NON-FINANCIAL INFORMATION

2019 Campaign | Family Advantage

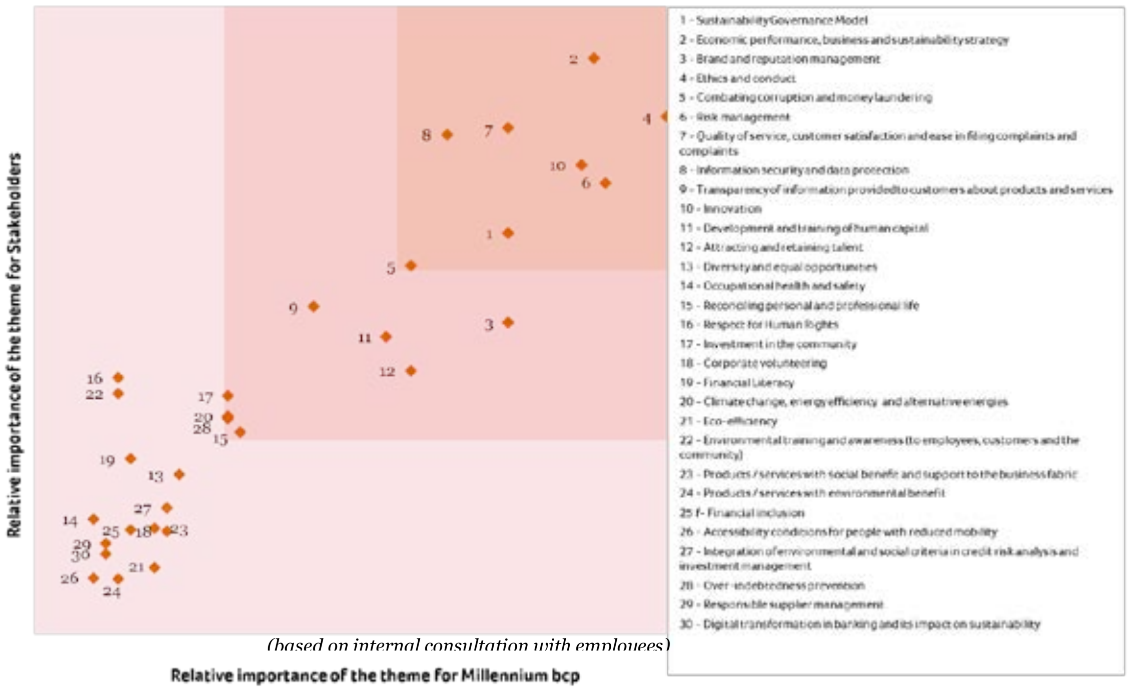
Involvement of Stakeholders

BCP Group defines strategies and pursues policies, adjusted to the new challenges imposed by the interested parties with which it relates, materializing a business model based on an ongoing and transparent dialogue enabling to understand and comply with the expectations of its Stakeholders.

In 2019, a new consultation of Stakeholders was held. This process, which involved, through a representative sampling, the main stakeholders, namely (i) Qualified shareholders, (ii) Clients from all segments of the Bank, (iii) Employees, (iv) Community, (v) Suppliers and (vi) Press, obtained a response rate of 66%, allowing an update in what regards the identification of the issues with the greatest relevance and impact on the Bank's activity to be updated.

Materiality Matrix

The identification and the ongoing follow-up of the themes considered material by the Stakeholders of Millennium bcp enabled the Bank to know the areas that show better performances within the scope of Sustainability, but also enabled it to rapidly detect improvement opportunities representing a strong contribution for the adoption of an appropriate sustainability strategy adapted to new realities, challenges and requirements.



The relative importance of the material issues contained in the new matrix, which will guide us in 2020/2021, reflects the Bank's level of maturity in the axes of action identified, but also the degree of achievement and compliance already achieved.

Sustainability Policy

The adopted sustainability policy, which fosters a culture of Social Responsibility, aims to positively influence the organisation's value proposition in the long term, balanced with the well-being of the people, the company and communities in which it operates, while preserving natural resources, climate and the environment.

Within this framework, it is possible to divide the Bank's intervention into three major axes:

- Environment - implementation of measures fostering a fair and inclusive transition to a decarbonised economic development model, including the incorporation of the environmental aspect into the Bank's risk models;
- Social - Involvement with both the external and the internal communities;
- Corporate governance - integration of sustainability principles into the Bank's decision-making processes.

Therefore, as an integral part of its business model, Millennium bcp takes on the commitment to create social value by developing actions to - and with - the various stakeholder groups with the goal of directly and indirectly contribute to the development of the countries in which it operates.

Respecting the Global Compact Principles, proposed by the United Nations, BCP Group is committed to supporting its 10 Principles that establish a set of values in the areas of Human Rights, Working Conditions, Environmental Protection and Anti-corruption.

BCP acknowledges the importance of the Sustainable Development Goals (SDGs) of the United Nations. Considering that the pursuit of these 17 objectives implies a joint effort of states and private entities, namely companies, BCP Group assumes the commitment to work actively towards a sustainable, socially inclusive and environmentally responsible development in all territories where it operates.

The strategy of Millennium bcp in terms of Sustainability is translated in the Sustainability Master Plan (SMP) 2021, a plan of commitments that aggregates a number of actions to be carried out by the Bank. The guidelines and the definition of the actions part of the SMP are based on a balanced relation between the identified relevant material issues, the Bank's available resources and the economic and market framework existing at the time.

Sustainability Master Plan

The new 2021 Sustainability Master Plan, which will guide the Bank in implementing ESG (Environmental, Social and Governance) policies and practices, and which constitutes an integrating instrument that aims at, based on a transparent, close and consequent relationship, meeting the expectations identified in the consultation of the Bank's main Stakeholders, envisages the following dimensions and lines of action, in their different aspects:

SUSTAINABILITY MASTER PLAN (SMP) 2021

Area	Actions
Governance Model of Sustainability and Corporate Policies	- To implement a model of governance of the Sustainability Area that allows a multidisciplinary and transversal action on the organisation, including, whenever justified, international operations; - Review and update the Group's corporate policies; - To review evaluation and remuneration policies.
Training on Sustainability	- e-Learning Course on Sustainability (and Sustainable Finance).
Brand Management and Reputation	- Strengthen the positioning of Millennium bcp in the sustainability indexes; - Adhere to principles and commitments about sustainability; - Define the positioning of BCP in relation to SDGs; - Integrate sustainability into corporate events; - Strengthen the communication and promotion of Microcredit; - Improving sustainability reporting and communication.
Risk management, ethics and conduct	- Foster a culture of compliance and of a strict management of risk; - Ensure integration of environmental and social risks into the risk analysis process.
Information Security and data protection	- Ensure the management and information of employees.
Quality of service and customer satisfaction	- Optimise satisfaction levels; - Foster a culture of continuous improvement; - Creation of a Customer Charter.
Responsible supplier management	- Formalise compliance with social and environmental requirements in the relationship established with Suppliers.
Innovation	- Foster a culture of innovation.
Sustainable financing policies and regulation	- Monitor the development of the European Commission's Sustainable Finance Action Plan.
Transparency of information to customers on products and services	- Integrate sustainability aspects of the proposed investments into the communication with customers.
Risk management	- Integrate ESG risks into risk management procedures; - Promote climate changes awareness with corporate clients developing their activities in sectors more exposed to risks and environmental regulations; - Identify and classify Corporate Clients with greater environmental and social risks.
Provide an offer of inclusive and sustainable products	- Promote and launch products that observe social responsibility principles and cope with the new environmental challenges; - Develop an offer of ESG products, which promote the transition of the economy to a sustainable model.
Accessibilities	- Improve the implementation of differentiated working hours for customer service; - Improve digital accessibility of customers.
Attracting and retaining talent	- Support the adoption of healthy lifestyles; - Improve the mechanisms ensuring a greater proximity between the Employees and top managers; - Promotion of work-family balance.
Voluntary work	- Develop and approve a Voluntary Work Policy; - Voluntary work Programme.

Conscious Business Project	- Conscious organisation.
Human Rights	- Analyse and communicate the Group's positioning on human rights risk management.
Financial Literacy	- Financial Literacy Programme; - Implement social and/or environmental awareness actions common to the entire Group.
Investment in the community	- Develop campaigns together with non-governmental organisations and charitable institutions to foster a sustainable development; - Reinforce connection to Millennium bcp Foundation; - Reinforce and systematise partnerships with entities that stimulate and develop entrepreneurship in local communities; - Develop actions of social responsibility; - Measure the impact on the community.
Climate change, energy efficiency and alternative energies	- Contribute to limiting global warming to 2°C (Paris Agreement).
Environmental performance	- Minimise the environmental impact of operations.

Commitments

In 2019, two documents were produced as part of the "Reflection Group for Sustainable Financing in Portugal", promoted by the Ministries of the Environment, Finance and Economy (in the context of the Carbon Neutrality Roadmap 2050) and with the participation of the main Banks in the market, Supervisory entities and Sectoral Associations; (i) "Guidelines for accelerating sustainable financing in Portugal"; and (ii) "Engagement Letter for the Sustainable Funding in Portugal", signed by Millennium bcp, which seek to highlight the importance of integrating environmental, social and governance risks into the decision-making and risk management processes of the financial sector.

The Bank has also joined the "Business Mobility Pact for the City of Lisbon", a joint initiative of the Municipality of Lisbon (*CML*), the WBCSD - World Business Council for Sustainable Development and BCSD Portugal, which brings together, in a public voluntary agreement, companies that operate in Lisbon and have as their common ambition to improve and transform mobility in the city, making it more sustainable.

Millennium bcp also subscribed to the "Lisbon European Green Capital 2020 commitment", promoted by the Lisbon Municipality, which brought together 200 entities who are present in the city, among companies, schools and institutions, in a collective commitment in favour of climate action and towards sustainability.

Table of Correspondence between the Management Report and Decree Law 89/2017

Decree Law 89/2017, of 28 July	Chapter/section	Page/s
Art. 3 (cfr. Art. 66-B and 508-G of the CC): The non-financial statement must contain information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, gender equality, non-discrimination, respect for human rights, anti-corruption and bribery matters, including:		
a) A brief description of the undertaking's business model	2019 Annual Report Information on the BCP Group Business Model	Page 10-24 Page 35-40
b) A description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented	2019 Annual Report: Involvement of Stakeholders	Pag. 141-144
c) The outcome of those policies	2019 Annual Report: Value added to each Stakeholder Group Environmental impact	Pag. 146-162 Pag. 163-167
d) The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks	2019 Annual Report: Main Risks and Uncertainties Risk Management Value added to each Stakeholder Group	Pag. 98-99 Pag. 100-129 Pag. 146-162
e) Non-financial key performance indicators relevant to its specific activity	2019 Annual Report: Summary of Indicators Main Highlights Value added to each Stakeholder Group	Pag. 11-14 Page 12 Pag. 146-162
Art. 4 (as per Art. 245 1.r and 2 of the CC): Description of the diversity policy applied in relation to the undertaking's management and supervisory bodies with regard to aspects such as age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period.	2019 Annual Report: Non-financial Statement 2019 Corporate Governance Report	Pag. 140-163 Sections on the diversity policy of the corporate bodies and on the competences of the Committee for Nominations and Remunerations

Value added to each Stakeholder Group

A sustainable Bank, (more) prepared for the Future

In 2019, the Bank obtained a profit of 302.0 million Euros, as a result of the growth inincome from domestic activity, from 115.5 million Euros to 144.8 million Euros, and from income from international activity, from 186.9 to 143.8 million Euros, largely reflecting a number of extraordinary effects, among which, in Poland, was a provision for legal risks related to the loan portfolio in Swiss francs and the cost of integrating EuroBank. Millennium bcp is one of the most efficient banks in the Euro area, with cost-to-core income and cost-to-income ratios of 49% (52% including one-off items) and 47% (50% including one-off items), respectively, in 2019. Return on Equity (ROE) stood at 5.1%, almost the same level as the previous year.

The improvement in asset quality, translated in the decrease in Non-Performing Exposures (NPE) in Portugal to 3.2 billion Euros, as at 31 December 2019 must be emphasized, which shows a descent of 9.5 thousand million Euros since 2013 and the maintenance of a comfortable level of liquidity, seen in the 86% loan-to-deposit ratio. The Common Equity Tier 1 capital ratio, according to the fully implemented criteria, stood at 12.2%.

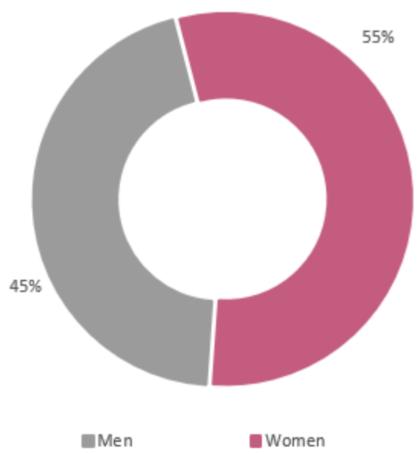
During 2019, the BCP Share had a 11.6% devaluation, reflecting the uncertainties in the geopolitical, macroeconomic and financial sector environment, but also specific factors associated with the Bank's operations, namely those related to the operation in Poland, the uncertainty related to the issue of loans granted in foreign currency by the Polish financial system in the period preceding the international financial crisis.

Staff Members

BCP Group ensures, in its different operations, a fair treatment and equal opportunities to all its Employees, promoting meritocracy at all stages of their career and defining their remuneration in accordance with category, professional path and level of achievement of the established objectives.

The general principles that rule the BCP Group established a series of values and benchmarks, universally applicable to all Employees, resulting in a clear and unequivocal guidance, so that, regardless of the respective hierarchical or responsibility level, all Employees always act in a fair manner, with no discrimination, and also reaffirming the ten Global Compact Principles, under which the Group recognises and supports the freedom of association and the right to collective work agreement negotiation and rejects the existence of any form of forced and compulsory labour, including child labour.

Breakdown by gender
(Percentage)

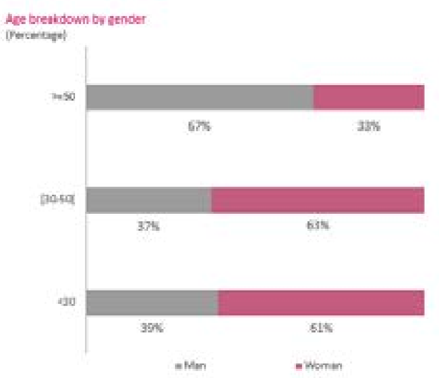


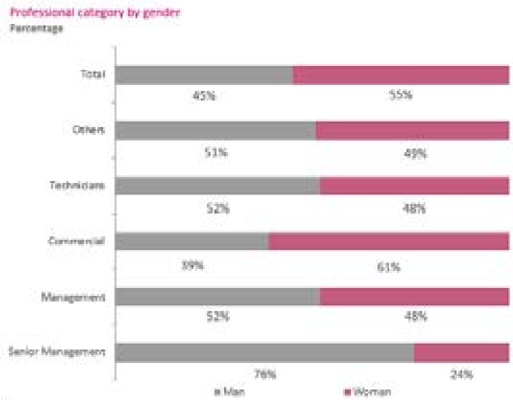
The commitments undertaken by the BCP Group within the scope of human rights, labour conditions and equal opportunities are also enshrined in the corporate policies, of which the policies on Human Rights, Equality and Non--Discrimination and Occupational Health and Safety are an example. These policies are available for consultation on the Bank's website, in the Sustainability area

https://ind.millenniumbcp.pt/pt/Institucional/sustentabilidade/Pages/cod_internos.aspx

Within the scope of gender diversity in the Board of Directors, in 2019, globally, in BCP, in Portugal, 23.5% of these functions were performed by women.

Still within the scope of gender diversity in management functions (Executive Committee/Senior Management and Management) in 2019, globally, 45% of these functions are performed by women – 21% in Portugal, 60% in Poland and 28% in Mozambique. In commercial functions, this figure increases to 61% in the Group, i.e. 47% in Portugal, 75% in Poland and 60% in Mozambique.





Information about the number of employees (not FTE's - Full Time Equivalent) for: Portugal, Mozambique, Switzerland and Poland.

In 2019, the Bank in Portugal published its first Plan for Gender Equality, a document that lists a set of concrete actions and practices to be implemented in the next two years with a view to fostering diversity and inclusion.

Also in 2019, Millennium bcp subscribed to the "CEO's Guide to Human Rights", an initiative of the World Business Council for Sustainable Development (WBCSD) and the Business Council for Sustainable Development (BCSD Portugal). The Guide incorporates benchmark policies and practices and aims to contribute to the implementation and promotion of human rights in organisations and their value chains.

BCP has also integrated, for the first time, the Bloomberg Gender-Equality Index, joining the group of 325 companies that worldwide stand out in the implementation of gender equality, diversity and inclusion practices and policies.

The presence in this index, which brings together companies from 42 countries representing more than 50 different activity sectors, is a milestone that reflects the Bank's commitment to the development of its Sustainability Plan and a recognition of its performance in matters of gender equality and Non-Financial Reporting that is clear and transparent.

Training

The Employees are one of the strategic pillars of Group BCP, reason why training continues to be seen as a priority for the development of their professional and personal skills. The search for excellence in the quality of the service provided to Customers involves identifying the training which is most suited to the specific needs of each Employee, taking into account the Bank's strategic objectives.

TRAINING

	2019	2018	2017	VAR.% 19/18
NUMBER OF PARTICIPANTS [(1)]				
In person	31,043	42,906	47,731	-27.6%
E-learning	311,211	158,845	270,833	95.9%
Remotely	59,592	63,512	62,143	-6.2%
NUMBER OF HOURS				
In person	319,236	298,361	326,841	-7.0%
E-learning	343,403	121,634	469,357	182.3%
Remotely	184,544	205,998	143,575	-10.4%
BY EMPLOYEE	46	39	59	17.0%

[(1)] The same employee may have attended several training sessions.

In overall terms, in the Group, 5,741 training actions were ministered, corresponding to over 685 hours of training, with an average of 46 training hours per Employee. During 2019, the training effort kept its focus not only on the commercial areas, but also on technical, operational and compliance areas and on team management.

Talent Management

At Group BCP, people management is one of the most important pillars of the Bank's competitiveness and sustainability. Simultaneously with the valorisation of general and specific skills, it is crucial, in an organisational enhancement perspective, to identify Employees with potential and talent, so that in future they can perform duties of higher complexity and responsibility.

The development programmes that have been implemented in the different geographic areas of the BCP Group are thus a specific response to Employees with high performance and potential, enabling: i) recently recruited Employees to acquire a transversal overview of the business and best practices of the organisation; and ii) experienced Employees the opportunity to acquire the necessary skills so that in future they can perform more complex roles with higher responsibility.

Examples of this strategy in Portugal include the 1st edition of the M Power leading position skills development programme and the M Social Power inclusion and diversity programme, which involved 323 Employees, and the 2nd edition of the inGenious training programme, aimed at 40 young talents in the Bank's analytics and technology areas.

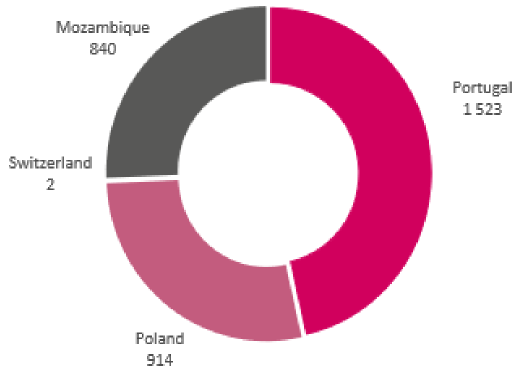
Evaluation and Recognition

At the BCP Group, the individual performance assessment models, based on a process of counselling and guidance towards the development of skills, gives rise to opportunities of dialogue between the senior staff and their Employees, enabling the further deepening of a culture of personal accountability for the development of their careers.

Together with an attitude of encouragement of Employee valorisation and adoption of best practices, the BCP Group upholds a policy of recognition of the merit and dedication shown by each Employee, through a system of incentives, a professional valorisation plan based on merit and specific distinctions, attributed to Employees with excellent performance.

This is the way the Bank found to materialise a policy for recognising merit, valuing the professionalism shown by 3,279 employees in Portugal (1,776 are women and 1,503 are men).

Promotions
(Number of Employees)



Satisfaction with Internal Customers

Since Employees constitute one of the strategic pillars of the BCP Group, their level of satisfaction with the service provided by the different internal areas - with direct relation and reflection on the quality of the guaranteed Customer service - is an important endogenous indicator to assess the Bank's effectiveness and perceived efficiency.

The opinion surveys were maintained regarding the satisfaction with the internal service among Employees who interact with other areas to perform their duties, in order to, as part of a continuous improvement policy, identify opportunities for improvement and optimisation of the processes, technological solutions and procedures in force.

In Portugal, these studies are now carried out every two years, and the overall figure obtained in the 2019 study, 79.8 i.p. is in line with the previous two years.

In Mozambique and Switzerland, in 2019, the value recorded was 73.0 i.p.

Benefits

The BCP Group offers its Employees a series of corporate benefits, apart from those established in the applicable legislation. Concerning health and safety, in Portugal and Poland, Millennium Employees benefit from a dedicated medical staff and medical units, which, in Portugal, now also include Nutrition and Clinical Psychology. They also benefit from regular medical check-ups.

In Mozambique, Millennium bim has: i) a medical office, which, in addition to medical appointments, also offers various specialities and basic health care; ii) an HIV office, ensuring prevention and follow-up of this disease; and iii) social support office, offering counselling to Employees.

HEALTH SERVICES [1]

	2019	2018	2017	VAR.% 19/18
MEDICAL SERVICES				
Medical appointments carried out	26,539	22,507	21,409	8.4%
Check-ups carried out	9,416	9,142	8,831	3.0%
HEALTH INSURANCE				
Individuals involved	46,311	47,257	47,209	-2.0%

[1] Includes active Employees and retired Employees.

Employees of the BCP Group benefit from mortgage loans, permanently and under special conditions. The credit is granted abiding by the credit risk assessment principles set by the Bank's regulations. The Employees may also benefit from loans for social purposes that, among other, serve to meet credit needs in order to face education or health expenses, repairs made in their own domicile or in a rented one and the acquisition of other goods and services with an exceptional nature.

LOANS TO EMPLOYEES [(1)]

Million Euros

	2019		2018		2017	
	Amount	Staff Members	Amount	Staff Members	Amount	Staff Members
HOUSING						
Portfolio	562.1	8,294	607.7	8,747	661.2	9,405
Granted in 2018	29.8	281	25.8	304	24.7	328
SOCIAL PURPOSES LOANS						
Portfolio	11.1	2,429	11.3	2,548	12.3	2,800
Granted in 2018	3.9	981	3.5	870	3.2	848

[(1)] Includes active Employees and retired Employees.

Evolution of Staff Numbers

In 2019, the number of BCP Group employees increased significantly by 15.67% (2,518 more employees) compared to the previous year, mainly due to the acquisition of EuroBank, in Poland. Of the 18,585 Employees of the Group, 61% worked in the international business and 39% in Portugal.

EMPLOYEES [(1)]

	2019	2018	2017	Var. % 19/18
TOTAL IN PORTUGAL	7, 204	7, 095	7,189	1.5%
Poland	8,615	6,270	5,945	37.4%
Switzerland	82	77	71	6.5%
Mozambique	2,680	2, 619	2,631	2.3%
INTERNATIONAL TOTAL	11,377	8, 966	8,647	26.9%
TOTAL FOR THE GROUP	18,581	16, 061	15,836	15.7%

(1) Information on the number of Employees (not FTE's - full time equivalent) for: Portugal, Mozambique, Switzerland and Poland (including EuroBank).

Note: does not include Millennium bcp Bank & Trust employees.

In Portugal, the downward trend in the number of employees was reversed, with an increase of 109 employees compared to the previous year. There were 342 new employees (53% women), mostly for commercial functions (59%) and for Digital Banking, with 249 employees leaving, 70% by mutual agreement and/or retirement plans and 27% at the initiative of the employee. Among the Employees who left, 58% worked in the commercial areas and 12% had management functions.

In Poland, with the acquisition of EuroBank, the number of employees was greatly increased (37% compared to 2018), reaching 8,615 employees. 69% of EuroBank's employees are women. Even so, without the "EuroBank effect", the number of employees would have increased by 83.

In Mozambique there was also an increase in the number of employees (2.3% compared to 2018), with the hiring of 229 new employees, 79% to perform commercial functions. There were 158 employees who left, 50% of whom had commercial functions.

Clients

Satisfaction Surveys

In Portugal, Millennium bcp continues to focus on the model of assessment of Customer experiences. 24 hours after interaction with the Bank, the Customer is invited to answer a brief questionnaire to assess Customer satisfaction with this experience with the Bank and the corresponding level of recommendation.

In 2019, over 130,000 experiences of Clients who visited Branches of Millennium BCP or were contacted by Client Managers were assessed.

In 2019, the indicator NPS (*Net Promoter Score*), that translates the level of recommendation of the Bank recorded, in the case of Prestige Clients, an increase to 64,9 points, 2,7 points than in 2018; the Mass Market segment, that improvement showed an increase of 1.8 points, to 71.6. Regarding the NPS of Business Clients, it also recorded an expansion, improving to 62.5 (60.2 in 2018). Based on these results per segment, the global NPS of Millennium bcp is 69.8%, favourably comparing with 67.7% in 2017.

Apart from the experiences of Clients with Branches and/or Client Managers, where the indicators mentioned above are based upon, Millennium bcp also assesses other Client experiences namely (i) Account Opening for Individuals and Companies, (ii) handling of Claims, (iii) interaction with the Contact Centre, (iv) use of Internet Banking and (v) the moment when the Account is closed - to be able to assess why the Bank lost those clients, (vi) the sue of Internet banking and (vii) the utilization of new Millennium Transactions Machines (MTM). Globally, in 2019, the Clients evaluated more than 230.000 experiences with Millennium.

The Bank also undertook another “Mystery Client” action which, with 4 vacancies, totalled more than 1,917 visits to Mass Market Branches. The results obtained in 2019 registered a slight decrease compared to 2018 (0.4 p.p.), reaching 78.6% of completion regarding the choreography of customer service recommended by the Bank in 2019.

The programme “#1 in Customer Experience” is a transformational project to provide clients with distinctive and memorable experiences through the ongoing improvement of the product and service range, the adaptation of the Bank's channels to today's trends, but also the simplification of processes and, naturally, the development of the Employees' skills.

We also launched in 2019 a programme for Mass-Market, called Be Number One (B#1), which was based in detecting Employee's development needs concerning product, servicing, methods, choreography and leading position vectors. Practical training in dynamic digital formats was made available, adjusted to the needs of each employee, with the aim of improving their performance.

Continuing Project #1 in the Prestige segment, we implemented a recurring programme of certification of new managers, ensuring that client service skills were assimilated and applied in the relationship with our Customers.

We also promoted process and systematic changes, namely the reduction of commercial objectives whenever a manager starts to work on a new portfolio, thus reinforcing the relationship with Clients and giving preference to the increase of relational contacts.

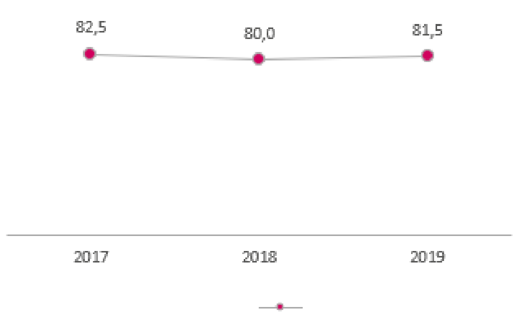
Regarding the remote channels' satisfaction levels, they remained high. An example of this are the 87% of the user clients who replied that they are happy or very happy with Internet Banking - Individuals of which 87% wish to continue to use this service and 82% of companies wish to continue using the Internet Banking - Companies are a good example.

In 2019, Millennium BCP was once again recognised in the scope of its Digital Channels, by the Global Finance Awards "World's Best Digital Bank Awards", as the best bank in information security and fraud management (in the Consumer and Institutional areas), for the third consecutive year.

Millennium BCP was also distinguished as "Best Homebanking Website in 2019", in the scope of the PC Guia 2019 reader awards".

Costumers satisfcation

(Index points)



Information not available for Switzerland.

In order to strengthen the measurement of satisfaction and loyalty in the various Customer segments, Millennium bcp continued to monitor various market studies carried out by specialised companies, so as to obtain indicators to position the Bank in the sector and assess, in an evolutionary way, market perception with regard to (i) quality of the service provided, (ii) the Bank's image and (iii) the products and services it sells. Examples of these studies are the Consumer Choice, the BASEF Banca (Marktest), the BFin (DataE) and the BrandScore.

In this context, it should be noted that the 2nd place achieved at CSI Banca and the recognition as the "Main Bank of Companies", in the BFin study, constitute, in 2019, a recognition of the effort that Millennium bcp has been developing in the modernisation and simplification of products and services, but also of the Bank's strong focus on proximity to its Clients, on the streamlining of operations and on the sustainability of its value proposal.

In international activity, the overall Customer satisfaction levels with the Bank recorded a value of 81.5 index points (i.p.), positively impacted by the improvement registered in Mozambique, which rose from 73 to 76 i.p..

Poland, with 87 i.p. of overall satisfaction, saw Internet banking and mobile banking channels reach 96% and 97%, respectively, of positive ratings in 2019.

Claims

In Portugal, the claims are managed by the Customer Care Centre (CAC). The total number of claims in this operation showed an increase of 23.1% compared with the previous year, with a total of 32,811. Most of these claims relate to banking cards, namely the procurement of products and services through digital channels. The effort to rapidly solve the claims has been a constant concern of the Bank, which has been able to ensure an average response time of 6 business days.

CLAIMS (Portugal and International)

	2019	2018	2017	VAR.% 19/18
CLAIMS RECORDED	136,562	108,244	76,918	26.2%
CLAIMS RESOLVED	125,888	107,453	75,184	17.2%

Note: Includes structural change effect in the claim handling process at Bank Millennium Poland, aiming at the improvement of the Customer experience and the optimisation of the immediate handling of those claims.

In international activity: i) Poland registered an increase in the number of claims compared to the previous year (+27.7%), mainly attributable to current accounts and card transactions; ii) in Mozambique, the number of claims also registered an increase, with cards and current accounts being the most frequently mentioned issues.

Average resolution times in Poland and Mozambique have improved significantly, now standing at 7 and 5 days respectively.

Culture of Rigour

The BCP Group considers that respect for the defined mission and values of the organisation, combined with compliance with its approved strategy, depends, first, on each Employee. Hence, the Group encourages the pursuit of a culture of rigour and responsibility, supported by mechanisms for the dissemination of information, training and monitoring, so as to permanently ensure strict compliance with the instituted rules of conduct.

Against this background, the implementation of specific training activities and the monitoring of the Compliance Office teams have been a constant feature and a priority. Thus, joint action with the different business areas enabled the training, in Portugal, of 2,029 employees in various topics related to the activity of the Compliance Office, always focused on the Employees' awareness of the need to adopt a professional conduct and behaviour in accordance with a culture of ethics and rigour when performing daily duties. This figure, which represents an increase when compared to 2018, is the result of several training actions of which we highlight those on anti-money laundering and terrorist financing practices, MiFID2, remote account opening and new data protection regulations. Strengthening the culture of compliance, both through the normal development of the Training Plan and through a programme of proximity communication to all areas of the Bank, especially the commercial network, is a priority for Millennium bcp. “100% Compliance" is one of the most visible aspects of the transformation that began in 2019, where weekly news items are addressed to all the Bank's networks, seeking to make compliance issues known in a simple language that is both informative and formative.

NUMBER OF TRAINING SESSIONS
(1)

AML/CTF, Market Abuse, Internal Control, Monitoring of Transactions and Legal Issues.

	2019	2018	2017	VAR.% 19/18
Activity in Portugal (2)	5,798	30,300	28,123	-80.1%
International Activity	20,733	2,219	9,093	834.3%
TOTAL	26,531	32,519	34,595	-18.4%

(1) The same employee may have attended several trainings.
(2) Includes the Macao Branch

The adequacy and effectiveness of the Bank's internal control system as a whole and the effectiveness of the risk identification and management processes and governance of the Bank and Group continued to be assured through audit programmes which include the analysis of behavioural matters, compliance with legislation, other regulations and codes of conduct, correct use of delegated competence and respect for all other principles of action in force, in relations with external and internal Customers.

In 2019, the Bank, at Group's level revised and updated its regulations framework related with governance and compliance policies, of which we point out the " Anti-Money Laundering and Terrorism Financing Policy" and "Internal Control System", a process that was completed in the beginning of 2020, with the update of the "Code of Conduct" and the "Policy for the Management of Conflicts of Interest".

The Code of Conduct and a set of compliance rulings and policies that rule the bank's activity are available for consultation on the website, governance area.

(https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx).

Relations of cooperation and loyalty have also been maintained with the judicial authorities and with national and international conduct supervision authorities. Within this scope and by its own initiative, were carried out, in all countries where Group BCP operates, a total of 2,502 communications to local Judicial Entities and it replied to 3,462 requests.

Social and Environmental Products and Services

The BCP Group offers a complete and broad range of financial products and services, and continues, under the development of its business lines, responsible for offering products and services which incorporate social principles and respect for the environment and nature.

BCP Group is also aware that the implementation of social and environmental criteria and standards in the commercial offer is reflected in more efficient risk management, reputation value and higher quality of the products and services offered to customers.

In Portugal, Millennium bcp Microcredit continues to be recognised as an alternative for the funding and feasibility of entrepreneurial action and own-job creation, having approved 177 new operations, which corresponds to total credit granted of 2,924 thousand euros, and helped to create 368 jobs. The volume of loans granted to the 676 operations in portfolio amounted to 8,466 thousand euros, corresponding to principal of 5,114 thousand euros.

With the objective of continuing to support Customers in financial difficulties and prevent default, Millennium bcp also maintained its focus on the stimulation and applicability of SAF packages (Financial Follow-up Service). In this context, 10,879 contractual amendments were made during 2019 (5,326 mortgage loans and 5,553 consumer credit), with a restructuring value of 446 million Euros (409 mortgage loans and 37 consumer loans) and comprised 9,897 Clients (4,424 mortgage loans and 5,473 consumer loans).

For Entities of the social sector, Millennium bcp has kept the Non-Profit Associations Account available, a current account with special conditions, which does not require a minimum opening amount and is exempt from maintenance and overdraft fees. 335 accounts with these features were opened, corresponding to a total of 4,655 accounts in the Bank's portfolio.

For students who decided to pursue their academic career, the Bank concluded, in the first six months of 2019, within the University Credit Line, 43 new loans totalling 345 thousand euros. The volume of credit granted to the 357 operations in the portfolio amounted to 2,837 thousand Euros. Within the scope of the Credit Line with Mutual Guarantee, 1.025 contracts were signed, involving a total credit amount of 11.741 thousand euros.

Also, in Portugal, the Bank has continued to reinforce its support to companies through agreed credit facilities, adjusted to the particularities of the sector and economy, in particular:

- Support to enterprise creation investment projects by unemployed persons, through the following credit lines: i) Microinvest Line - which financed 60 entrepreneurs to a total of 822 thousand Euros; and ii) Invest+ Line which supported 38 entrepreneurs, to a total value of 1,763 thousand Euros.
- Millennium bcp joined the "2020 Efficient House", a programme launched by the Portuguese Government and co-funded by the European Investment Bank (EIB), with total funding to be made available by the Bank of 50 million Euros (25 million Euros from the EIB and 25 million Euros from the Bank). This program, the purpose of which is to grant loans under favourable conditions to operations promoting the improvement of environmental performance of private residences,giving a special attention to energy and hydro efficiency , as well as to urban waste is available since June 2018 - 20 operations were carried out, with a total funding of 171 thousand Euros.
- Funding lines - SME Growth and SME Invest - aimed at SMEs intending to carry out investment projects or increase their working capital. Completion of 2,344 operations, with total funding of 224,779 thousand euros.
- Regarding support to companies in the agricultural and/or fisheries sector, 155 operations were conducted involving a total financing of 10,644 thousand Euros through the PRODER/PROMAR and IFAP Short Term credit lines.
- A credit line - Social Invest - was launched in 2013 to facilitate the inclusion of Third Sector institutions in the financial system. In 2019, the Bank maintained 4 operations in portfolio, with a total value of 88 thousand Euros.
- Credit Lines to Support Tourism, aimed at supporting, with favourable conditions, companies that develop activities related to tourism. 24 operations were financed, up to a total amount of 6,416 thousand Euros.
- The Bank also made available the - Linha Capitalizar Mais -, a protocol established between Millennium bcp, the Instituição Financeira de Desenvolvimento (IFD) and the Mutual Guarantee Societies that created a Credit Line with mutual guarantee to finance projects to be implemented in mainland Portugal to help reinforce the entrepreneurial capacity of the SME for the development of goods and services that are innovative in terms of processes, products, organization or marketing. Millennium bcp financed 318 operations totalling 133,991 million Euros in credit.
- In Poland, the WWF Millennium MasterCard credit card, available since 2008 and produced with recyclable plastic, takes up an environmental commitment. For each subscribed card, the Bank transfers to WWF Poland (World Wide Fund For Nature) half of the first annuity and a percentage of each transaction made. In 2019, over 11.8 thousand Euros were transferred from a total of 1,527 cards, 261 of which subscribed this year.

The BCP Group meets the needs of Investors that consider it relevant to cover, in their investments, social and environmental risk factors, placing Responsible Investment Funds at their disposal for subscription:

- In Portugal, the funds are available by means of the following: The online platform of Millennium bcp – which marketed 4 environmental funds in the area of energy, amounting to a portfolio value above 7,398 thousand Euros on 31 December; and ii) ActivoBank – offering 16 investment funds, of which 8 are ethical funds and 8 are environmental funds, with a total portfolio value above 1,434 thousand Euros. On 31 December, 8 of these funds had participation units subscribed during the year, with a global subscribed value amounting to 436 thousand Euros, an increase versus the 226 subscribed in 2018;
- In Poland, Bank Millennium also has a solid offer of SRI funds, fundamentally aimed at Customers of the Prestige and Private segment, reflecting the investment in businesses whose principles incorporate environmental concerns, namely regarding climate change. The 4 available funds were subscribed by 393 Clients, assuring a subscribed value of 5.5 million Euros.

Support to the Community

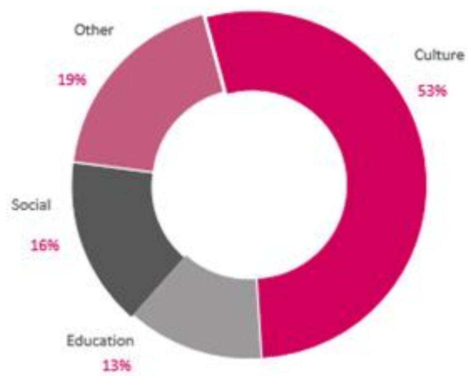
The BCP Group's strategy is the promotion of a culture of social responsibility, developing actions for and with several groups of Stakeholders aiming at, directly and indirectly, contributing to the social development of the countries where it operates. It is in this context of proximity to the community that its policy of social responsibility has developed, giving priority to its intervention on cultural, educational and social initiatives.

In Portugal, Millennium bcp continues to promote and create opportunities for the participation of its Employees as volunteers in actions to support the external community:

- In the context of the Food Bank's food collection campaigns, Millennium bcp once again was present at the warehouses, helping to separate and store the food. In 2019, in the two campaigns made regularly, the Bank helped at a national level and ensured a participation of more than 175 volunteers, Employees and their relatives.
- Supporting *Junior Achievement* Portugal (JAP), in its entrepreneurial, creativity and innovation projects,, through the Bank Employees' participation as volunteers. In 2019, the Bank participated in the second edition of "Braço Direito – Um dia no teu futuro", wherein hundreds of students had the unique opportunity to join the volunteers in their workplace and participate in some of their daily activities. At Millennium bcp, we organized two sessions, one in Estremoz and one in Taguspak.

The Bank has also been organizing, supporting and following up internal solidarity actions that promote a culture of proximity and add social value and are also a significant contribution for the materialization of its Social Responsibility Policy in Portugal. Among these initiatives, which received a special boost from the Direct Banking, Retail Marketing, Corporate Marketing, Operations/COM and Quality and Support to the Network Divisions, we highlight:

Donations allocated by intervention area
(Percentage)



- "Acreditamos: Ajudamos a Dar (mais) Cor à Esperança", an internal initiative whose purpose was to collect colourful child sticking plasters, painting books and coloured pencils for the children supported by the association ACREDITAR. With the contribution given by the Bank's Employees at a national level, it was possible to collect around 875 boxes of band-aids - more than 310 individual band-aids;
- Internal action for the collection of plastic recipients in favour of Refood, with the objective of distributing meals to the local communities. This initiative enable the collection of 865 recipients;
- Millennium bcp was in the first line of emergency response to the victims of the cyclone Idai in Mozambique. To complement the financial aid granted by by the Bank through Unicef Portugal, in the amount of 50.000 Euros, the Employees of Millennium bcp also participated in this collective effort by means of a partnership established with the Association HELPO by collecting tons of essential goods, especially food and clothing.
- "Millennium Solidário - Natal 2019", a campaign for the collection of donations in favour of Make-A-Wish Portugal to make the the dreams of children's and young people's with rare diseases come true. With the usual commitment of the Bank's employees, it was possible to make 2 of those wishes come true.

Millennium bcp also carried out several initiatives in support to institutions and initiatives able of generating social value, of which we point out:

- Regular support to institutions through the donation of IT equipment and office furniture that is no longer used, but is in condition to be reused. In this context, the agreement concluded with Entrajuda, the main beneficiary entity, has been maintained. In the first six months of 2019, from amongst computer equipment and furniture, the Bank donated 2,565 goods to 58 institutions, of which 88 to Entrajuda.
- Culturally speaking, we must point out the 11th edition of Festival ao Largo, which every year presents on stage at Largo de São Carlos a series of shows with the best of opera, ballet and symphonic music. The purpose of this action is to take art to increasingly inclusive audiences, thus contributing for the cultural enrichment of Portugal.

Millennium FESTIVAL AO LARGO 2019

- The event "Portugal Restaurant Week", (19th Edition) which counted, once again, with the participation of Millennium bcp, enabled the attribution of financial support to the solidarity institutions Fundação Rui Osório de Castro and Associação Crescer Ser With the donation of one Euro per each menu Restaurant Week consumed, the amount donated exceeded 30,000 euros.

In terms of financial management and financial literacy, Millennium bcp has been contributing to increase the level of financial literacy and the adoption of adequate financial behaviours:

- The promotion, in its institutional website, of the following instruments – Savings Centre, Finance Managers and the Kit for unexpected expenses which, despite being independent tools, have the same purpose: helping the client balance his/her personal budget. In the M Vídeos area of the website it is also possible to find tutorials and savings suggestions;
- In Portugal, the Facebook page "Millennium bcp" continued with the regular sharing of contents related with financial planning , a practice extended to all operations of group BCP;
- The Bank also participated in the Work Group of Associação Portuguesa de Bancos (Portuguese Banking Association), together with several financial institutions and the Instituto de Formação Bancária, whose mission was to develop and support initiatives for the promotion of the financial education of all citizens. From the activity developed in 2019, we must point out another edition of the European Money Week, a digital competition promoted by the European Banking Federation to test the financial literacy of Europe's young people, aged between 13 and 15 years old. In Portugal, APB ensured the participation of around 3.000 students from 60 schools located throughout the country, sending to the European final, in Brussels, Belgium, the two Portuguese winning students.

In Poland, Bank Millennium continues to carry out a significant number of actions, notably:

- Corporate volunteering program "Milantrop" addressed to all Bank Employees and aimed at supporting local communities. The programme enables two types of volunteer service - the organization of personal initiatives or the participation in projects envisaged by the Foundation. The projects developed so far counted with the participation of more than 500 volunteers and benefited more than 10.000 persons;
- Financial ABCs, a financial literacy programme of Foundation Bank Millennium, whose object is to give basic financial concepts to pre-school children In the 5 editions of this initiative, were carried out 2,200 workshops in 630 kindergartens involving more than 53,000 children throughout the country. This program has the Honorary Sponsorship of the Ministry of Education and of the Ombudsman for Children snd, in 2019, was awarded by the "Golden Banker" with the 1st prize in the category "Socially Responsible Bank ";

- Since 2013, every year at Christmas the Bank organizes a solidarity auction for the sale of handicraft. This auction, where the offers are made through the intranet, gathers several hundreds of items created and produced by the Bank Employees. The sale proceeds are used in the treatment of disabled children related to the Employees. In 2019, this initiative enabled to raise around 19 thousand euros;

- Concerning education, we must highlight the following: i) the programme Millennium Bankers, aiming at helping university students in their first contacts with the labour market. In 2019 provided support to 25 students; ii) attribution, within a pluri-annual partnership with the University of Warsaw and Instituto Camões, of 3 scholarships to the best students in Portuguese Studies.
- Bank Millennium - representing the most significant cultural support - was also a partner of *Docs Against Gravity*, the biggest and more global festival of documentary films in Poland. This film festival, supported by a huge communication campaign and by a number of debates, and other events was carried out in 2019, in 6 Polish cities and was attended by more than 92.000 persons.

In Mozambique, the Bank's social commitment is embodied in the "More Mozambique for Me" programme, one of the references of the BCP Group under Corporate Social Responsibility aimed at tightening relations with local communities, which continues to focus on projects in the area of health, education, culture, children and youth sports, and community development:

- Millennium bim Mini Basketball Tournament - in its 14th edition, involved 2,000 athletes, aged between 6 and 11 years old, from, for the first time, all Mozambican provinces;
- 2nd Race "Com Mais Luz" from Associação Kanimambo - Millennium bim supported this sporting event once again which, in 2019, was carried out under the motto "A Caminhar, a Correr ou de Bicicleta, juntos pelas Pessoas com Albinismo". The race was preceded by a conference held o n 13 June, International Day for the Awareness of Albinism with the objective of debating themes regarding the persecution and discrimination against individuals with albinism and provide detailed information on what is albinism and how it is treated;
- 9th Edition of the Solidarity Race Helpo - Millennium bim supported this project once again this projected promoted by Associação Helpo which was held in three cities of Mozambique. 600 children participated in an initiative for the eradication of poverty and the promotion of a healthy life and the practice of sporting activities.
- Project Musiarte - National Conservatory of Music and Drama - created in 2014, it is one initiative of the opera singers Stella Mendonça and Sónia Mocumbi. Millennium bim is the main sponsor of this project of musical education which aims at contributing for a quality teaching but also identify and promote young talents, regardless of their social condition;

- Millennium bim offered a drinking fountain to the population of Namialo in the Province of Nampula, in Mozambique, providing access to drinking water to a population of more than 5.000 inhabitants.
- 'Mais Moçambique pra Mim' - intervention in the paediatric emergency services of the Provincial Hospital of Tete with the purpoe of increasing the comfort of the patients, particularly of the children and health professionals. This action involved 25 Employees of the Bank .
- "Millennium bim - Banking Olympics", a project on financial literacy whose objective is to introduce basic financial concepts, providing students and teachers with knowledge that will enable them to make balanced decisions on how to manage their savings and pursue entrepreneurial projects and social volunteering. In its 10th edition, this initiative counted with the participation of 400 students, representing 10 schools (Maputo, Matola and Province of Gaza). After trials, 40 finalists were selected. The winner in the city of Maputo was the project - transform paper in coal - presented by the Students of the Secondary School of Triunfo, while in the Province of Gaza the project chosen - 'School Newspaper' - was presented by the Secondary School Joaquim Chissano;
- Clube Empresarial da Gorongosa - Millennium bim began giving a direct support to the program "Girls Clubs", an initiative aimed at preventing the high number of early marriages and school abandon by promoting activities approaching the education of girls and their personal safety, nutrition and access to family planning;
- "Millennium bim Solidário" in the Elementary School 3 de Fevereiro - re-building of the elementary school destroyed by the cyclone using funds resulting from the solidarity campaign promoted by Millennium bim near Clients and Employees. This school, situated in the district of Búzi, brcame once again able yo welcome more than 600 students and 16 teachers.

Fundação Millennium bcp

Fundação Millennium bcp, within the context of the social responsibility policies and institutional cultural patronage is an agent for the creation of value in society in the several areas where it intervenes which are Culture, Education/Research and Social Solidarity.

In 2019, the Foundation supported a total of 116 projects, of which 59% in the area of Culture, 17% in Science and Knowledge and 24% in Social Solidarity.

Within the scope of Culture - the Foundation's main calling - it gave precedence to initiatives for the Conservation and Disclosure of the Bank's Heritage, among which are the following:

- Maintenance of the Archaeological Nucleus of Rua dos Correeiros (ANRC) and management of the guided tours. It welcomed 3,627 visitors. The NARC closed on 1 June 2019for renovation works, exhibiting an architecture and design project from the art studio Brükner;
- The project "Shared Art from Millennium bcp" exhibited: (i) the exhibition of painting and drawing "Julio e outros modernistas", at the Art Gallery Júlio - Centro de Memória, of Vila do Conde, from 25 May to 22 September, welcoming around 3.710 visitors; (ii) the exhibit of naturalistic painting "Os Desvios da Natureza", at the Municipal Museum of Faro, from 19 July to 20 October which welcomed around 10.000 visitors; (iii) the exhibition "Abstração. Share Art Collection Millennium bcp" at the Museum Amadeo de Souza-Cardoso, which was inaugurated within the scope of the Festival Mimo Amarante and remained open to the public from 26 July 2019 to 22 January 2020.
- As part of the disclosure of the Bank's art heritage and its own cultural initiatives, the Foundation established a partnership with the General-Directorate of Cultural Heritage (DGPC) and with the Fine Arts College from the University of Lisbon. This partnership is focused on the promotion and disclosure of the art heritage and cultural activities of the Museu Nacional de Arte Contemporânea (MNAC) (Portuguese Museum of Modern Art). This partnership will enable the Foundation to carry out exhibits in a space from MNAC, and the museum will remain in charge of programming and curatorship.

Supporting projects to modernise important Portuguese museums and to promote museum activities and other cultural activities, of which we highlight:

- Museu Nacional de Arte Antiga (MNAA) (Portuguese museum of ancient art) - support to several projects and activities;
- Museu Nacional de Arte Contemporânea – Museu do Chiado (MNAC) - support to the museum activities;
- Museu Nacional de Arte Contemporânea – Museu do Chiado (MNAC) - exhibition "Espaço Interior", inaugurated within the scope of the Lisbon Architecture Triennial;
- Museu Nacional do Azulejo (Portuguese Tile Museum) – support to an educational initiative, part of the initiative Museum Night;

Regarding the restoration of heritage, architecture and other cultural areas, we highlight:

- Associação World Monuments Fund Portugal - support to the conservation project of the Jerónimos Monastery.
- Palácio Nacional da Ajuda: support to the conservation and restoration works of Room D. João IV;
- Palácio Nacional da Ajuda - restoration of the antechamber of the room of King D. Luís;
- Panteão Nacional - exhibition "A Igreja de Santa Engrácia at Campo de Santa Clara: os tempos do lugar", signalling the 450th anniversary of the new parish of Santa Engrácia;
- Biblioteca Nacional de Portugal - exhibition "Volta ao Mundo. Graphic works of José de Guimarães;
- Art History Institute -School of Humanities and Social Sciences of Universidade Nova de Lisboa- exhibition from students who are completing the post-graduation in Curatorship;
- Association Castelo D' If - 10th edition of the event "Opening of Artists' Studios ", in Lisbon, consisting in the opening to the public of the work studios of several artists; 28 work studios participated in this edition;
- AiR 351 - Art in Residence - project for welcoming international artists in Portugal (visual arts) for the establishment of art residences;
- Fundação Cupertino de Miranda - financial aid for the rehabilitation of the head office for the creation of the Portuguese Centre of Surrealism to be installed in the Literary Tower;

- Associação Internacional dos Críticos de Arte (AICA) (International Association of Art Critics) - support to the "Visual Arts and Architecture Awards AICA/MC/Millennium bcp", which are attributed every year in Portugal to a visual artist and to an architect;
- Association Lisbon Architecture Triennial - support to its 5th edition and to the awards: Millennium bcp Triennial Career Award, Millennium bcp Triennial Universities Award and Millennium bcp Triennial Début Award.
- Society of Fine Arts of Coimbra - 3rd Edition Anozero - Biennial of Contemporary Art of Coimbra, under the theme "A Terceira Margem do Rio", which carried out a number of initiatives in curatorship in classified spaces and in spaces with a significant heritage importance of the city and of the central region of Portugal;
- SPIRA - Iberian Biennial of Cultural Heritage (AR&PA), which took place in Loulé, which received around 10.650 participants in its several activities and also had the participation from 75 entities;
- Carpe Diem Arte e Pesquisa - Competition "Young Art Award Fundação Millennium bcp 2019"for students of visual arts or those that ended their course in the two previoius. years
- A+A Books: support to the edition and launching of the Guide of Architecture on the architect Carrilho da Graça. This was the 4th Guide of the collection *Guias de Arquitetura* which was awarde this yera with the 1st Prize for the Best Publication /Book from the XI BIAU 2019 - International Biennial of Architecture and town planning;
- A+A Books - financial aid to the Architecture Map of Lisbon, a bilingual edition showing a selection of works appearing in the Architecture Guide 1947-2013 and also a selection of architecture works made between 2013 and 2019;
- Óbidos Criativa - support to the 5th edition of FOLIO Festival Literário Internacional de Óbidos, a meeting addressed to writers, artists and readers;
- Inter municipal Tâmega and Sousa Community - support to the 2019 edition of the Festival Mimo. This festival presents several musical shows, cinema, an educational and children's program, a forum of ideas, a cultural itinerary, "rain of poetry", together with an exhibition with works from the Millennium bcp collection, called "Abstraction". Shared Art of the Millennium bcp Collection". The Festival welcomed more than 80 thousand spectators;
- Associação Internacional de Música da Costa do Estoril - support to the 45th Music Festival of Estoril, this year under the theme "The Travel and the Moon";
- Associação Divino Sospiro - concert of Baroque Music by the Orchestra Divino Sospiro, presenting the German countertenor Andreas Schöll and held at the Great Auditorium of Centro Cultural de Belém;
- Academy of Music of Alcobaça - 27th edition of the Cistermúsica - the Music Festival of Alcobaçam which held 50 shows, being the support of the Foundation for the programming of the "Rota de Cister" (Route of Cister). In 2019, the Festival held 4 performances within the scope of the Route of Cister;
- Institute: Project RHI Think, whose goal is to create a network of cities to promote contemporary artists and the internationalization of the Portuguese culture;
- Directorate-General for the Arts - DGArtes - organization and production of the Portuguese presence at the 2019 Venice Biennial;
- Clube Residencial Cidade Música - support to the 6th edition of the program "Há Música no Jardim!", a number of musical shows (classical music, jazz, fado, Portuguese music), which were held at the Garden of Quinta de S. Jerónimo, in Coimbra;
- General-Directorate of Cultural Heritage - support to the cycle of Music in Cathedrals of the Festival "Rota das Catedrais", with a musical program involving musical performances in cathedrals located in several cities from north to south of Portugal;
- Art Fairs – support to the 2nd edition of the fair of modern art JustLX: Lisboa Contemporary Art Fair, at Museum of Carris, a fair composed by 45 galleries from 12 countries. Fundação Millennium bcp created, in the fair's first edition in 2018, the Award" Prémio de Arte Emergente", that, in 2019, was taken by the artist artist Rui Pedro Jorge for his work "Obor";
- IFEMA - Support to ARCO Lisboa - Feira Internacional de Arte Contemporânea Arco, carried out at Cordoaria Nacional. The Foundation supported the carrying out of the Millennium Art Talks, a program for debating and exchanging ideas on international modern art;

Science and education are paramount for the construction of a developed society and for the exercise of a responsible and informed citizenship. Therefore, the Foundation increased its participation in several projects for education, scientific investigation and disclosure of knowledge, namely:

- Instituto de Biologia Molecular e Celular - support to the investigation on Alzheimer's disease;

- IMM (Instituto de Medicina Molecular de Lisboa) - a project developed by the Centre for the Investigation of Brain Tumours with the purpose of investigating the mechanisms responsible for the surging of brain tumours, especially in children;
- Fundação Rui Osório de Castro: annual award to scientific investigation in the area of paediatric oncology; The award Rui Osório de Castro Millennium bcp was created aiming at the development of innovative projects and initiatives in this area, able to foster and promote better care for children with an oncologic disease;
- Casa da América Latina - Professorship Casa da América Latina/Fundação Millennium bcp, an Invited Professor at Instituto de Higiene e Medicina Tropical (IHMT), with the objective of developing research projects on malaria and clinical research projects with interest for the assistance activities developed at the travellers clinic of IHMT, as well as the developing of training programs in the area of tropical diseases for post-graduate students and health professionals from the IHMT;
- Instituto de História de Arte - College of Social and Human Sciences - Universidade Nova de Lisboa - Investigation scholarships in Art History for the in-depth study of the most important artists who are common to the collection of Millennium bcp and the one of Museu do Chiado;
- A scholarship program of Fundação Millennium bcp aimed at students from Portuguese-speaking African countries and from Timor (PALOP) The management of these scholarships was entrusted to Instituto Camões by means of a collaboration protocol and 7 scholarships were attributed.
- Universidade Católica Portuguesa - Health Sciences Institute: support to the Pedipedia project, development of an online paediatric encyclopaedia with the purpose of creating a pedagogical tool to support clinical practices and training in health care; Its recipients are health professionals, parents, caretakers, children and teenagers from Portuguese-speaking countries;
- Universidade Católica Portuguesa – Faculdade de Direito (Faculty of Law) – support given to Master of Laws program;
- Junior Achievement: StartUp Programme (12th edition) - this initiative aims to undertake entrepreneurial programmes with college students by creating new micro companies . Under the format of a university and entrepreneurship competition and with the guidance provided by professors from several universities, the students learn how to create and manage a company. The national winner in 2019 was the project Kitchen Lab of the teams of students from ISEG;
- Associação de Teatro Aresta Rebelde - support to the national meeting of Performing Arts Courses;
- Associação Empresários pela Inclusão Social (EPIS) – Educational project for social inclusion, programme "Mediators for academic success". In 2019, the programme was extended to a greater number of locations, reaching a higher number of students. Within the scope of this programme, EPIS, in the wake of the European Year of Cultural Heritage, organized a visit to the Archaeological Nucleus of Rua dos Correeiros (NARC) for the 50 top students of the 3rd cycle;
- Fundação Dr. António Cupertino de Miranda - support to the 8th edition of the Financial Literacy project "No Poupar Está o Ganho", (When you save, you gain) a project to increase the pre-school, basic and secondary student's awareness on the importance of money, thus contributing for the acquisition of skills on this theme; The project involved , in 2019, 5.871 students, 275 classes and 286 teachers from 34 municipalities from the north of Portugal;
- Municipality of Pedrogão Grande -support to "+Future", a project focused on three aspects: Education and Citizenship, Road Safety and Sustainability. It is based on the approach of contents in schools (1st cycle) located in the municipalities of Castanheira de Pêra, Figueiró dos Vinhos and Pedrogão Grande;
- MoneyLab: Financial Education Labs – roadshow the purpose of which is to fill gaps regarding the misinformation that young people have on financial literacy, especially high-school students from private and public schools. The project contemplates 10 Portuguese districts: Aveiro, Braga, Castelo Branco, Coimbra, Évora, Leiria, Lisboa, Porto, Setúbal and Viseu. Around 2,000 children took part in this project in 2019.

Finally, in the area of Social Solidarity, the Foundation provided aid to actions carried out by different entities, aiding in several areas, such infancy/adolescence, poverty and disability, namely:

- Portuguese Food Bank – support to food collection campaigns;
- AESE Business School – Programme GOS (Management of Social Organizations) – a program developed by means of a partnership established with ENTRAJUDA. The program intends to provide management training to leaders of entities from the social economy sector, namely non-profit organizations, in order to provide a response to training needs in management areas. 2 editions of GOS are held every year, one in Lisbon and one in Porto;
- APSA - Associação Portuguesa de Síndrome de Asperger (Portuguese Association of the Asperger Syndrome) - support to the program "Employability", for young people/adults with Asperger Syndrome (SA), over 18 years of age; its purpose is providing them with the skills for inclusion in the social and professional life; This association also received the amount of the award given by Fosun to the Investors Relations Division of Millennium bcp , which delivered the award to Fundação Millennium bcp. This program was able to give jobs to 20 young people, thus contributing for their financial autonomy;
- CERCICA - Cooperative for the Education and Rehabilitation of maladjusted individuals from Cascais - received the amount of the award "Excellent Entrepreneur" granted by Fosun to Millennium bcp, which, on its turn, donated the amount of the award to Fundação Millennium bcp;
- Vida Norte - Associação de Promoção e Defesa da Vida e da Família (Association for the defence of Life and Family) - support to the activities carried out by the institution that helps young mothers in need. In 2019, 10 families received aid for a period of one year;
- Ponto de Apoio à Vida (Support to Life) - help, sheltering and training of teenagers and pregnant women experiencing a fragile economic situation who do not have the conditions to, without help, guarantee the education of their children;
- Associação Portuguesa de Famílias Numerosas (Portuguese Association of Large Families) - support to the 11th edition of the Observatory of the Family Responsible Municipalities". This project intends to distinguish and disclose municipalities following best practices in family-oriented projects In 2019, it had the participation of 141 municipalities and distinguished 77;
- Fundação Portuguesa de Cardiologia - Support to the Month of the Heart which took place in May;
- Associação Terra dos Sonhos (Association Dreamland): "Bolsa com sonhos" - support to the accomplishment of a child' dream or of young people in situations of illness or risk;
- Cáritas Diocesana de Setúbal - support to young pregnant women and /or young women victims of maltreatment;
- FAMSER – Associação de Apoio Famílias Desfavorecidas – Projeto GPS - Gerar, Percorrer e Socializar, a specialized residential foster home located in Castro Verde, capable of assisting 30 young people, between 12 and 18 years old;
- Acesso Cultura - support to the website *"Cultura Acessível"* that gathers information on the cultural programs accessible to disabled persons (interpretation of Portuguese sign language, audio-description, tactile materials, etc.). This project was recognized by the Ministry of Culture as being a cultural interest project. In 2019, were disclosed initiatives that took place in 10 districts of Portugal (4 more than in 2018). The website recorded 3585 users, 83% in Portugal, and the remaining in USA, Brazil and France.
- Critical Concrete – attribution of a scholarship to attend the summer school of the social and sustainable building social educational program;
- Associação de Doentes com Lúpus (Association for Lupus patients) – support to activities;
- Teatro Nacional D. Maria II (TNDM II) - support for the transportation of school groups from the several teaching levels (pre-school, elementary, secondary , superior and senior) to the TNDM II with the purpose of giving the students living outside Lisbon the possibility of attending the shows and activities promoted by the Theatre;
- Associação de Desenvolvimento Comunitário do Funchal (association for the development of the community of Funchal) - support to the edition of the book "Perdoa se me Esqueci", the revenue from which is to be used in favour of the Association (provides support to children with trisomy 21);
- BUS Association - Social Utility Assets: support for the development of its activities which consist in the collection of useful goods, forwarding them to individuals/families in need.

Suppliers

At Millennium bcp, the Supplier selection process follows criteria of overall competence of the company, functionality, quality and flexibility of the specific solutions to be acquired and continued capacity of service provision. In all the Group's operations, it is given preference to purchasing from Suppliers of the respective country, registering 91.4% in payments to local suppliers.

The Bank's main suppliers are companies that publish their economic, environmental and social performance, assuring a responsible purchase of goods and services.

Since 2007, the BCP Group, namely in Poland and Portugal, includes, as an attachment to the agreements it establishes with suppliers, the Principles for Suppliers which include several aspects, such as compliance with the law, good environmental and labour practices, including human rights and the application of those principles in the engagement of third parties.

BCP conducts assessments of its suppliers, through the application of a performance questionnaire which includes parameters related to the level of compliance with the Supplier Principles. In 2019, suppliers were subject to continuous monitoring.

Within the scope of the monitoring, Millennium bcp's suppliers are subject to a permanent evaluation process, based on: i) the relationship they maintain with Technical Competence Centres; ii) performance assessment actions and the identification of areas for improvement; and iii) on existing decision-making processes to execute investments and renew contracts.

In Portugal, Millennium bcp participates in the Commitment to make Timely Payments from ACEGE, an initiative that intends to encourage the timely payment to suppliers, being an ethical exercise, which contributes not only for the entrepreneurial success but also to enhance the economy's competitiveness. The ratio payment deadline/agreed deadline in Group BCP is 1.

Millennium bcp is a subscriber of the Charter of Principles from BCSD Portugal - Business Council for Sustainable Development. This document establishes the principles that are the guidelines for good corporate management, enabling the subscribing companies to be recognized by their clients, suppliers and by the society in general for the adoption of solid sustainability commitments.

The Charter encourages subscribers to go beyond legal compliance, adopting rulings and practices recognized and in line with management, ethical, social, environmental and quality standards in any context of global economy.

Environmental Impact

Environmental Responsibility

The BCP Group, in compliance with its digital and technological strategic goals, develops a sustainability strategy that incorporates and promotes a culture of environmental responsibility and fight against climate changes.

The rationalization in the consumption of energy, water and materials, based on a rationale of dematerialisation of processes, protection of the environment and preservation of natural resources is one of the key objectives of the environmental policy of BCP (document available for consultation at the Sustainability area of the Bank's website):

https://ind.millenniumbcp.pt/pt/Institucional/sustentabilidade/Documents/Politic_Ambiental.pdf).

The Bank regularly monitors a series of environmental performance indicators which measure its main consumption in Portugal and in the subsidiary companies abroad. Globally, Group BCP continues to invest in eco-efficiency measures, optimisation of processes, focus on renewable energies, investment on new equipment and on awareness initiatives addressed to its Employees targeted at the adoption of environmentally responsible behaviours.

Apart from the monitoring of the environmental indicators, BCP has an area in charge of the business continuity management that identifies the risks related with climate changes and the incorporation of standard policies and of defined procedures in order to ensure the Bank's ongoing activity in case of natural disasters able of discontinuing it. The Bank also manages indirect environmental risks, during the credit and project finance evaluation and granting process and is able to carry out environmental impact studies, in accordance with the applicable legislation in effect.

BCP ensures, on a regular basis, the follow-up of initiatives carried out in all countries where it operates, in view of its local circumstances, and monitors several indicators which enable it to measure its environmental efficiency and impact concerning its main resources consumption - water, energy and materials - and associated production of emissions and waste.

In 2019 the Bank defined its Sustainability Master Plan 2021, with the objective of enhancing the creation of value at the economic, social and environmental level. The plan's lines of action are Sustainable Management and Financing (Economic), Positive Impact on People and on the Community (Social) and Sustainable Operations (Environmental). In terms of environment it includes 12 specific actions aimed at containing global warming (Paris Agreement) and minimising the operation's environmental impact. Among these measures, we may point out the definition of targets to reduce emissions in accordance with the *Science Based Targets Initiative*; and the goal "zero paper", a consequence of the ongoing increase in scanning and reduction of prints.

MAIN MEASURES TO REDUCE THE ENVIRONMENTAL IMPACT

Operating efficiency

Installation of LED lighting
The Bank equipped the garages of Taguspark with LED lights. The Bank has also equipped the commercial network with LED lights whenever intervention/remodelling work is carried out in the branches.

In Poland, the bank began, in 2019, to replace the bulbs by LED lights and automated lighting in order to reduce the consumption of energy at the premises of Bank Millennium.

Solar energy plant at Taguspark
In 2019, the plant in Taguspark, with 1 MW of power, enabled to generate 1066 MWh of energy for self-consumption, cutting CO2 emissions by 612 tons since it began operating.

Monitoring of energy and water consumption
In 2019, the Bank initiated the pilot scheme consisting in the regular monitoring of electricity and water consumptions in a building in TagusPark. This initiative enables to closely monitor variations in consumptions and act swiftly on any anomaly, avoiding excessive consumptions and consumption costs. In 2020, the Bank intends to extend this environmental management tool to the remaining buildings of TagusPark.

Environmental Awareness

Internal environmental communication campaign
The Bank pursued its internal campaign by resorting to environmental communication to foster decrease in the consumptions of electricity, water and paper by adopting practices based on the rational use of those resources. This initiative contributes not only to improve environmental performance but also serves to optimise operating costs and strengthen the organization's environmental commitment.

Informing the heads of the organizational areas of the respective consumption of paper (prints) and of ink and toner cartridges.

Environmental volunteering actions
In 2019 two significant initiatives in terms of environmental volunteering actions took place. The first consisted in the plantation of trees, resulting from a partnership established with the Municipality of Cascais and involved around 50 Millennium volunteers, allowing the plantation of 400 trees in the Sintra nature reserve. The second consisted in the removal of waste from a beach in the municipality of Cascais, had the participation of 20 volunteers and resulted in the removal of 200 Kg of waste.

Green IT Programme: Reduction in local printing, giving preference to digital tools in the development of software

Aiming at decreasing CO_2, emissions throughout 2019, it was possible to verify the increase use of webcasting platforms. Hence, the level of use of these tools increased 252% and the duration of the sessions around 314% versus the same period in 2018. This performance results also from the phased replacement of Webex by Skype for Business.

In addition, we highlight the continuation of the "GO P@perless" project which focuses on the dematerialisation of operations as a way to innovate and optimise processes, using solutions of electronic production and signing of documents. During 2019 the Bank was able to save 1.692.337 prints of cashier transactions, corresponding to 6.5% less prints made using the Branch's equipment if compared with 2018, resulting in a monthly savings of 141.028 prints.

In terms of scanning of documents, the figures recorded in 2019 remained stable versus 2018 (36.986.080 scanned documents, representing a marginal decrease of 0.1%). BCP reached total savings of around 6 million BW prints (Central Services + Branches), corresponding to around 17 thousand Euros down in costs with printing and paper.

In total, as a whole, these initiatives enabled saving 42% of the consumer goods from 2013 to 2019.

Use of digital documents such as, for example, the bank statement in digital format in 2019, in Portugal, 72% of the active accounts already had e-statements, a percentage that, in Poland, reached 79%. In Mozambique, the number of accounts with e-statement is 28,622 and in Switzerland of 210.

Millennium bcp, within the scope of its sustainability strategy, subscribed in 2019 the "Engagement Letter for the Sustainable Funding in Portugal", an initiative targeted at contributing for the promotion and development of the financing of Carbon Neutrality until 2050.

Sustainable mobility measures
Incentive to the use of video conference and e-learning instead of travels and use of the train instead of flying, when economically feasible.

In 2019, the Bank signed two important environmental commitments promoted by the Municipality of Lisbon: the "Mobility Pact for the city of Lisbon" (PMEL) and the Commitment "Lisbon European Green Capital 2020 - Climate Action Lisbon 2030", both upholding climate actions and a more sustainable city.

related with an ongoing improvement of the tasks developed by teams, based on lean approaches, contributing to processes with a higher value-added for the client and with direct impact on the sustainability of the operations.

Four Kaizen Committees were held in 2019, ensuring the follow-up and recognition of the best initiatives undertaken by each Department of the Operations Division. A second team building event was also carried out with the purpose of reinforcing team spirit and recognize the performance and participation of the Employees in the Kaizen Program.

During the year 293 initiatives were implemented, of which 8% represent savings in consumer goods (ex. Paper, prints, internal mail seals, among other), reducing costs in around 244 thousand Euros.

Environmental guide for customers and employees and production of a video for advice on how to protect the environment in the workplace in Poland.

In Poland, the Bank replaced most of its car fleet by hybrid cars. This action had the goal of reducing CO_2 emissions associated with the fleet, being projected to avoid emissions of more than 500tCO_2, versus the period of time prior to the implementation of this measure.

The Bank, in the different countries where it operates reaffirmed its commitment towards the implementation and disclosure of the principles of the initiative from the **Global Pact from the United Nations** in what regards Human Rights, Labour and Environment. In Mozambique it increased its support towards the implementation of the objectives of **FEMA - Entrepreneurial Forum for Environment**.

ECOLOGICAL FOOTPRINT

As noted above, BCP Group regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency about its main consumption of resources [5].

In 2019, the BCP Group saw general improvements in terms of eco-efficiency. The *per capita* indicators referring to energy consumption, emissions, water and material consumption decreased compared to the previous year, as a result of the implementation of eco-efficiency measures, investment in renewable energies, optimization of processes focusing on their dematerialization, but also the awareness of Employees regarding the rational use of resources.

In Poland, the data thereon changed versus 2018, due to the integration of EuroBank in May 2019. Thus, the data regarding energy, water and emissions include the figures from EuroBank, as of October 2019.

The energy consumption in the BCP Group is mostly of indirect origin (electrical and thermal energy), representing 71% of the total energy consumption. In 2019, there was a reduction in the order of 18% in the consumption of direct energy, associated with the consumption of fuels, and a 2% increase in the consumption of indirect energy, resulting from the consumption of electricity. The increase in electricity consumption in the Group is justified by the growth of the Bank, particularly in Poland with the acquisition of EuroBank, with a 5.6% reduction in electricity consumption per capita, on the other hand. to 2018.

"

In 2019, 60% of the total of electricity consumed
Portugal came from renewable origins.

[5] The environmental performance of all the Bank's operations was monitored in 2019, namely in Portugal, Mozambique, Switzerland and Poland, and the consumptions of previous years were presented within the same geographical scope in order to ensure an effective comparability of the results

With regard to domestic activity (Portugal), in 2019, Millennium bcp ensured the fulfilment of its annual goal of reducing energy consumption (-4%), having reduced energy consumption in Portugal (electricity and fuels, including natural gas) by 12% compared to 2018.

Within the scope of the commitment of adjusting to climate changes, BCP estimates every year the Group's carbon footprint in order to be able to contribute to reducing the emissions of Greenhouse Gas Emissions (GEE). Every year, the Bank participates in the CDP (Carbon Disclosure Project), and kept its Classification B, Management band in 2019.

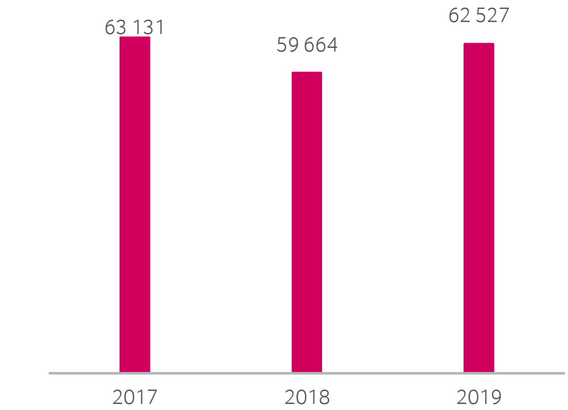
In 2019, in global terms, the Group recorded a 5.1% reduction in emissions per capita compared to 2018, corresponding to a slight increase in absolute GHG emissions associated with the Group's banking activity of approximately 0.2% compared to 2018, the result of growth in Poland.

In 2019, globally, emissions associated with fuel consumption (scope 1) decreased by 16% when compared to the previous year, reflecting the decrease in consumption of natural gas in Portugal. Emissions associated with the consumption of electricity / heat (scope 2) registered an increase of 4%, and emissions associated with mobility in service (scope 3), registered an increase of 11%, mostly attributable to the increase in emissions associated with travel. by plane, partly related to the EuroBank acquisition process in Poland.

With regard to domestic activity (Portugal), Millennium bcp presented a 3.7% reduction in its GHG emissions compared to 2018, falling short of the goal of reducing CO2 emissions (-7%).

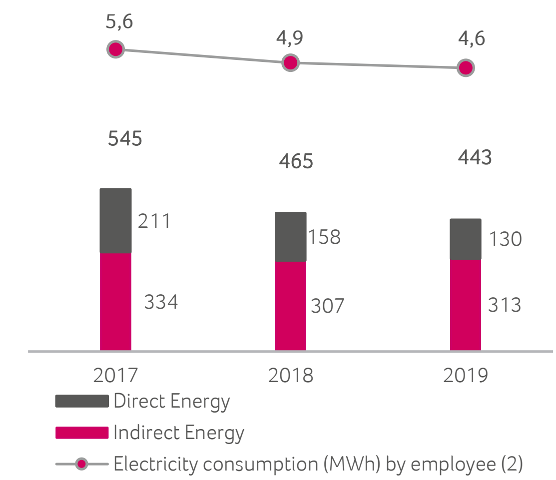
In Portugal, direct emissions decreased by 27% compared to the same period last year. Indirect emissions associated with electricity consumption increased by 19% over the previous year, while indirect emissions associated with missions in service (scope 3) also registered an increase of around 15%, due to a refining of the clearance of emissions associated with air travel.

Electricity consumption[1]
(MWh)



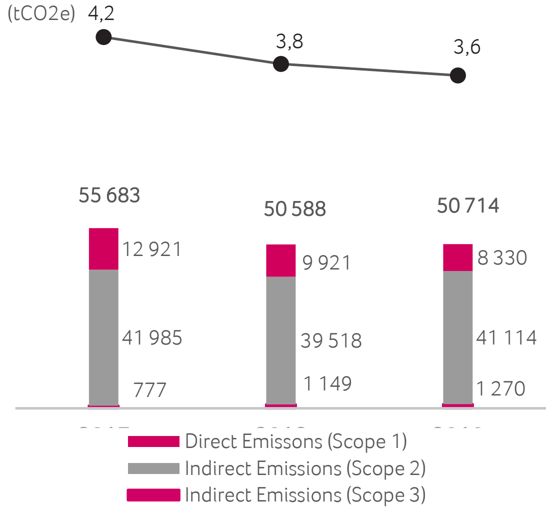
[1] Does not include the cogeneration plant and data center in Portugal, neither energy consumption in Mozambique.

Total energy consumption - GRI 302-1[2]
(Tj and Mwh/colaborador)



[2] Includes the cogeneration plant in Portugal, excludes the data center in Portugal and data from Mozambique.

GHG emissions [3]
(tCO2e)



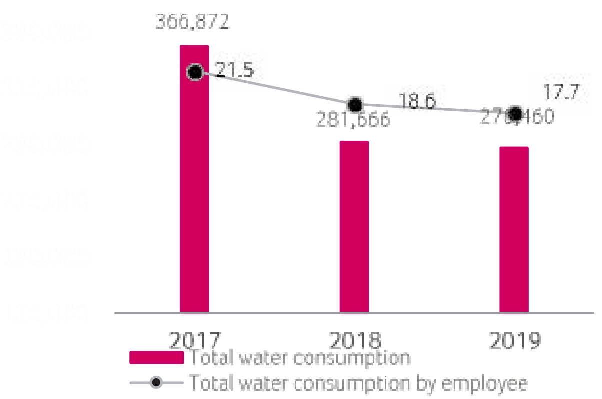
In terms of consumption of consumables, in global terms, the BCP Group recorded a reduction of 1% in the consumption of its main materials (paper and cardboard, plastic and ink / toners) compared to the previous year, as a result of the implementation of optimization measures and dematerialization of processes.

The most consumed materials in terms of weight and quantity continue to be paper and cardboard, which, in global terms, decreased by 1% compared to 2018, as a result of the dematerialization initiatives that have been implemented in all geographies. Toners and ink cartridges also decreased by 42%, as a direct result of measures to encourage non-printing and digitization.

Also, in Portugal, in 2019, the trend of decreasing consumption of materials was maintained, with a 9% reduction compared to the previous year, which narrowly failed to reach the established annual target (-10% of consumption materials). It should be noted that the A4 and A3 paper used by the Bank has a European Union Eco-label environmental certification, which ensures a responsible paper production process.

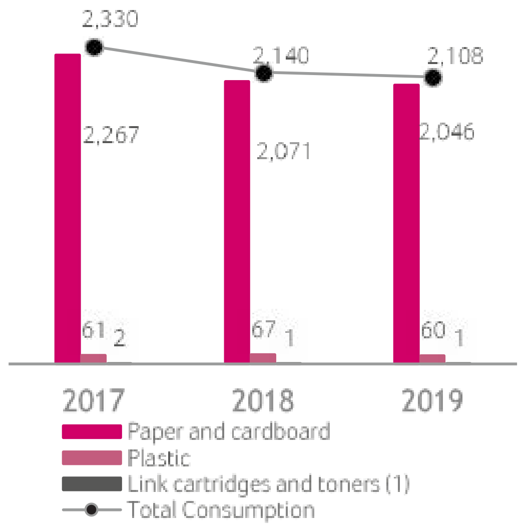
Further details on the information reported in this chapter - Responsible Business -, in particular calculation criteria, the table of Global Reporting Initiative (GRI) indicators and correspondence with the Global Compact Principles, are available for viewing on the Bank's Institutional website, at www.millenniumbcp.pt, under Sustainability.

Water consumtion [4]
(m3)



[4] Change in methodology, applied to all years (average unit cost of 4.93€/m3). Does not inlcude Mozambique. Includes data from EuroBank since October 2019.

Materials consumption [5]
(t)



[5] Does not include data from EuroBank.

REGULATORY INFORMATION

2019 Campaign | Personal Credit Solutions

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018
Interest and similar income	1,991,445	1,889,739
Interest expense and similar charges	(442,917)	(466,108)
NET INTEREST INCOME	1,548,528	1,423,631
Dividends from equity instruments	798	636
Net fees and commissions income	703,497	684,019
Net gains / (losses) from financial operations at fair value through profit or loss	4,837	1,400
Net gains / (losses) from foreign exchange	69,391	75,355
Net gains / (losses) from hedge accounting operations	(5,682)	2,552
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(24,909)	(50,194)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	99,676	49,435
Net gains / (losses) from insurance activity	11,752	8,477
Other operating income / (losses)	(144,400)	(135,878)
TOTAL OPERATING INCOME	2,263,488	2,059,433
Staff costs	668,232	592,792
Other administrative costs	376,455	376,676
Amortisations and depreciations	124,785	57,745
TOTAL OPERATING EXPENSES	1,169,472	1,027,213
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,094,016	1,032,220
Impairment for financial assets at amortised cost	(390,308)	(465,468)
Impairment for financial assets at fair value through other comprehensive income	2,180	1,092
Impairment for other assets	(96,034)	(79,037)
Other provisions	(57,484)	(57,689)
NET OPERATING INCOME	552,370	431,118
Share of profit of associates under the equity method	42,989	89,175
Gains / (losses) arising from sales of subsidiaries and other assets	31,907	37,916
NET INCOME BEFORE INCOME TAXES	627,266	558,209
Income taxes		
Current	(100,908)	(105,559)
Deferred	(138,370)	(32,458)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	387,988	420,192
Income arising from discontinued or discontinuing operations	13,412	(1,318)
NET INCOME AFTER INCOME TAXES	401,400	418,874
Net income for the year attributable to:		
Bank's Shareholders	302,003	301,065
Non-controlling interests	99,397	117,809
NET INCOME FOR THE YEAR	401,400	418,874
Earnings per share (in Euros)		
Basic	0.018	0.020
Diluted	0.018	0.020

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018
ASSETS		
Cash and deposits at Central Banks	5,166,551	2,753,839
Loans and advances to credit institutions repayable on demand	320,857	326,707
Financial assets at amortised cost		
Loans and advances to credit institutions	892,995	890,033
Loans and advances to customers	49,847,829	45,560,926
Debt securities	3,185,876	3,375,014
Financial assets at fair value through profit or loss		
Financial assets held for trading	878,334	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405,513	1,404,684
Financial assets designated at fair value through profit or loss	31,496	33,034
Financial assets at fair value through other comprehensive income	13,216,701	13,845,625
Assets with repurchase agreement	-	58,252
Hedging derivatives	45,141	123,054
Investments in associated companies	400,391	405,082
Non-current assets held for sale	1,279,841	1,868,458
Investment property	13,291	11,058
Other tangible assets	729,442	461,276
Goodwill and intangible assets	242,630	174,395
Current tax assets	26,738	32,712
Deferred tax assets	2,720,648	2,916,630
Other assets	1,239,134	811,816
TOTAL ASSETS	81,643,408	75,923,049
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	6,366,958	7,752,796
Resources from customers	59,127,005	52,664,687
Non subordinated debt securities issued	1,594,724	1,686,087
Subordinated debt	1,577,706	1,072,105
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	343,933	327,008
Financial liabilities at fair value through profit or loss	3,201,309	3,603,647
Hedging derivatives	229,923	177,900
Provisions	345,312	350,832
Current tax liabilities	21,990	18,547
Deferred tax liabilities	11,069	5,460
Other liabilities	1,442,225	1,300,074
TOTAL LIABILITIES	74,262,154	68,959,143
EQUITY		
Share capital	4,725,000	4,725,000
Share premium	16,471	16,471
Other equity instruments	400,000	2,922
Legal and statutory reserves	240,535	264,608
Treasury shares	(102)	(74)
Reserves and retained earnings	435,823	470,481
Net income for the year attributable to Bank's Shareholders	302,003	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,119,730	5,780,473
Non-controlling interests	1,261,524	1,183,433
TOTAL EQUITY	7,381,254	6,963,906
TOTAL LIABILITIES AND EQUITY	81,643,408	75,923,049

Alternative performance measures

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context has not been audited and does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. In accordance with the abovementioned guidelines, alternative performance measures, which are detailed below, are presented together with additional information that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

1) Loans to customers (net) / Balance sheet customer funds

Relevance of the indicator: the loans-to-deposits ratio is an indicator of liquidity that allows the evaluation of the Group's retail funding structure.

Euro million

		31 Dec. 19	31 Dec. 18
Loans to customers (net) (1)		52,275	48,123
Balance sheet customer funds (2)		62,607	56,585
	(1) / (2)	83.5%	85.0%

2) Return on average assets (ROA)

Relevance of the indicator: allows measurement of the capacity of the Group to generate results with the volume of available assets.

Euro million

		2019	2018
Net income (1)		302	301
Non-controlling interests (2)		99	118
Average total assets (3)		79,590	73,419
	[(1) + (2), annualised] / (3)	0.5%	0.6%

3) Return on average equity (ROE)

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, assessing the level of profitability generated by the funds invested by the shareholders in the Group.

Euro million

		2019	2018
Net income (1)		302	301
Average equity (2)		5,970	5,753
	[(1), annualised] / (2)	**5.1%**	**5.2%**

4) Cost to income

Relevance of the indicator: it allows for the monitoring of the level of efficiency of the Group (excluding specific items), evaluating the volume of operating costs to generate net operating revenues.

Euro million

		2019	2018
Operating costs (1)		1,169	1,027
Specific items (2)		66	29
Net operating revenues (3)*		2,339	2,187
	[(1) - (2)] / (3)	**47.2%**	**45.6%**

* Excludes the specific items, in the amount of 1 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary.

5) Cost of risk, net of recoveries (expressed in basis points, annualised)

Relevance of the indicator: allows assessment of the quality of the loan portfolio by evaluating the ratio between impairment charges (net of reversals and recoveries of credit and interest) recognised in the period and the stock of loans to customers at the end of that period.

Euro million

		2019	2018
Loans to customers at amortised cost, before impairment (1)		54,352	50,724
Loan impairment charges (net of recoveries) (2)		390	465
	[(2), annualised] / (1)	**72**	**92**

6) Non-performing exposures (NPE) / Loans to customers (gross)

Relevance of the indicator: allows the assessment of the level of credit risk to which the Group is exposed based on the proportion of the NPE loan portfolio in the loans-to-customers portfolio (gross).

Euro million

		31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)		4,206	5,547
Loans to customers (gross) (2)		54,724	51,032
	(1) / (2)	7.7%	10.9%

7) Coverage of non-performing exposures (NPE) by balance sheet impairment

Relevance of the indicator: it allows the assessment of the level of coverage of the NPE portfolio by balance sheet impairment.

Euro million

		31 Dec. 19	31 Dec. 18
Non-Performing Exposures (1)		4,206	5,547
Loans impairments (balance sheet) (2)		2,449	2,909
	(2) / (1)	58.2%	52.4%

Application of Results

Taking into consideration:

A. The provisos of the law and of the by-laws concerning the legal reserve;

B. The dividend policy of Banco Comercial Português (BCP);

C. The alteration introduced in the Work Collective Agreement, published on 29 March 2014 on the no Bulletin of Work and Employment no. 12 which enabled the Employees of Group Banco Comercial Português in Portugal, in the period comprised between June 2014 and June 2017, to accept a temporary reduction in their remuneration. This reduction was done with the purpose of rendering the Bank's recovery process feasible and contribute for the compliance with the requirements imposed to the Bank to be able to benefit from State Aid;

D. That the said alteration to the Work Collective Agreement provided that the Board of Directors, in the years following the end of the state intervention, having results for such, would submit to the General Meeting of Shareholders a proposal for the distribution of results to Employees that, over the years, would allow the delivery of an accumulated total amount, at least equal to the total amount not received by Employees during the temporary reduction of the remuneration period;

E. That BCP ended the repayment of the public financing received, plus interest, in February 2017, and the Annual General Meeting held on May 22, 2019 approved the allocation of part of the 2018 results for distribution to employees;

F. That, according to the financial statements to be submitted to the approval of the Shareholders, in the 2019 financial year Banco Comercial Português recorded consolidated net earnings amounting to € 302,003,469.31 and individual net earnings amounting to € 139,296,016.59;

G. That the approval of any compensation for the Employees against the income statement, as well as the estimation of the respective amount pertains exclusively to the General Meeting of Shareholders, and the Executive Committee (by delegation of the Board of Directors), after getting the opinion from the Committee for Nominations and Remunerations, establishes the distribution criteria;

H. That reiterating its intention to respect the Bank's dividend policy and, even considering that BCP has already joined the group of institutions without specific limitations regarding dividend distribution, the Board of Directors cannot fail to consider the potential impacts and uncertainties associated with the current pandemic situation;

I. That such situation recommends the utmost caution in the making of the proposal for the appropriation of income, a caution also recommended by the supervisory authorities, justifying the non-payment of dividends concerning the 2019 financial year,

The Board of Directors, reaffirming its determination to, once this crisis is over, and in the extent that the Bank and the domestic economy can initiate their recovery, resume the full application of the approved Dividends Policy, hereby

Proposes:

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b) of the Companies Code, as well as article 54 of the Bank's articles of association, the following application of year-end results amounting to € 139,296,016.59 euros:

a) For the reinforcement of legal reserve, € 13,929,601.66;

b) For an extraordinary distribution to employees and, in compliance with the mentioned in paragraphs C to G of the recitals of this proposal, up to € 1.000,00 to each employee who hasn't already been fully compensated with the earnings distributed in 2019 if he/she remain in his/her position on the date the remuneration corresponding to June 2020 is paid, up to a maximum total amount of € 5,281,000.00;

c) The remaining, in the minimum amount of € 120,085,414.93 to Retained Earnings.

Lisbon, 26 March 2020

THE BOARD OF DIRECTORS

Glossary

Assets placed with customers – amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions.

Balance sheet customer funds – deposits and other resources from customers and debt securities placed with customers.

Business Volumes - corresponds to the sum of total customer funds and loans to customers (gross).

Commercial gap – loans to customers (gross) minus on-balance sheet customer funds.

Core income - net interest income plus net fees and commissions income.

Core net income - net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, net (expressed in basis points) - ratio of loans impairment (P&L) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment at the end of the period.

Cost to core income - operating costs divided by core income.

Cost to income – operating costs divided by net operating revenues.

Coverage of non-performing exposures by impairments – loans impairments (balance sheet) divided by the stock of NPE.

Coverage of non-performing loans by impairments – loans impairments (balance sheet) divided by the stock of NPL.

Coverage of overdue loans by impairments - loans impairments (balance sheet) divided by overdue loans.

Coverage of overdue loans by more than 90 days by impairments - loans impairments (balance sheet) divided by overdue loans by more than 90 days.

Debt instruments – non-subordinated debt instruments at amortised cost and financial liabilities measured at fair value through profit or loss (debt securities and certificates).

Debt securities placed with customers - debt securities issued by the Bank and placed with customers.

Deposits and other resources from customers – resources from customers at amortised cost and customer deposits at fair value through profit or loss.

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income, from financial assets held for trading and, until 2017, from financial assets available for sale.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having some influence, the Group does not control the financial and operational policies.

Insurance products – includes unit linked saving products and retirement saving plans ("PPR", "PPE" and "PPR/E").

Loans impairment (balance sheet) – balance sheet impairment related to loans to customers at amortised cost, balance sheet impairment associated with debt instruments at amortised cost related to credit operations and fair value adjustments related to loans to customers at fair value through profit or loss.

Loans impairment (P&L) – impairment (net of reversals and net of recoveries - principal and accrual) of financial assets at amortised cost for loans to customers and for debt instruments related to credit operations.

Loans to customers (gross) – loans to customers at amortised cost before impairment, debt instruments at amortised cost associated to credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

Loans to customers (net) - loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

Loan to Deposits ratio (LTD) – loans to customers (net) divided by deposits and other resources from customers.

Loan to value ratio (LTV) – mortgage amount divided by the appraised value of property.

Net commissions - net fees and commissions income.

Net interest margin (NIM) - net interest income for the period as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost, results from derecognition of financial assets measured at fair value through other comprehensive and results from financial assets available for sale (until 2017).

Non-performing exposures (NPE) – non-performing loans and advances to customers (loans to customers at amortised cost and loans to customers at fair value through profit or loss) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) – overdue loans (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Off-balance sheet customer funds – assets under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions – impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income, at amortised cost not associated with credit operations and available for sale, in the latter case until 2017), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

Other net income – dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Other net operating income – net gains from insurance activity, other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans – total outstanding amount of past due loans to customers (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Overdue loans by more than 90 days – total outstanding amount of past due loans to customers by more than 90 days (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Resources from credit institutions – resources and other financing from Central Banks and resources from other credit institutions.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on average assets (ROA) – net income (before minority interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average attributable equity + non-controlling interests (weighted average of the average of monthly equity in the period).

Return on equity (ROE) – net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income, assets with repurchase agreement, financial assets available for sale and financial assets held to maturity (in the latter two cases until 2017).

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds and off-balance sheet customer funds.

ACCOUNTS AND TO THE CONSOLIDATED ACCOUNTS

2019 Campaign | # 1 Bank for Companies - DATA E

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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Net income for the year attributable to:			
Bank's Shareholders		302,003	301,065
Non-controlling interests	44	99,397	117,809
NET INCOME FOR THE YEAR		401,400	418,874
Earnings per share (in Euros)			
Basic	17	0.018	0.020
Diluted	17	0.018	0.020

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

(Thousands of euros)

	2018				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	420,192	(1,318)	418,874	301,065	117,809
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	17,720	-	17,720	7,131	10,589
Reclassification of (gains) / losses to profit or loss	(49,435)	-	(49,435)	(47,222)	(2,213)
Cash flows hedging					
Gains / (losses) for the year	97,955	-	97,955	92,720	5,235
Other comprehensive income from investments in associates and others	(2,737)	-	(2,737)	(2,681)	(56)
Exchange differences arising on consolidation	(131,345)	-	(131,345)	(104,937)	(26,408)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	14,914	-	14,914	14,914	-
Fiscal impact	(21,410)	-	(21,410)	(18,824)	(2,586)
	(74,338)	-	(74,338)	(58,899)	(15,439)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year (note 43)	99	-	99	176	(77)
Changes in own credit risk of financial liabilities at					
fair value through profit or loss (note 43)	2,193	-	2,193	2,193	-
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund (note 50)	(97,922)	-	(97,922)	(97,922)	-
Pension Fund - other associated companies	536	-	536	545	(9)
Fiscal impact	(15,338)	-	(15,338)	(15,354)	16
	(110,432)	-	(110,432)	(110,362)	(70)
Other comprehensive income / (loss) for the year	(184,770)	-	(184,770)	(169,261)	(15,509)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	235,422	(1,318)	234,104	131,804	102,300

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Notes	2019	2018
ASSETS			
Cash and deposits at Central Banks	18	5,166,551	2,753,839
Loans and advances to credit institutions repayable on demand	19	320,857	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	20	892,995	890,033
Loans and advances to customers	21	49,847,829	45,560,926
Debt securities	22	3,185,876	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	878,334	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,405,513	1,404,684
Financial assets designated at fair value through profit or loss	23	31,496	33,034
Financial assets at fair value through other comprehensive income	23	13,216,701	13,845,625
Assets with repurchase agreement		-	58,252
Hedging derivatives	24	45,141	123,054
Investments in associated companies	25	400,391	405,082
Non-current assets held for sale	26	1,279,841	1,868,458
Investment property	27	13,291	11,058
Other tangible assets	28	729,442	461,276
Goodwill and intangible assets	29	242,630	174,395
Current tax assets		26,738	32,712
Deferred tax assets	30	2,720,648	2,916,630
Other assets	31	1,239,134	811,816
TOTAL ASSETS		81,643,408	75,923,049
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	6,366,958	7,752,796
Resources from customers	33	59,127,005	52,664,687
Non subordinated debt securities issued	34	1,594,724	1,686,087
Subordinated debt	35	1,577,706	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	343,933	327,008
Financial liabilities at fair value through profit or loss	37	3,201,309	3,603,647
Hedging derivatives	24	229,923	177,900
Provisions	38	345,312	350,832
Current tax liabilities		21,990	18,547
Deferred tax liabilities	30	11,069	5,460
Other liabilities	39	1,442,225	1,300,074
TOTAL LIABILITIES		74,262,154	68,959,143
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	2,922
Legal and statutory reserves	41	240,535	264,608
Treasury shares	42	(102)	(74)
Reserves and retained earnings	43	435,823	470,481
Net income for the year attributable to Bank's Shareholders		302,003	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,119,730	5,780,473
Non-controlling interests	44	1,261,524	1,183,433
TOTAL EQUITY		7,381,254	6,963,906
TOTAL LIABILITIES AND EQUITY		81,643,408	75,923,049

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,743,234	1,652,260
Commissions received	899,938	880,287
Fees received from services rendered	100,315	48,866
Interests paid	(426,571)	(461,280)
Commissions paid	(171,815)	(140,956)
Recoveries on loans previously written off	24,269	13,210
Net earned insurance premiums	17,418	17,698
Claims incurred of insurance activity	(6,591)	(5,393)
Payments (cash) to suppliers and employees (*)	(1,248,720)	(1,158,346)
Income taxes (paid) / received	(61,027)	(67,569)
	870,450	778,777
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(2,626)	121,768
Deposits held with purpose of monetary control	-	50,114
Loans and advances to customers receivable / (granted)	(1,901,159)	(1,254,603)
Short term trading securities	165,922	(93,688)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(108,587)	111,842
Deposits from credit institutions with agreed maturity date	(2,154,270)	175,304
Loans and advances to customers repayable on demand	5,444,107	5,144,519
Deposits from customers with agreed maturity date	(1,784,092)	(1,051,734)
	529,745	3,982,299
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	13	98,000
Acquisition of investments in subsidiaries (**)	(348,997)	-
Dividends received	11,003	67,213
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	291,339	311,001
Sale of financial assets at fair value through other comprehensive income and at amortised cost	19,886,088	5,725,095
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(50,627,555)	(56,020,038)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	32,096,533	46,049,277
Acquisition of tangible and intangible assets	(105,715)	(88,560)
Sale of tangible and intangible assets	14,475	39,507
Decrease / (increase) in other sundry assets	(231,448)	703,905
	985,736	(3,114,600)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Sale of shares in subsidiaries companies which does not results loss control	-	(1,400)
Issuance of subordinated debt	647,216	192
Reimbursement of subordinated debt	(129,536)	(96,181)
Issuance of debt securities	545,825	447,007
Reimbursement of debt securities	(310,448)	(640,376)
Issuance of commercial paper and other securities	238,839	23,204
Reimbursement of commercial paper and other securities	(171,641)	(108,930)
Issue of Perpetual Subordinated Bonds (Additional Tier 1) (note 48)	396,325	-
Reimbursed of perpetual subordinated debt securities	(2,922)	-
Dividends paid to shareholders of the Bank (note 47)	(30,228)	-
Dividends paid of perpetual subordinated debt securities	(148)	(149)
Dividends paid to non-controlling interests	(15,502)	(9,088)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(27,750)	-
Increase / (decrease) in other sundry liabilities and non-controlling interests (***)	(224,200)	266,447
	915,830	(119,274)
Exchange differences effect on cash and equivalents	(24,449)	(131,345)
Net changes in cash and equivalents	2,406,862	617,080
Cash (note 18)	566,202	540,608
Deposits at Central Banks (note 18)	2,187,637	1,627,326
Loans and advances to credit institutions repayable on demand (note 19)	326,707	295,532
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,080,546	2,463,466
Cash (note 18)	636,048	566,202
Deposits at Central Banks (note 18)	4,530,503	2,187,637
Loans and advances to credit institutions repayable on demand (note 19)	320,857	326,707
CASH AND EQUIVALENTS AT THE END OF THE YEAR	5,487,408	3,080,546

(*) In 2019, this balance includes the amount of Euros 4.551,000 related to short-term lease contracts and the amount of Euros 2,118,000 related to lease contracts of low value assets.
(**) In 2019, this balance includes the investment in Euro Bank, S.A. (Euros 424,370,000) , net of Cash and equivalents at the time of the acquisition (Euros 75,373,000).
(***) In 2019, this balance includes the amount of Euros 56.552.000 corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

See accompanying notes to the consolidated financial statements.

THE EXECUTIVE COMMITTEE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Reserves and retained earnings	Net income for the year attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non--controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2017 (*)	5,600,738	16,471	59,910	2,922	252,806	(293)	(38,130)	186,391	6,080,815	1,098,921	7,179,736
Transition adjustments IFRS 9											
Gross value	-	-	-	-	-	-	(218,184)	-	(218,184)	(36,999)	(255,183)
Taxes	-	-	-	-	-	-	(155,472)	-	(155,472)	6,888	(148,584)
	-	-	-	-	-	-	(373,656)	-	(373,656)	(30,111)	(403,767)
BALANCE AS AT 1 JANUARY 2018	5,600,738	16,471	59,910	2,922	252,806	(293)	(411,786)	186,391	5,707,159	1,068,810	6,775,969
Net income for the year	-	-	-	-	-	-	-	301,065	301,065	117,809	418,874
Other comprehensive income	-	-	-	-	-	-	(169,261)	-	(169,261)	(15,509)	(184,770)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(169,261)	301,065	131,804	102,300	234,104
Results application:											
Legal reserve	-	-	-	-	11,802	-	-	(11,802)	-	-	-
Transfers for Reserves and retained earnings	-	-	-	-	-	-	174,589	(174,589)	-	-	-
Share capital decrease (note 40)	(875,738)	-	-	-	-	-	875,738	-	-	-	-
Reimbursement of preference shares (note 40)	-	-	(59,910)	-	-	-	373	-	(59,537)	-	(59,537)
Costs related to the share capital decrease	-	-	-	-	-	-	(41)	-	(41)	-	(41)
Constitution and acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	21,359	21,359
Dividends from preference shares	-	-	-	-	-	-	(722)	-	(722)	-	(722)
Dividends from other equity instruments	-	-	-	-	-	-	(149)	-	(149)	-	(149)
Dividends (a)	-	-	-	-	-	-	-	-	-	(9,088)	(9,088)
Treasury shares	-	-	-	-	-	219	-	-	219	-	219
Gains arising on sale of 10% of Setelote	-	-	-	-	-	-	252	-	252	-	252
Other reserves	-	-	-	-	-	-	1,488	-	1,488	52	1,540
BALANCE AS AT 31 DECEMBER 2018	4,725,000	16,471	-	2,922	264,608	(74)	470,481	301,065	5,780,473	1,183,433	6,963,906
Net income for the year	-	-	-	-	-	-	-	302,003	302,003	99,397	401,400
Other comprehensive income	-	-	-	-	-	-	(293,026)	-	(293,026)	11,227	(281,799)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(293,026)	302,003	8,977	110,624	119,601
Results application (note 48):											
Statutory reserve (note 41)	-	-	-	-	(30,000)	-	30,000	-	-	-	-
Legal reserve (note 41)	-	-	-	-	5,927	-	(5,927)	-	-	-	-
Transfers for reserves and retained earnings	-	-	-	-	-	-	301,065	(301,065)	-	-	-
Dividends payed (note 48)	-	-	-	-	-	-	(30,228)	-	(30,228)	-	(30,228)
Issue of perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	400,000	-	-	-	-	400,000	-	400,000
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	-	-	-	(27,750)	-	(27,750)	-	(27,750)
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(3,675)	-	(3,675)	-	(3,675)
Taxes with interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	19	-	19	-	19
Reimbursed of perpetual subordinated debt securities	-	-	-	(2,922)	-	-	-	-	(2,922)	-	(2,922)
Reversal of deferred tax assets related with expenses with the capital increase	-	-	-	-	-	-	(3,652)	-	(3,652)	-	(3,652)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	2	-	2	-	2
Sale of subsidiaries	-	-	-	-	-	-	-	-	-	(16,699)	(16,699)
Dividends from other equity instruments	-	-	-	-	-	-	(148)	-	(148)	-	(148)
Dividends (a)	-	-	-	-	-	-	-	-	-	(15,502)	(15,502)
Treasury shares (note 42)	-	-	-	-	-	(28)	-	-	(28)	-	(28)
Other reserves (note 43)	-	-	-	-	-	-	(1,338)	-	(1,338)	(332)	(1,670)
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	-	400,000	240,535	(102)	435,823	302,003	6,119,730	1,261,524	7,381,254

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 59).

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the years ended 31 December 2019 and 2018.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The consolidated financial statements and the accompanying notes were approved on 26 March 2020 by the Bank's Board of Directors and are presented in thousands of Euros, rounded to the nearest thousand.

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

The consolidated financial statements for the year ended 31 December 2019 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU effective on that date.

These consolidated 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 Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2019. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, except for the changes resulting from the adoption of the following standard with reference to 1 January 2019: IFRS 16 – Leases. This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases.

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group applied this standard retrospectively, with its transition impacts being recognised on 1 January 2019. This way, comparative information will not be restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application, and the underlying assets' right-to-use by the lease liability amount.

The impacts arising from the implementation of IFRS 16 with reference to 1 January 2019, as well as the reconciliation between the balance sheet at 31 December 2018 and the balance sheet at 1 January 2019, in accordance with IFRS 16, are detailed in note 59. Application of IFRS 16 – Leases. The balances included in the financial statements as at 31 December 2018 are presented for comparative purposes only.

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

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

B. Basis of consolidation

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

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

B1. Investments in subsidiaries

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

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

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

B2. Investments in associates

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

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

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

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

B3. Goodwill

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

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

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

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

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

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

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

B4. Purchases and dilution of non-controlling interests

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

B5. Loss of control

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

B6. Investments in foreign subsidiaries and associates

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

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

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

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

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

In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2019. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

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

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

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

B7. Transactions eliminated on consolidation

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

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

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

i) “Financial assets at amortised cost”;
ii) “Financial assets at fair value through other comprehensive income”; or,
iii) “Financial assets at fair value through profit or loss”.

The classification is made taking into consideration the following aspects:

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

Business Model Evaluation

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

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

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

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

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

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

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

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

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

C1.1.1. Financial assets at amortised cost

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

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

Classification

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

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

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

a) “Financial assets held for trading”

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

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

C1.2. Reclassification between categories of financial assets

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

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

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

C1.3. Modification and derecognition of financial assets

General principles

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

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

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

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

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

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

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

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

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

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

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

Derecognition criteria

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

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

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

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

Loans written-off

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

C1.4. Purchased or originated credit-impaired assets

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

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

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

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

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

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

C1.5.1.1. Financial assets at amortised cost

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

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

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

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

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

C1.5.2. Classification of financial instruments by stages

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

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

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

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

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

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

Customers who meet at least one of the following criteria are 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).

It is 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.

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

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

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 grade15
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 grade 14
	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 Group assessed, at each balance sheet date, the existence of objective evidence of impairment. In the assessment of impairment losses in individual terms, the following factors were considered:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

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

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

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

Classification

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

a) "Financial liabilities held for trading"

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

C2.1.2. Financial guarantees

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

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

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

C2.1.3. Financial liabilities at amortised cost

Classification

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

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

Initial recognition and subsequent measurement

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

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

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

C3. Interest recognition

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

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

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

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

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

C4. Hedge accounting

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

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

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

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

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

C4.1. Fair value hedge

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

C4.2. Cash flow hedge

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

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

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

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

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

C4.3. Hedge effectiveness

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

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

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

C5. Embedded Derivatives

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

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

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

D. Securitization operations

D1. Traditional securitizations

As at 31 December 2019, the Group has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), which portfolios were derecognised from the Bank's individual balance sheet, as the residual portions of the referred operations were sold to institutional investors and, consequently, their risks and benefits were substantially transferred.

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

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

As at 31 December 2018, the Group had three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.2, no.3 and no.4), having occurred in October 2019 the liquidation of the operation Magellan Mortgages no.2 and the consequent incorporation of its credits in BCP and BII.

D2. Synthetic securitizations

Currently, the Group has two synthetic securitization operations.

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

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

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

E. Equity instruments

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

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

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

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

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

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

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

F2. Repurchase agreements

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

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

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

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

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

G1. Non-operating real estate (INAE)

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

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

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

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

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

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

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

H. Lease transactions (IFRS 16)

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

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

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

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

Lease definition

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

Impacts from the lessee's perspective

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

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

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

Subsequently, lease payments are measured as follows:

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

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

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

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

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

The implementation of this standard implies changes in the Group's financial statements, as referred in note 59, namely:

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

Impact from the lessor's perspective

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

Subleases

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

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

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

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

I. Lease transactions (IAS 17)

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

I1. Finance lease transactions

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

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

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

I2. Operational leases

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

J. Recognition of income from services and commissions

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

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

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

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

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

L. Fiduciary activities

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

M. Other tangible assets

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

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

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

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

N. Investment property

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

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

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

O. Intangible assets

O1. Research and development expenditure

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

O2. Software

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

P. Cash and cash equivalents

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

Q. Offsetting

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

R. Foreign currency transactions

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

S. Employee benefits

S1. Defined benefit plans

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

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, if certain conditions were verified in each year, of assigning complementary benefits to the Group's employees hired before 21 September 2006 (Complementary Plan). The Group 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 Group 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 Group also proceeded to the settlement of the related liability.

From 1 January 2011, banks' 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 Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs".

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

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

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

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

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

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

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

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

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

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

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

S3. Defined contribution plan

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

As at 31 December 2019, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

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

S4. Variable remuneration paid to employees

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

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

S5. Share-based compensation plan

As at 31 December 2019, 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 key management members, approved by the Nomination and Remuneration Committee and, in the case of members of the Executive Committee, by the Remuneration and Welfare Board, for 2018 and for the following years, with the changes that may be approved in each financial year.

As defined in the referred remuneration policy, 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, which is proposed for the Remuneration and Welfare Board’s approval by the Nomination and Remuneration Committee. The payment of the amount of the variable remuneration attributed is subject to a deferral period for 50% of its value, being the amounts paid in 2019 and following years, relating to the deferred portion, 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 on the date of the respective payment.

For employees considered key management members, and in accordance with accounting policy S4, the payment of the value of the variable remuneration attributed, approved by the Nomination and Remuneration Committee as proposed by the Executive Committee, is subject to a deferral period for 50% of its value, being the amounts paid in 2019 made 100% in cash and in the following years, regarding the deferred part, paid 100% in BCP shares. The number of BCP shares to be attributed results from their valuation at a price defined in accordance with the approved remuneration policy.

Employees considered key management members are not covered by commercial incentive 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 key management members 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, for 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 total variable remuneration to be attributed, each year, to each member of the Executive Committee and to the employees considered key management members, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective remuneration policy.

T. Income taxes

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

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

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

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

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

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

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

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

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

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the financial years of 2019 and 2018, the RETGS application was maintained.

U. Segmental reporting

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

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

Portugal activity:

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

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

Foreign activity:

- Poland;
- Mozambique;
- Other.

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

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

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

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

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

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

V2. Contingent assets

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

V3. Contingent liabilities

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

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

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

W. Earnings per share

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

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

X. Insurance contracts

X1. Classification

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

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

X2. Recognition and measurement

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

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

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

X3. Premiums

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

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

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

X5. Liability adequacy test

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

Y. Insurance or reinsurance intermediation services

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

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

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

Z. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Board of Directors, under advice of the Executive Committee, to apply judgments and to make estimations when deciding which treatment is the most appropriate. The most significant of these accounting estimates and judgments used when applying accounting principles are discussed in this section in order to improve understanding of how they affect the Group's reported results and related disclosure.

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

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

Z1. Entities included in the consolidation perimeter

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

Z2. Goodwill impairment

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

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

Z3. Income taxes

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

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

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

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.

For 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.

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 2019, 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.

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

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

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

The valuation of these assets, and consequently the impairment losses, is supported by valuations carried out by independent experts, which incorporate several assumptions, namely on the evolution of the real estate market, better use of the real estate, and when applicable, expectations regarding the development of real estate projects, and also considers the Bank's intentions 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.

Z5. Pension and other employees' benefits

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

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

Z6. Financial instruments – IFRS 9

Z6.1. Classification and measurement

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

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

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

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

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

Significant increase in credit risk:

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

Definition of groups of assets with common credit risk characteristics:

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

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

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

Probability of default:

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

Loss given default:

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

Z6.3. Fair value of derivative financial instruments

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

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

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

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

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

AA. Subsequent events

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

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

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

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	149	1,287
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	39,690	25,250
Loans and advances to customers	1,510,510	1,385,313
Debt securities	149,473	169,463
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	4,419	5,822
Derivatives associated to financial instruments at fair value through profit or loss	7,322	14,149
Financial assets not held for trading mandatorily at fair value through profit or loss	26,821	23,191
Financial assets designated at fair value through profit or loss	1,115	2,191
Interest on financial assets at fair value through other comprehensive income	148,742	158,376
Interest on hedging derivatives	97,663	97,032
Interest on other assets	5,541	7,665
	1,991,445	1,889,739
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(18,745)	(12,234)
Resources from customers	(297,832)	(313,529)
Non subordinated debt securities issued	(17,513)	(27,689)
Subordinated debt	(61,629)	(62,682)
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	(3,628)	(3,242)
Financial liabilities at fair value through profit or loss		
Resources from customers	(3,512)	(13,175)
Non subordinated debt securities issued	(3,783)	(5,963)
Interest on hedging derivatives	(28,289)	(25,964)
Interest on leasing	(6,365)	-
Interest on other liabilities	(1,621)	(1,630)
	(442,917)	(466,108)
	1,548,528	1,423,631

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 39,044,000 (2018: Euros 51,040,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 5,513,000 and Euros 12,318,000, respectively (2018: Euros 13,176,000 and Euros 11,563,000 respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 74,330,000 (2018: Euros 92,026,000) 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 51,504,000 (2018: Euros 37,281,000), as referred in note 21 and Euros 120,000 (2018: Euros 211,000), as referred in note 22, related to the adjustment on interest on loans to customers classified in stage 3, under the scope of application of IFRS 9.

In 2019, the balance Interest on leasing refers to the interest cost related to the leasing liabilities recognised under IFRS 16, as referred in accounting policy described 1 H and note 59.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Dividends from financial assets held for trading	6	4
Dividends from financial assets through other comprehensive income	792	632
	798	636

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

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Fees and commissions received		
Banking services provided	442,444	421,801
Management and maintenance of accounts	118,954	105,852
Bancassurance	118,293	105,223
Securities operations	77,075	87,862
Guarantees granted	53,353	58,110
Commitments to third parties	4,334	4,353
Insurance activity commissions	1,015	921
Fiduciary and trust activities	684	711
Other commissions	48,204	43,657
	864,356	828,490
Fees and commissions paid		
Banking services provided by third parties	(128,294)	(111,546)
Securities operations	(11,413)	(10,971)
Guarantees received	(4,600)	(5,845)
Insurance activity commissions	(1,167)	(1,044)
Other commissions	(15,385)	(15,065)
	(160,859)	(144,471)
	703,497	684,019

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	185,794	(94,645)
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(13,509)	(12,626)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	(167,448)	108,671
	4,837	1,400
Net gains / (losses) from foreign exchange	69,391	75,355
Net gains / (losses) from hedge accounting	(5,682)	2,552
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(24,909)	(50,194)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	99,676	49,435
	143,313	78,548

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

(Thousands of euros)

	2019	2018
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	5,771	15,604
Equity instruments	2,183	1,068
Derivative financial instruments	464,136	222,165
Other operations	1,068	1,326
	473,158	240,163
Losses		
Debt securities portfolio	(9,215)	(8,963)
Equity instruments	(139)	(3,428)
Derivative financial instruments	(277,462)	(321,453)
Other operations	(548)	(964)
	(287,364)	(334,808)
	185,794	(94,645)
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	24,592	28,096
Debt securities portfolio	36,487	78,185
Equity instruments	10,476	-
	71,555	106,281
Losses		
Loans and advances to customers	(30,040)	(32,771)
Debt securities portfolio	(55,024)	(86,136)
	(85,064)	(118,907)
	(13,509)	(12,626)

(continues)

(continuation)

(Thousands of euros)

	2019	2018
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	46	5,324
Debt securities issued		
Certificates and structured securities issued	37,749	127,029
Other debt securities issued	1,802	23,725
	39,597	156,078
Losses		
Debt securities portfolio	(1,897)	(6,404)
Resources from customers	(1,456)	-
Debt securities issued		
Certificates and structured securities issued	(197,518)	(40,265)
Other debt securities issued	(6,174)	(738)
	(207,045)	(47,407)
	(167,448)	108,671

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

(Thousands of euros)

	2019	2018
Net gains / (losses) from foreign exchange		
Gains	1,147,877	1,181,449
Losses	(1,078,486)	(1,106,094)
	69,391	77,373
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	34,316	83,612
Hedged items	117,842	41,454
	152,158	125,066
Losses		
Hedging derivatives	(147,191)	(117,208)
Hedged items	(10,649)	(5,306)
	(157,840)	(122,514)
	(5,682)	2,552
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	7,500	6,544
Debt securities portfolio	1,316	-
Debt securities issued	6,548	1,991
Others	4,143	196
	19,507	8,731
Losses		
Credit sales	(36,370)	(55,955)
Debt securities issued	(7,089)	(2,012)
Others	(957)	(958)
	(44,416)	(58,925)
	(24,909)	(50,194)

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

(Thousands of euros)

	2019	2018
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	101,056	59,818
Losses		
Debt securities portfolio	(1,380)	(10,383)
	99,676	49,435

In 2019, the balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 70,474,000 (2018: Euros 17,905,000) related to gains resulting from the sale of Portuguese Treasury bonds.

In 2019, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 89,174,000 (2018: Euros 8,212,000) 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)

	2019	2018
Operating income		
Gains on leasing operations	3,949	3,488
Income from services provided	24,091	24,486
Rents	4,915	5,031
Sales of cheques and others	11,386	11,840
Other operating income	21,848	11,351
	66,189	56,196
Operating costs		
Donations and contributions	(4,276)	(3,604)
Contribution over the banking sector	(31,818)	(33,066)
Contributions for Resolution Funds	(33,030)	(20,271)
Contribution for the Single Resolution Fund	(18,747)	(21,185)
Contributions to Deposit Guarantee Fund	(11,952)	(16,855)
Tax for the Polish banking sector	(57,734)	(46,553)
Taxes	(22,403)	(22,822)
Losses on financial leasing operations	(80)	-
Other operating costs	(30,549)	(27,718)
	(210,589)	(192,074)
	(144,400)	(135,878)

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

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

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

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

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

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

The Group delivered in 2019 the amount of Euros 18,747,000 (2018: Euros 21,185,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 21,918,000 (2018: Euros 24,922,000) and the Group opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,171,000 (2018: Euros 3,737,000), not having this component been recognised as a cost, as defined by the Single Resolution Council in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014. As at 31 December 2019 the total amount of irrevocable commitments constituted is Euros 13,860,000 (31 December 2018: Euros 10,691,000), registered in Other assets - Deposit account applications (note 31).

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Remunerations	519,888	457,617
Mandatory social security charges		
Post-employment benefits (note 50)		
Service cost	(15,372)	(15,800)
Net interest cost / (income) in the liability coverage balance	4,524	3,030
Cost with early retirement programs	18,375	19,303
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(683)	(380)
	6,844	6,153
Other mandatory social security charges	114,177	105,024
	121,021	111,177
Voluntary social security charges	12,416	10,370
Other staff costs	14,907	13,628
	668,232	592,792

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

As described in the accounting policy 1 S2, 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 Group recorded the impact of Euros 4,011,000 (of which Euros 1,657,000 refer to retroactive payments of 2018) in Personnel costs .

In 2019, the balance Other staff costs includes severance payments in the amount of Euros 9,737,000 (2018: Euros 9,115,000), of which the highest amounts to Euros 1,313,000 (2018: Euros 500,000).

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

	2019	2018
Portugal		
Top Management	996	992
Intermediary Management	1,644	1,653
Specific/Technical functions	3,008	2,940
Other functions	1,608	1,556
	7,256	7,141
Abroad	10,272	8,630
	17,528	15,771

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Water, electricity and fuel	16,543	15,442
Credit cards and mortgage	7,650	7,732
Communications	26,144	23,114
Maintenance and related services	20,659	16,042
Legal expenses	5,260	6,379
Travel, hotel and representation costs	9,947	9,424
Advisory services	31,338	13,170
Training costs	2,787	2,590
Information technology services	53,609	36,996
Consumables	5,543	4,759
Outsourcing and independent labour	76,980	77,070
Advertising	31,092	27,565
Rents and leases	23,170	73,446
Insurance	3,811	3,766
Transportation	9,921	10,157
Other specialised services	29,083	29,372
Other supplies and services	22,918	19,652
	376,455	376,676

The balance Rents and leases includes, in 2019, the amount of Euros 4,551,000 related to short-term lease contracts and the amount of Euros 2,118,000 related to lease contracts of low value assets, as described in the accounting policy 1 H and note 59. In 2018, the balance Rents and lease included the amount of Euros 70,705,000 related to rents paid regarding buildings used by the Group as lessee, as described in accounting policy 1I.

Until 31 December 2018, in accordance with accounting policy 1I, the Group had various operating leases for properties and vehicles, under IAS 17. The payments under these leases were recognised in the profit and loss during the life of the contract. As at 31 December 2018, the minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of euros)

	2018		
	Properties	Vehicles	Total
Until 1 year	75,777	147	75,924
1 to 5 years	142,365	118	142,483
Over 5 years	41,406	-	41,406
	259,548	265	259,813

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

(Thousands of euros)

	2019	2018
Auditing services		
Legal certification	3,207	2,246
Other assurance services	1,253	1,604
Other services	244	416
	4,704	4,266

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Amortisations of intangible assets (note 29):		
Software	21,525	13,307
Other intangible assets	2,076	1,619
	23,601	14,926
Depreciations of other tangible assets (note 28):		
Properties	17,859	18,321
Equipment		
Computers	15,441	11,149
Security equipment	1,191	1,453
Installations	2,641	2,394
Machinery	948	648
Furniture	2,609	2,235
Motor vehicles	5,178	4,649
Other equipment	1,720	1,970
Right-of-use		
Real estate	53,236	-
Vehicles and equipment	361	-
	101,184	42,819
	124,785	57,745

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Loans and advances to credit institutions (note 20)		
Charge for the year	55	1,387
Reversals for the year	(867)	(128)
	(812)	1,259
Loans and advances to customers (note 21)		
Charge for the year	924,248	926,054
Reversals for the year	(510,585)	(442,082)
Recoveries of loans and interest charged-off	(24,268)	(13,210)
	389,395	470,762
Debt securities (note 22)		
Associated to credit operations		
Charge for the year	1,717	-
Reversals for the year	(907)	(6,121)
	810	(6,121)
Not associated to credit operations		
Charge for the year	1,161	1,184
Reversals for the year	(246)	(1,616)
	915	(432)
	1,725	(6,553)
	390,308	465,468

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

The detail of these balances is comprised of:

(Thousands of euros)

	2019	2018
Impairment for financial assets at fair value through other comprehensive income (note 23)		
Charge for the year	538	2,993
Reversals for the year	(2,718)	(4,085)
	(2,180)	(1,092)

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Impairment for investments in associated companies (note 25)		
Charge for the year	4,550	12,623
Impairment for non-current assets held for sale (note 26)		
Charge for the year	98,080	78,612
Reversals for the year	(13,656)	(18,018)
	84,424	60,594
Impairment for goodwill of subsidiaries (note 29)		
Charge for the year	559	-
Impairment for other assets (note 31)		
Charge for the year	14,107	7,234
Reversals for the year	(7,606)	(1,414)
	6,501	5,820
	96,034	79,037

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	2019	2018
Provision for guarantees and other commitments (note 38)		
Charge for the year	36,230	86,255
Reversals for the year	(40,618)	(41,802)
	(4,388)	44,453
Other provisions for liabilities and charges (note 38)		
Charge for the year	65,239	13,537
Reversals for the year	(3,367)	(301)
	61,872	13,236
	57,484	57,689

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

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

(Thousands of euros)

	2019	2018
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current year	16,923	20,659
Appropriation relating to the previous year	-	19
Annulment of the gains arising from properties sold to Group entities	(8,680)	-
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	(5,725)	-
Revaluation of the net non-monetary assets of the BMA	-	759
Revaluation of the goodwill associated to the investment in BMA	-	12,623
	(5,725)	13,382
	2,518	34,060
Banque BCP, S.A.S.	4,095	3,653
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	28,430	35,361
SIBS, S.G.P.S, S.A.	5,871	8,343
Unicre - Instituição Financeira de Crédito, S.A.	3,491	7,244
Other companies	(1,416)	514
	42,989	89,175

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

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

This balance is comprised of:

(Thousands of euros)

	2019	2018
Gains arising on sale of associated company Mundotêxtil - Indústrias Têxteis, S.A.	147	-
Gains arising on settlement of MB Finance	9	-
Losses arising on sale of Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	(276)	-
Losses arising on liquidation of Imábida - Imobiliária da Arrábida, S.A..	(96)	-
Gains arising on settlement of bcp holdings (usa), Inc regarding the investment of 100%	-	2,769
Gains arising on settlement of S & P Reinsurance Limited regarding the investment of 100%	-	7
Other assets	32,123	35,140
	31,907	37,916

The balance Other assets includes gains arising from the sale of assets held by the Group, classified as non-current assets held for sale which in 2019, corresponds to a gain of Euros 29,263,000 (2018: gain of Euros 31,348,000).

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

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Gain arising on sale of Planfipsa Group	13,454	-
Appropriation of net income of Planfipsa Group	-	(3,068)
Gains/(losses) arising from the sale of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	(42)	1,750
	13,412	(1,318)

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

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

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2019	2018
Continuing operations		
Net income after income taxes from continuing operations	387,988	420,192
Non-controlling interests	(99,397)	(117,809)
Appropriated net income	288,591	302,383
Dividends from other equity instruments	(148)	(871)
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	(27,750)	-
Adjusted net income	260,693	301,512
Discontinued or discontinuing operations (note 16)		
Appropriated net income	13,412	(1,318)
Adjusted net income	274,105	300,194
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.017	0.020
from discontinued or discontinuing operations	0.001	0.000
	0.018	0.020
Diluted earnings per share (Euros):		
from continuing operations	0.017	0.020
from discontinued or discontinuing operations	0.001	0.000
	0.018	0.020

The Bank's share capital, as at 31 December 2019, 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 2019 and 2018, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Cash	636,048	566,202
Central Banks		
Bank of Portugal	3,658,202	1,315,682
Central Banks abroad	872,301	871,955
	5,166,551	2,753,839

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

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

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Credit institutions in Portugal	9,427	960
Credit institutions abroad	220,718	238,932
Amounts due for collection	90,712	86,815
	320,857	326,707

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

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Loans and advances to credit institutions in Portugal		
Loans	36,655	47,911
Term deposits to collateralise CIRS and IRS operations (*)	-	430
Other	6,028	1,123
	42,683	49,464
Loans and advances to credit institutions abroad		
Very short-term deposits	342,090	78,030
Term deposits	220,426	488,827
Term deposits to collateralise CIRS and IRS operations (*)	252,584	256,177
Other	35,580	18,719
	850,680	841,753
	893,363	891,217
Overdue loans - Over 90 days	-	669
	893,363	891,886
Impairment for loans and advances to credit institutions	(368)	(1,853)
	892,995	890,033

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

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

(Thousands of euros)

	2019	2018
Up to 3 months	875,286	848,082
3 to 6 months	-	14,749
6 to 12 months	8,077	27,751
1 to 5 years	10,000	635
Undetermined	-	669
	893,363	891,886

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

(Thousands of euros)

	2019	2018
Balance on 1 January	1,853	-
Adjustments due to the implementation of IFRS 9 (note 58)	-	703
Impairment charge for the year (note 10)	55	1,387
Reversals for the year (note 10)	(867)	(128)
Loans charged-off	(673)	(109)
Balance at the end of the year	368	1,853

21. Loans and advances to customers

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

(Thousands of euros)

	2019	2018
Mortgage loans	25,968,814	23,691,928
Loans	14,783,169	13,047,108
Finance leases	4,144,376	3,955,451
Factoring operations	2,566,627	2,463,503
Current account credits	1,734,948	1,731,445
Overdrafts	1,215,941	1,258,634
Discounted bills	265,385	249,710
	50,679,260	46,397,779
Overdue loans - less than 90 days	115,707	118,475
Overdue loans - Over 90 days	1,469,884	1,896,578
	52,264,851	48,412,832
Impairment for credit risk	(2,417,022)	(2,851,906)
	49,847,829	45,560,926

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

(Thousands of euros)

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

The 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 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 Loans and advances to customers, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	721,519	1,062	722,581	(3,981)	718,600
Asset-backed loans	28,000,766	1,164,703	29,165,469	(1,706,849)	27,458,620
Other guaranteed loans	3,526,035	170,305	3,696,340	(332,468)	3,363,872
Unsecured loans	5,658,748	455,439	6,114,187	(450,549)	5,663,638
Foreign loans	2,071,757	114,496	2,186,253	(178,146)	2,008,107
Factoring operations	2,463,503	15,205	2,478,708	(42,219)	2,436,489
Finance leases	3,955,451	93,843	4,049,294	(137,694)	3,911,600
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926

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

(Thousands of euros)

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

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	94,491	66,961	560,067	721,519	1,062	722,581
Asset-backed loans	1,708,178	3,052,444	23,240,144	28,000,766	1,164,703	29,165,469
Other guaranteed loans	1,294,406	1,349,257	882,372	3,526,035	170,305	3,696,340
Unsecured loans	2,063,873	1,907,528	1,687,347	5,658,748	455,439	6,114,187
Foreign loans	491,746	429,514	1,150,497	2,071,757	114,496	2,186,253
Factoring operations	1,904,236	559,252	15	2,463,503	15,205	2,478,708
Finance leases	599,079	1,459,353	1,897,019	3,955,451	93,843	4,049,294
	8,156,009	8,824,309	29,417,461	46,397,779	2,015,053	48,412,832

As at 31 December 2019, the balance Loans and advances to customers includes the amount of Euros 11,778,334,000 (31 December 2018: Euros 12,315,731,000) regarding credits related to mortgage loans issued by the Group.

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

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

As at 31 December 2019, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 99,774,000 (31 December 2018: Euros 101,350,000), as referred in note 51 a). The amount of impairment recognised for these contracts amounts to Euros 210,000 (31 December 2018: Euros 650,000).

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

As at 31 December 2019, the balance Finance leases includes the amount of Euros 9,278,000 related to sublease operations, as referred in accounting policy described 1 H and note 59.

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

(Thousands of euros)

	2019	2018
Amount of future minimum payments		
Up to 1 year	1,069,860	931,836
1 to 5 years	1,978,977	1,951,933
Over 5 years	1,600,732	1,540,260
	4,649,569	4,424,029
Interest not yet due	(505,193)	(468,578)
Present value	4,144,376	3,955,451

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

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

(Thousands of euros)

	2019	2018
Individuals		
Home	56,371	64,150
Consumer	33,290	33,020
Others	92,316	108,043
	181,977	205,213
Companies		
Equipment	1,915,011	1,804,542
Real estate	2,047,388	1,945,696
	3,962,399	3,750,238
	4,144,376	3,955,451

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

(Thousands of euros)

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

The analysis of loans and advances to customers, as at 31 December 2018, by sector of activity, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	294,808	10,093	304,901	(9,704)	295,197	0.63%
Fisheries	31,515	43	31,558	(883)	30,675	0.07%
Mining	59,058	2,877	61,935	(9,744)	52,191	0.13%
Food, beverage and tobacco	683,830	15,670	699,500	(17,615)	681,885	1.45%
Textiles	363,277	14,540	377,817	(22,566)	355,251	0.78%
Wood and cork	237,191	6,312	243,503	(8,564)	234,939	0.50%
Paper, printing and publishing	193,611	4,985	198,596	(18,134)	180,462	0.41%
Chemicals	664,652	40,598	705,250	(50,057)	655,193	1.46%
Machinery, equipment and basic metallurgical	1,171,768	46,249	1,218,017	(50,160)	1,167,857	2.52%
Electricity and gas	371,518	611	372,129	(2,027)	370,102	0.77%
Water	188,221	1,132	189,353	(11,461)	177,892	0.39%
Construction	1,595,783	358,006	1,953,789	(433,006)	1,520,783	4.04%
Retail business	1,089,590	80,331	1,169,921	(89,031)	1,080,890	2.42%
Wholesale business	2,093,318	79,300	2,172,618	(103,523)	2,069,095	4.49%
Restaurants and hotels	1,150,604	55,508	1,206,112	(91,657)	1,114,455	2.49%
Transports	1,293,631	18,180	1,311,811	(31,328)	1,280,483	2.71%
Post offices	10,631	351	10,982	(644)	10,338	0.02%
Telecommunications	306,844	6,333	313,177	(15,882)	297,295	0.65%
Services						
Financial intermediation	1,476,828	116,446	1,593,274	(380,196)	1,213,078	3.29%
Real estate activities	1,336,226	218,978	1,555,204	(158,998)	1,396,206	3.21%
Consulting, scientific and technical activities	1,339,659	30,038	1,369,697	(371,352)	998,345	2.83%
Administrative and support services activities	553,539	31,448	584,987	(79,567)	505,420	1.21%
Public sector	1,128,520	1,247	1,129,767	(7,743)	1,122,024	2.33%
Education	131,840	1,719	133,559	(7,713)	125,846	0.28%
Health and collective service activities	282,231	2,012	284,243	(4,286)	279,957	0.59%
Artistic, sports and recreational activities	287,865	6,161	294,026	(76,296)	217,730	0.61%
Other services	209,752	264,796	474,548	(194,401)	280,147	0.98%
Consumer loans	3,432,425	281,567	3,713,992	(302,840)	3,411,152	7.67%
Mortgage credit	23,555,628	225,084	23,780,712	(212,505)	23,568,207	49.12%
Other domestic activities	1,124	499	1,623	(302)	1,321	0.00%
Other international activities	862,292	93,939	956,231	(89,721)	866,510	1.98%
	46,397,779	2,015,053	48,412,832	(2,851,906)	45,560,926	100%

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

(Thousands of euros)

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

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	104,408	90,843	99,557	294,808	10,093	304,901
Fisheries	7,651	15,273	8,591	31,515	43	31,558
Mining	37,281	15,400	6,377	59,058	2,877	61,935
Food, beverage and tobacco	433,901	177,057	72,872	683,830	15,670	699,500
Textiles	176,911	98,472	87,894	363,277	14,540	377,817
Wood and cork	110,304	88,857	38,030	237,191	6,312	243,503
Paper, printing and publishing	106,952	37,301	49,358	193,611	4,985	198,596
Chemicals	311,924	226,324	126,404	664,652	40,598	705,250
Machinery, equipment and basic metallurgical	597,052	384,518	190,198	1,171,768	46,249	1,218,017
Electricity and gas	50,564	131,375	189,579	371,518	611	372,129
Water	28,589	38,542	121,090	188,221	1,132	189,353
Construction	508,815	474,681	612,287	1,595,783	358,006	1,953,789
Retail business	537,728	318,170	233,692	1,089,590	80,331	1,169,921
Wholesale business	1,114,076	721,614	257,628	2,093,318	79,300	2,172,618
Restaurants and hotels	80,578	300,890	769,136	1,150,604	55,508	1,206,112
Transports	448,160	468,137	377,334	1,293,631	18,180	1,311,811
Post offices	4,419	6,099	113	10,631	351	10,982
Telecommunications	103,547	136,765	66,532	306,844	6,333	313,177
Services						
Financial intermediation	206,384	336,801	933,643	1,476,828	116,446	1,593,274
Real estate activities	301,503	356,177	678,546	1,336,226	218,978	1,555,204
Consulting, scientific and technical activities	317,270	443,740	578,649	1,339,659	30,038	1,369,697
Administrative and support services activities	234,653	192,796	126,090	553,539	31,448	584,987
Public sector	134,771	437,637	556,112	1,128,520	1,247	1,129,767
Education	37,872	31,468	62,500	131,840	1,719	133,559
Health and collective service activities	111,315	84,740	86,176	282,231	2,012	284,243
Artistic, sports and recreational activities	43,518	31,234	213,113	287,865	6,161	294,026
Other services	78,909	91,140	39,703	209,752	264,796	474,548
Consumer loans	989,303	1,536,802	906,320	3,432,425	281,567	3,713,992
Mortgage credit	380,051	1,424,987	21,750,590	23,555,628	225,084	23,780,712
Other domestic activities	173	482	469	1,124	499	1,623
Other international activities	557,427	125,987	178,878	862,292	93,939	956,231
	8,156,009	8,824,309	29,417,461	46,397,779	2,015,053	48,412,832

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

(Thousands of euros)

	2019	2018
Total credit	56,991,658	53,239,630
Stage 1		
Gross amount	44,374,375	38,353,853
Impairment	(110,509)	(98,344)
	44,263,866	38,255,509
Stage 2		
Gross amount	8,149,861	8,726,840
Impairment	(191,810)	(185,063)
	7,958,051	8,541,777
Stage 3		
Gross amount	4,467,422	6,158,937
Impairment	(2,212,693)	(2,739,559)
	2,254,729	3,419,378
	54,476,646	50,216,664

The total credit portfolio includes, as at 31 December 2019, loans and advances to customers in the amount of Euros 52,264,851,000 (31 December 2018: Euros: 48,412,832,000) and guarantees granted and commitments to third parties balance (note 45), in the amount of Euros 4,726,807,000 (31 December 2018: Euros 4,826,798,000).

The balances of Impairment were determined in accordance with the accounting policy described in note 1 C1.5, including the provision for guarantees and other commitments to third parties (note 38), associated to Guarantees granted, in the amount of Euros 97,990,000 (31 December 2018: Euros 171,060,000).

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

(Thousands of euros)

	2019	2018
Stage 1		
Securities and other financial assets	1,904,675	1,879,568
Residential real estate	21,165,962	18,656,116
Other real estate	2,943,688	3,032,719
Other guarantees	4,571,961	3,512,140
	30,586,286	27,080,543
Stage 2		
Securities and other financial assets	293,565	286,629
Residential real estate	2,759,766	2,894,058
Other real estate	1,237,569	1,083,323
Other guarantees	868,877	659,328
	5,159,777	4,923,338
Stage 3		
Securities and other financial assets	301,745	380,083
Residential real estate	800,650	1,121,101
Other real estate	610,792	1,024,062
Other guarantees	579,905	459,632
	2,293,092	2,984,878
	38,039,155	34,988,759

The balance Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Group (note 54), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

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

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

(Thousands of euros)

	2019			2018		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	14,391	(3,012)	11,379	26,785	(4,097)	22,688
Fisheries	6,134	(454)	5,680	6,153	(549)	5,604
Mining	5,558	(3,317)	2,241	14,449	(8,530)	5,919
Food, beverage and tobacco	25,290	(7,448)	17,842	18,071	(5,614)	12,457
Textiles	14,010	(4,287)	9,723	15,708	(6,186)	9,522
Wood and cork	7,978	(1,694)	6,284	12,487	(3,395)	9,092
Paper, printing and publishing	16,449	(12,222)	4,227	19,381	(12,661)	6,720
Chemicals	23,386	(5,095)	18,291	27,806	(12,278)	15,528
Machinery, equipment and basic metallurgical	54,949	(11,038)	43,911	68,553	(13,502)	55,051
Electricity and gas	454	(32)	422	839	(110)	729
Water	51,694	(7,116)	44,578	16,771	(2,541)	14,230
Construction	245,348	(148,041)	97,307	428,059	(233,362)	194,697
Retail business	61,569	(23,761)	37,808	101,067	(51,444)	49,623
Wholesale business	105,965	(13,463)	92,502	133,962	(20,744)	113,218
Restaurants and hotels	101,525	(20,402)	81,123	123,014	(22,636)	100,378
Transports	13,118	(2,691)	10,427	57,356	(4,852)	52,504
Post offices	236	(61)	175	92	(22)	70
Telecommunications	18,059	(1,219)	16,840	31,638	(1,635)	30,003
Services						
Financial intermediation	533,238	(340,993)	192,245	401,209	(242,479)	158,730
Real estate activities	157,808	(43,027)	114,781	250,263	(48,471)	201,792
Consulting, scientific and technical activities	166,498	(93,427)	73,071	241,698	(166,724)	74,974
Administrative and support services activities	83,319	(61,457)	21,862	89,424	(63,324)	26,100
Public sector	67,157	(1,309)	65,848	72,382	(1,458)	70,924
Education	20,057	(4,724)	15,333	20,458	(5,616)	14,842
Health and collective service activities	10,537	(1,156)	9,381	4,987	(966)	4,021
Artistic, sports and recreational activities	90,159	(40,616)	49,543	116,562	(46,351)	70,211
Other services	245,150	(177,061)	68,089	245,637	(172,503)	73,134
Consumer loans	301,820	(76,808)	225,012	281,568	(92,111)	189,457
Mortgage credit	604,597	(45,234)	559,363	714,611	(58,747)	655,864
Other international activities	36,531	(24,491)	12,040	40,296	(25,227)	15,069
	3,083,006	(1,175,657)	1,907,349	3,581,292	(1,328,135)	2,253,157

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

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

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

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

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as 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 2019, the amount calculated is Euros 2,259,596,000 (31 December 2018: Euros 3,049,747,000).

Every client or operation that meet the following conditions is marked and identified as Non Performing Exposures (NPE):

a) Total exposure of defaulted customers;
b) Total exposure of customers with signs of impairment;
c) Total exposure of customers whose overdue operations for more than 90 days represents more than 20% of their total on-balance sheet exposure;
d) Total exposure of non-retail customers with at least one overdue operation for more than 90 days;
e) Retail operations overdue for more than 90 days;
f) Operations restructured due to financial difficulties overdue for more than 30 days.

As at 31 December 2019, the NPE amounts to Euros 4,206,158,000 (31 December 2018: Euros 5,547,454,000).

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

(Thousands of euros)

	2019	2018
Balance on 1 January	2,851,906	3,279,046
Adjustments due to the implementation of IFRS 9 (note 58)		
Remeasurement under IFRS 9	-	235,548
Reclassification under IFRS 9	-	8,508
Charge for the year in net income interest (note 2)	51,504	37,281
Transfers resulting from changes in the Group's structure	-	754
Other transfers	72,421	(56,345)
Impairment charge for the year (note 10)	924,248	926,054
Reversals for the year (note 10)	(510,585)	(442,082)
Loans charged-off	(979,451)	(1,129,834)
Exchange rate differences	6,979	(7,024)
Balance at the end of the year	2,417,022	2,851,906

As at 31 December 2019, the balance Other transfers includes the amount of 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.

In 2018, the balance Other transfers referred to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2018, the associated credits were liquidated, and the Group received a set of assets in kind and the related impairment of these assets.

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

(Thousands of euros)

	2019	2018
Agriculture and forestry	4,360	4,964
Fisheries	4	152
Mining	4,414	3,403
Food, beverage and tobacco	14,190	2,138
Textiles	7,418	15,631
Wood and cork	3,304	16,981
Paper, printing and publishing	6,823	1,976
Chemicals	30,947	5,389
Machinery, equipment and basic metallurgical	25,843	29,123
Electricity and gas	506	5
Water	619	4,949
Construction	282,889	257,356
Retail business	75,990	29,939
Wholesale business	37,281	67,318
Restaurants and hotels	13,128	27,817
Transports	11,546	17,243
Post offices	243	70
Telecommunications	17,956	1,822
Services		
Financial intermediation	21,154	244,728
Real estate activities	62,175	80,496
Consulting, scientific and technical activities	178,745	89,357
Administrative and support services activities	6,353	11,185
Public sector	-	3
Education	603	807
Health and collective service activities	1,215	603
Artistic, sports and recreational activities	3,651	919
Other services	4,833	10,668
Consumer loans	149,500	185,758
Mortgage credit	9,059	13,979
Other domestic activities	2,561	1,132
Other international activities	2,141	3,923
	979,451	1,129,834

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

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

(Thousands of euros)

	2019	2018
Public sector	-	3
Asset-backed loans	14,896	15,786
Other guaranteed loans	37,499	43,181
Unsecured loans	894,640	1,040,765
Factoring operations	10,312	7,058
Finance leases	22,104	23,041
	979,451	1,129,834

The analysis of recovered loans and interest occurred during 2019 and 2018 by sector of activity, is as follows:

(Thousands of euros)

	2019	2018
Agriculture and forestry	73	47
Fisheries	-	24
Mining	-	1
Food, beverage and tobacco	211	140
Textiles	1,340	121
Wood and cork	41	115
Paper, printing and publishing	292	171
Chemicals	535	206
Machinery, equipment and basic metallurgical	139	223
Electricity and gas	8	1
Water	3	1
Construction	1,617	1,761
Retail business	1,486	468
Wholesale business	827	786
Restaurants and hotels	599	29
Transports	2,905	235
Post offices	11	16
Telecommunications	10	28
Services		
Financial intermediation	754	2,239
Real estate activities	1,227	182
Consulting, scientific and technical activities	13	65
Administrative and support services activities	176	440
Health and collective service activities	2	15
Artistic, sports and recreational activities	257	6
Other services	563	109
Consumer loans	10,818	4,049
Mortgage credit	139	68
Other domestic activities	199	55
Other international activities	23	1,609
	24,268	13,210

The analysis of recovered loans and interest occurred during 2019 and 2018, by type of credit, is as follows:

(Thousands of euros)

	2019	2018
Asset-backed loans	154	68
Other guaranteed loans	6,236	2,431
Unsecured loans	17,319	9,446
Foreign loans	9	691
Finance leases	550	574
	24,268	13,210

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

Traditional securitizations

Securitization transactions engaged by the Group and still ongoing, refer to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As at 31 December 2019, the loans and advances referred to these operations amounts to Euros 269,668,000 (31 December 2018: Euros 405,439,000) As referred in accounting policy 1 B, when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, those are consolidated by the full method.

Magellan Mortgages No. 2

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

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE “Magellan Mortgages No. 3 PLC”. Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 B. As at 31 December 2019, the SPE's credit portfolio associated with this operation amounts to Euros 269,668,000, and bonds issued with different subordination levels amount to Euros 199,178,000 (this amount excludes bonds hold by the Group in the amount of Euros 89,643,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

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

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by Bank, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 800,801,000 as at 31 December 2019. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 203,646,000 and the registered cost in 2019 amounts to Euros 5,169,000.

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 2019, the operation amounts to Euros 884,659,000. The fair value of the relative CDS is recorded as a positive amount of Euros 64,101,000 and their registered cost in 2019 amounts to Euros 906,000.

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

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

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2019	2018
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	155,567	176,751
Commercial paper	1,871,985	2,024,762
Foreign issuers		
Bonds	32,356	34,671
Commercial paper	25,233	19,704
	2,085,141	2,255,888
Overdue securities - over 90 days	1,799	55,353
	2,086,940	2,311,241
Impairment	(12,431)	(39,921)
	2,074,509	2,271,320
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	137,330	47,377
Foreign issuers	301,988	740,118
Bonds issued by other entities		
Portuguese issuers	178,069	254,662
Foreign issuers	50,854	63,325
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	445,226	-
	1,113,467	1,105,482
Impairment	(2,100)	(1,788)
	1,111,367	1,103,694
	3,185,876	3,375,014

(*) Includes the amount of Euros 856,000 related to adjustments resulting from the application of fair value hedge accounting.

As at 31 December 2019, the balance Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 138,752,000 (31 December 2018: Euros 213,772,000) related to public sector companies.

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

(Thousands of euros)

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

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	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	-	-	-	176,751	-	176,751
Commercial paper	1,430,666	594,096	-	-	55,353	2,080,115
Foreign issuers						
Bonds	-	-	11,659	23,012	-	34,671
Commercial paper	19,704	-	-	-	-	19,704
	1,450,370	594,096	11,659	199,763	55,353	2,311,241
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	-	-	-	47,377	-	47,377
Foreign issuers	112,965	394,174	122,846	110,133	-	740,118
Other entities						
Portuguese issuers	-	90,615	124,809	39,238	-	254,662
Foreign issuers	-	-	-	63,325	-	63,325
	112,965	484,789	247,655	260,073	-	1,105,482
	1,563,335	1,078,885	259,314	459,836	55,353	3,416,723

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

(Thousands of euros)

	2019	2018
Debt securities held associated with credit operations		
Mining	17,493	24,996
Food, beverage and tobacco	83,063	80,074
Textiles	67,201	69,346
Wood and cork	8,017	10,820
Paper, printing and publishing	10,305	17,163
Chemicals	151,612	222,101
Machinery, equipment and basic metallurgical	76,345	56,775
Electricity and gas	184,911	190,338
Water	14,956	9,957
Construction	12,135	6,937
Retail business	73,243	86,042
Wholesale business	70,554	73,388
Restaurants and hotels	7,506	8,518
Transports	35,948	49,144
Telecommunications	6,444	8,932
Services		
Financial intermediation	222,846	249,231
Real estate activities	23,919	39,115
Consulting, scientific and technical activities	923,513	991,948
Administrative and support services activities	16,924	13,653
Health and collective service activities	4,999	4,999
Other services	5,084	3,596
Other international activities	57,491	54,247
	2,074,509	2,271,320
Debt securities held not associated with credit operations		
Chemicals	25,609	25,562
Water	39,324	39,229
Transports (*)	99,402	174,480
Services		
Financial intermediation	495,666	63,325
Consulting, scientific and technical activities	13,550	15,149
	673,551	317,745
Government and Public securities	437,816	785,949
	1,111,367	1,103,694
	3,185,876	3,375,014

(*) Corresponds to securities from public sector companies

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

(Thousands of euros)

	2019	2018
Debt securities held associated with credit operations		
Balance on 1 January	39,921	42,886
Adjustments due to the implementation of IFRS 9 (note 58)	-	2,946
Charge for the year in net income interest (note 2)	120	211
Charge for the year (note 10)	1,717	-
Reversals for the year (note 10)	(907)	(6,121)
Loans charged-off	(28,420)	-
Exchange rate differences	-	(1)
Balance at the end of the year	12,431	39,921
Debt securities held not associated with credit operations		
Balance on 1 January	1,788	n.a.
Adjustments due to the implementation of IFRS 9	-	2,217
Charge for the year (note 10)	1,161	1,184
Reversals for the year (note 10)	(246)	(1,616)
Loans charged-off	(620)	-
Exchange rate differences	17	3
Balance at the end of the year	2,100	1,788

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

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

(Thousands of euros)

	2019	2018
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	255,313	220,047
Equity instruments	3,109	5,410
Trading derivatives	619,912	644,997
	878,334	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	352,367	291,050
Debt instruments	1,037,480	1,108,605
Equity instruments	15,666	5,029
	1,405,513	1,404,684
Financial assets designated at fair value through profit or loss		
Debt instruments	31,496	33,034
Financial assets at fair value through other comprehensive income		
Debt instruments	13,179,281	13,797,971
Equity instruments	37,420	47,654
	13,216,701	13,845,625
	15,532,044	16,153,797

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

(Thousands of euros)

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

(a) Under IFRS 9, and as detailed in note 58, these shares were considered as debt instruments because they not fall within the definition of SPPI.
(b) Under IFRS 9, and as detailed in note 58, these participation units were considered as debt instruments because they not fall within the definition of equity instruments.

As at 31 December 2019, the balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1C.5. in the amount of Euros 1,257,000 (31 December 2018: Euros 920,000).

As at 31 December 2019, portfolios are recorded at fair value in accordance with the accounting policy described in note 1 C). As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

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

The Group, as part of the management process of the liquidity risk (note 54), holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes debt instruments. As at 31 December 2019, the balances Financial assets at fair value through other comprehensive income and Financial designated at fair value through profit or loss, includes the amounts of Euros 8,776,000 and Euros 29,603,000, respectively (31 December 2018: Euros 8,898,000 and Euros 30,714,000) of securities included in the ECB's monetary policy pool.

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 profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	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	3,666	-	33,034	5,671,092	5,707,792
Foreign issuers	161,347	-	-	4,904,357	5,065,704
Bonds issued by other entities					
Portuguese issuers	9,852	16,778	-	1,217,482	1,244,112
Foreign issuers	45,182	-	-	107,007	152,189
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	1,048,263	1,048,263
Shares of foreign companies (a)	-	19,085	-	-	19,085
Investment fund units (b)	-	1,072,742	-	-	1,072,742
	220,047	1,108,605	33,034	13,801,693	15,163,379
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	220,047	1,108,605	33,034	13,797,971	15,159,657
Equity instruments					
Shares					
Portuguese companies	4,939	-	-	23,270	28,209
Foreign companies	24	5,029	-	24,382	29,435
Investment fund units	12	-	-	2	14
Other securities	435	-	-	-	435
	5,410	5,029	-	47,654	58,093
Trading derivatives	644,997	-	-	-	644,997
	870,454	1,113,634	33,034	13,845,625	15,862,747
Level 1	214,531	-	33,034	12,973,893	13,221,458
Level 2	347,770	-	-	843,946	1,191,716
Level 3	308,153	1,113,634	-	27,786	1,449,573

(a) Under IFRS 9, and as detailed in note 58, these shares were considered as debt instruments because they not fall within the definition of SPPI.
(b) Under IFRS 9, and as detailed in note 58, these participation units were considered as debt instruments because they not fall within the definition of equity instruments.

The changes occurred during 2019 and 2018 in impairment for financial assets at fair value through other comprehensive, in balance sheet are analysed as follows:

(Thousands of euros)

	2019	2018
Balance on 31 December 2017	-	570,379
Transition adjustments IFRS 9 (note 58)	-	(565,229)
Balance on 1 January	4,887	5,150
Transfers	(1,536)	867
Impairment through profit and loss (note 11)	538	2,993
Reversals through profit and loss (note 11)	(2,718)	(4,085)
Amounts charged-off	(6)	-
Exchange rate differences	12	(38)
Balance at the end of the year	1,177	4,887

As at 31 December 2019, the accumulated impairment associated with the financial assets at fair value through other comprehensive income amounts to Euros 3,157,000 and is recorded against Fair value reserves (2018: Euros 6,820,000).

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

(Thousands of euros)

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

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

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,547,657	165,986	(42,551)	5,671,092
Foreign issuers	4,889,654	981	13,722	4,904,357
Bonds issued by other entities				
Portuguese issuers (*)	1,188,586	6,750	18,424	1,213,760
Foreign issuers	107,379	(1)	(371)	107,007
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	1,047,983	-	280	1,048,263
	13,634,598	173,716	(10,343)	13,797,971
Equity instruments				
Shares				
Portuguese companies	57,033	-	(33,763)	23,270
Foreign companies	20,816	-	3,566	24,382
Investment fund units	2	-	-	2
	77,851	-	(30,197)	47,654
	13,712,449	173,716	(40,540)	13,845,625

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

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

(Thousands of euros)

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

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive, net of impairment, as at 31 December 2018, by valuation levels, is analysed as follows:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	5,526,914	180,878	-	5,707,792
Foreign issuers	5,065,704	-	-	5,065,704
Bonds issued by other entities				
Portuguese issuers (*)	941,606	275,894	22,890	1,240,390
Foreign issuers	152,188	-	1	152,189
Treasury bills and other Government bonds				
Portuguese issuers	853,492	-	-	853,492
Foreign issuers	675,923	372,340	-	1,048,263
Shares of foreign companies	-	-	19,085	19,085
Investment fund units	-	-	1,072,742	1,072,742
	13,215,827	829,112	1,114,718	15,159,657
Equity instruments				
Shares				
Portuguese companies	4,727	-	23,482	28,209
Foreign companies	24	15,564	13,847	29,435
Investment fund units	-	-	14	14
Other securities	-	-	435	435
	4,751	15,564	37,778	58,093
Trading derivatives	880	347,040	297,077	644,997
	13,221,458	1,191,716	1,449,573	15,862,747

(*) Includes impairment for overdue securities

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

The item Investment fund units classified as level 3 includes units in restructuring funds (note 47) in the amount of Euros 924,487,000 (31 December 2018: Euros 1,006,988,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2019, 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.

The instruments classified as level 3 have associated net losses not performed in the amount of Euros 1,555,000 (2018: Euros 7,382,000) recorded in Other comprehensive income. The amount of impairment associated to these securities amounts to Euros 1,177,000 in 2019 (2018: Euros 4,887,000).

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

(Thousands of euros)

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

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, by residual maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	-	860	3,648,552	2,058,380	-	5,707,792
Foreign issuers	1,952	48,884	4,670,294	344,574	-	5,065,704
Bonds issued by other entities						
Portuguese issuers	264,471	13,010	368,519	594,390	3,722	1,244,112
Foreign issuers	-	-	65,060	87,129	-	152,189
Treasury bills and other Government bonds						
Portuguese issuers	38,726	814,766	-	-	-	853,492
Foreign issuers	546,688	501,575	-	-	-	1,048,263
Shares of foreign companies	-	-	-	-	19,085	19,085
Investment fund units	-	-	33,898	1,030,593	8,251	1,072,742
	851,837	1,379,095	8,786,323	4,115,066	31,058	15,163,379
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	851,837	1,379,095	8,786,323	4,115,066	27,336	15,159,657
Equity instruments						
Companies' shares						
Portuguese companies	-	-	-	-	28,209	28,209
Foreign companies	-	-	-	-	29,435	29,435
Investment fund units	-	-	-	12	2	14
Other securities	-	-	-	-	435	435
	-	-	-	12	58,081	58,093
	851,837	1,379,095	8,786,323	4,115,078	85,417	15,217,750

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

(Thousands of euros)

	2019	2018
Public sector	27	20
Asset-backed loans	8	5
Unsecured loans	346,558	287,028
	346,593	287,053
Overdue loans - less than 90 days	1,717	1,023
Overdue loans - Over 90 days	4,057	2,974
	352,367	291,050

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

(Thousands of euros)

	2019	2018
Up to 3 months	37,178	35,211
3 to 6 months	139,124	125,820
6 to 12 months	170,289	126,021
1 to 5 periods	2	1
Over 5 years	5,774	3,997
	352,367	291,050

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

(Thousands of euros)

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

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 924,487,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 47.

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	2,000	-	-	-	2,000
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	47,066	1	-	-	47,067
Chemicals	-	4	-	-	4
Machinery, equipment and basic metallurgical	4,062	511	-	-	4,573
Construction	-	377	30,118	2,394	32,889
Retail business	-	4,064	-	-	4,064
Wholesale business	62,762	655	-	126	63,543
Restaurants and hotels	-	15,585	-	-	15,585
Transports	689,930	-	-	-	689,930
Telecommunications	-	7,849	-	-	7,849
Services					
Financial intermediation (*)	615,600	30,868	1,007,761	-	1,654,229
Real estate activities	-	-	27,374	-	27,374
Consulting, scientific and technical activities	158,735	95	-	-	158,830
Administrative and support services activities	9,720	9,372	-	-	19,092
Public sector	158,360	-	434	-	158,794
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	1	7,324	7,504	1	14,830
Other international activities	-	8	-	-	8
	1,764,919	76,729	1,073,191	3,722	2,918,561
Government and Public securities	12,302,911	-	-	-	12,302,911
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	14,067,830	76,729	1,073,191	-	15,217,750

(*) The balance Other financial assets includes restructuring funds, in the amount of Euros 1,006,988,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 47.

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

(Thousands of euros)

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

The analysis of trading derivatives, by maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
Interest rate Derivatives:						
OTC Market:						
Interest rate swaps	462,745	1,389,124	6,857,859	8,709,728	335,697	258,391
Interest rate options (purchase)	-	108,630	151,683	260,313	9	-
Interest rate options (sale)	-	12,692	144,472	157,164	-	21
Other interest rate contracts	-	19,174	121,588	140,762	2,031	1,147
	462,745	1,529,620	7,275,602	9,267,967	337,737	259,559
Stock Exchange transactions:						
Interest rate futures	107,277	-	-	107,277	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	212,020	223,111	17,529	452,660	1,592	3,024
Currency swaps	2,623,052	621,812	41,564	3,286,428	8,639	12,403
Currency options (purchase)	34,075	25,126	27,253	86,454	3,357	-
Currency options (sale)	34,075	25,126	27,253	86,454	-	3,349
	2,903,222	895,175	113,599	3,911,996	13,588	18,776
Currency and interest rate swaps:						
OTC Market:						
Currency and interest rate swaps:	-	-	59,264	59,264	480	1,826
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	411,029	950,649	1,604,819	2,966,497	666	8,816
Shares/indexes options (sale)	459,994	-	19,730	479,724	-	-
Other shares/indexes options (purchase)	-	-	16,864	16,864	15,622	-
Other shares/indexes options (sale)	-	-	16,864	16,864	-	-
	871,023	950,649	1,658,277	3,479,949	16,288	8,816
Stock Exchange transactions:						
Shares futures	686,519	-	-	686,519	-	-
Shares/indexes options (purchase)	119,023	234,521	164,466	518,010	8,843	-
Shares/indexes options (sale)	57,212	10,402	1,724	69,338	-	597
	862,754	244,923	166,190	1,273,867	8,843	597
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	35	-	-	35	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	123,531	-	294,137	417,668	267,141	287
Other credit derivatives (sale)	-	-	81,016	81,016	-	-
	123,531	-	375,153	498,684	267,141	287
Total derivatives traded in:						
OTC Market	4,360,521	3,375,444	9,481,895	17,217,860	635,234	289,264
Stock Exchange	970,066	244,923	166,190	1,381,179	8,843	597
Embedded derivatives					920	8,344
	5,330,587	3,620,367	9,648,085	18,599,039	644,997	298,205

24. Hedging derivatives

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

(Thousands of euros)

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Swaps	45,141	229,923	123,054	177,900

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

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

During 2019, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 2,259,000 (31 December 2018: positive amount of Euros 3,187,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a negative amount of Euros 4,514,000 (31 December 2018: negative amount of Euros 4,636,000).

During 2019, there were made reclassifications from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 44,882,000 (2018: positive amount Euros 23,004,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 54.

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

(Thousands of euros)

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

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	-	24,500	3,976,674	4,001,174	12,662	77,787
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	52,367	205,511	12,467,208	12,725,086	81,677	7,604
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts	336,794	570,475	2,609,407	3,516,676	28,051	87,700
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	58,059	76,034	462,072	596,165	664	4,809
Total derivatives traded by						
OTC Market	447,220	876,520	19,515,361	20,839,101	123,054	177,900

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Portuguese credit institutions	37,959	42,486
Foreign credit institutions	172,432	237,991
Other Portuguese companies	228,897	180,832
Other foreign companies	21,876	21,785
	461,164	483,094
Impairment	(60,773)	(78,012)
	400,391	405,082

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

(Thousands of euros)

	2019	2018
Balance on 1 January	78,012	102,012
Transfers	2,853	-
Impairment charge for the year (note 12)	4,550	12,623
Loans charged-off	(3,756)	-
Exchange rate differences	(20,886)	(36,623)
Balance at the end of the year	60,773	78,012

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	2019				2018
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	174,348	-	-	174,348	138,460
Banco Millennium Atlântico, S.A.	68,196	63,962	(39,114)	93,044	141,188
Banque BCP, S.A.S.	40,274	-	-	40,274	36,802
Cold River's Homestead, S.A.	19,170	-	(3,648)	15,522	-
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	-	-	6,762
SIBS, S.G.P.S, S.A.	34,815	-	-	34,815	32,629
Unicre - Instituição Financeira de Crédito, S.A.	30,523	7,436	-	37,959	42,486
Webspectator Corporation	94	18,011	(18,011)	94	92
Others	4,335	-	-	4,335	6,663
	371,755	89,409	(60,773)	400,391	405,082

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

The Group's companies included in the consolidation perimeter are presented in note 61.

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

(Thousands of euros)

	2019 (a)					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,808,337	11,147,890	1,035,785	47,677
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	3,027,719	2,725,875	359,375	74,094
Banque BCP, S.A.S.	France	19.8	4,147,954	3,944,835	123,119	20,624
SIBS, S.G.P.S, S.A. (**)	Portugal	23.3	243,883	134,308	195,618	24,782
Unicre - Instituição Financeira de Crédito, S.A. (**)	Portugal	32.0	373,410	276,942	171,891	16,793

(a) Non audited accounts

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

(**) Provisional values.

The main indicators of the principal associated companies, as at 31 December 2018 are analysed as follows:

(Thousands of euros)

	2018					
	Country	% held	Total Assets	Total Liabilities	Total Income	Net income for the year
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	11,111,215	10,514,100	1,149,380	60,894
Banco Millennium Atlântico, S.A. (*)	Angola	22.7	3,952,382	3,570,117	539,337	90,872
Banque BCP, S.A.S.	France	19.9	3,867,689	3,682,412	123,017	18,375
SIBS, S.G.P.S, S.A.	Portugal	23.3	243,883	134,308	195,618	24,782
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	32.0	349,749	247,358	162,383	15,343

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

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

(Thousands of euros)

	2019	2018
Ownership held by BCP on equity of the associated company as at 1 January	141,188	212,797
Application of IFRS 9 - Effect on 1 January 2018	-	(4,184)
Application of IAS 29 for the year:		
Net non-monetary assets of the BMA		
Effect on BMA's equity (note 43)	-	18,250
Effect of exchange rate variations (note 43)	(14,733)	(21,267)
Amortization of the effect of the application of IAS 29 calculated as at 31 December 2018 (note 14)	(5,725)	-
Revaluation in net income (note 14)	-	759
Goodwill of the merger operation of the BMA		
Effect of exchange rate variations (note 43)	(10,682)	(17,426)
Revaluation in net income (note 14)	-	12,623
Impairment for investments in associated companies	-	(12,623)
Appropriation of the net income of the associated companies (note 14)	16,923	20,659
Appropriation of the net income of previous years (note 14)	-	19
Annulment of the gains arising from properties sold to Group entities (note 14)	(8,680)	-
Other comprehensive income attributable to BCP	(1,735)	885
Exchange differences		
Effect on BMA's equity	(33,779)	(62,304)
Goodwill associated with BMA investment	(12,999)	(28,866)
Impairment for investments in associated companies (note 43)	20,886	36,623
Annulment of the gains arising from properties sold to Group entities	2,073	-
Dividends received	-	(14,757)
Others	307	-
Investment held at the end of the year	93,044	141,188

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

(Thousands of euros)

	2019	2018
Income	359,375	539,337
Net profit for the year	74,094	90,872
Comprehensive income	(7,633)	3,889
Total comprehensive income attributable to Shareholders of the associated company	66,461	94,761
Application of IAS 29 (*)	(25,181)	3,339
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	41,280	98,100
Attributable to the BCP Group	9,385	22,303
Balance sheet		
Financial assets	2,455,612	3,258,359
Non-financial assets	572,107	694,023
Financial liabilities	(2,657,420)	(3,494,473)
Non-financial liabilities	(68,455)	(75,644)
Attributable to Shareholders of the associated companies	301,844	382,265
Application of IAS 29 (*)	113,459	203,445
Reverse of the gain from the sale of buildings to entities of the Group	(29,064)	-
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	386,239	585,710
Attributable to the BCP Group	87,810	133,159
Goodwill of the merge	44,349	68,030
Impairment for investments in associated companies	(39,115)	(60,001)
Attributable to the BCP Group adjusted of consolidation items	93,044	141,188

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

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

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

(Thousands of euros)

	2019	2018
Ownership held by BCP on equity of the associated company as at 1 January	138,460	252,577
Appropriation of the net income of the associated company (note 14) (*)	28,430	35,361
Other comprehensive income attributable to BCP	7,458	(6,398)
Capital reimbursement	-	(98,000)
Dividends received	-	(45,080)
Investment held at the end of the year	174,348	138,460

(*) Includes adjustments according to BCP GAAP.

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

(Thousands of euros)

	2019	2018
Income	1,035,785	1,149,380
Net profit for the year	47,677	60,894
Comprehensive income	15,220	(13,057)
Total comprehensive income attributable to Shareholders of the associated company	62,897	47,837
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	10,343	11,272
Attributable to Shareholders of the associated company adjusted to BCP GAAP	73,240	59,109
Attributable to the BCP Group	35,888	28,963
Balance sheet		
Financial assets	11,374,831	10,639,154
Non-financial assets	433,506	472,061
Financial liabilities	(11,061,276)	(10,384,696)
Non-financial liabilities	(86,614)	(129,404)
Total equity	660,447	597,115
Attributable to non-controlling interests	11,649	11,215
Attributable to Shareholders of the associated companies	648,798	585,900
Adjustments of intra-group transactions (reverse of the VOBA annual amortisation (*)	337,917	327,574
Attributable to Shareholders of the associated company adjusted to BCP GAAP	986,715	913,474
Attributable to the BCP Group	483,490	447,602
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)
Attributable to the BCP Group adjusted of consolidation items	174,348	138,460

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

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

According to IFRS 4, there is the possibility to differ the application of IFRS 9 to insurance entities, i.e. although IFRS 9 is in force on 1 January 2018, the insurance companies can choose for the temporary exemption until 2021.

The Group chose for the temporary exemption until 2021, following the approach of Mbcp Ageas, and as far it fulfils the requirements to be accomplish with the temporary exemption until 2021 which are:

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

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

Regarding to the evaluation of the impacts arising from the adoption of IFRS 9, the Ageas Group Portugal has a project in progress to determine the impacts of adopting IFRS 9. Based on the evaluation made on this date, the total impact of IFRS 9, as at 31 December 2019, net of Participation of Benefits (PB) and net of Tax (29%) in consolidation in BCP Group is a positive amount of Euros 513,000 (2018: negative amount of Euros 48,000).

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2019			2018		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	1,072,391	(191,105)	881,286	1,516,604	(209,622)	1,306,982
Assets belong to investments funds and real estate companies	371,417	(54,579)	316,838	431,565	(62,571)	368,994
Assets for own use (closed branches)	30,778	(7,333)	23,445	45,658	(10,871)	34,787
Equipment and other	45,113	(10,874)	34,239	72,216	(13,635)	58,581
Subsidiaries acquired exclusively with the purpose of short-term sale	-	-	-	69,338	-	69,338
Other assets	24,033	-	24,033	29,776	-	29,776
	1,543,732	(263,891)	1,279,841	2,165,157	(296,699)	1,868,458

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

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

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

The referred balance includes real estate for which the Group has already established contracts for the sale in the amount of Euros 36,111,000 (31 December 2018: Euros 43,460,000), of which Euros 2,092,000 (31 December 2018: Euros 4,688,000) relate to properties held by investment funds. The impairment associated with all the established contracts is Euros 10,618,000 (31 December 2018: Euros 5,091,000), of which Euros 479,000 (31 December 2018: Euros 982,000) relate to properties held by investment funds which was calculated considering the value of the respective contracts.

In 2019, the Group established a contract for the sale of a real estate assets portfolio in the total amount of Euros 122,029,000, which generated a gain of Euros 2,000,000.

As at 31 December 2018, Planfipsa Group was registered in the balance Subsidiaries acquired with the purpose of short-term sale. In February 2019, the Group sold the Planfipsa Group and the operation generated a gain of Euros 13,454,000, as referred in note 16.

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

(Thousands of euros)

	2019	2018
Balance on 1 January	296,699	318,155
Transfers resulting from changes in the Group's structure (a)	(5,707)	-
Transfers (b)	2,937	4,383
Charge for the year (note 12)	98,080	78,612
Reversals for the year (note 12)	(13,656)	(18,018)
Amounts charged-off	(114,462)	(86,431)
Exchange rate differences	-	(2)
Balance at the end of the year	263,891	296,699

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

(b) In 2019 and 2018, the balance Transfers refers to impairments that, as at 31 December 2018 and 2017 respectively, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2019 and 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

27. Investment property

As at 31 December 2019, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N), based on independent assessments and compliance with legal requirements.

The rents received related to these assets amounted to Euros 484,000 (31 December 2018: Euros 547,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 323,000 (31 December 2018: Euros 253,000).

The changes occurred in this balance are analysed as follows:

(Thousands of euros)

	2019	2018
Balance on 1 January	11,058	12,400
Transfers from / to non-current assets held for sale	1,267	-
Revaluations	2,092	(168)
Disposals	(1,126)	(1,174)
Balance at the end of the year	13,291	11,058

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Real estate	762,085	780,726
Equipment:		
Computer equipment	330,524	306,699
Security equipment	71,268	71,703
Interior installations	145,298	143,114
Machinery	48,466	45,871
Furniture	85,951	84,363
Motor vehicles	31,820	32,948
Other equipment	32,072	32,663
Right of use		
Real estate	329,604	-
Vehicles and equipment	958	-
Work in progress	20,833	21,719
Other tangible assets	296	236
	1,859,175	1,520,042
Accumulated depreciation		
Relative to the current year (note 9)	(101,184)	(42,819)
Relative to the previous years	(1,028,549)	(1,015,947)
	(1,129,733)	(1,058,766)
	729,442	461,276

As at 31 December 2019, the balance Real Estate includes the amount of Euros 120,395,000 (31 December 2018: Euros 128,604,000) related to real estate held by the Group's real estate investment funds.

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

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

(Thousands of euros)

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

(*) The balance on 1 January of Right of use corresponds to the IFRS 16 adjustment, as detailed in note 59.

The changes occurred in Other tangible assets during 2018 are analysed as follows:

(Thousands of euros)

	2018					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Real estate	830,989	5,186	(61,969)	8,617	(2,097)	780,726
Equipment:						
Computer equipment	300,310	9,896	(7,542)	4,670	(635)	306,699
Security equipment	70,960	1,385	(692)	49	1	71,703
Interior installations	140,628	1,983	(3,209)	3,705	7	143,114
Machinery	45,279	1,149	(573)	580	(564)	45,871
Furniture	83,202	1,962	(1,439)	635	3	84,363
Motor vehicles	30,597	7,092	(4,667)	231	(305)	32,948
Other equipment	31,394	27	(1,356)	3,408	(810)	32,663
Work in progress	20,288	29,676	(355)	(27,794)	(96)	21,719
Other tangible assets	230	2	-	4	-	236
	1,553,877	58,358	(81,802)	(5,895)	(4,496)	1,520,042
Accumulated depreciation						
Real estate	(442,632)	(18,321)	26,361	1,924	1,590	(431,078)
Equipment:						
Computer equipment	(274,652)	(11,149)	7,179	4	416	(278,202)
Security equipment	(65,726)	(1,453)	692	81	(3)	(66,409)
Interior installations	(128,313)	(2,394)	3,163	99	(10)	(127,455)
Machinery	(42,093)	(648)	557	(213)	524	(41,873)
Furniture	(74,571)	(2,235)	1,436	(224)	(6)	(75,600)
Motor vehicles	(12,876)	(4,649)	3,304	(130)	57	(14,294)
Other equipment	(22,555)	(1,970)	1,356	(1,207)	557	(23,819)
Other tangible assets	(36)	-	-	-	-	(36)
	(1,063,454)	(42,819)	44,048	334	3,125	(1,058,766)
	490,423	15,539	(37,754)	(5,561)	(1,371)	461,276

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	113,032	111,853
Real estate and mortgage credit	-	40,859
Euro Bank, S.A. (Poland) (*)	38,280	-
Others	14,592	17,781
	165,904	170,493
Impairment		
Real estate and mortgage credit	-	(40,859)
Others	(13,837)	(13,278)
	(13,837)	(54,137)
	152,067	116,356
Intangible assets		
Software	189,031	142,229
Other intangible assets	67,214	56,765
	256,245	198,994
Accumulated amortisation		
Charge for the year (note 9)	(23,601)	(14,926)
Charge for the previous years	(142,081)	(126,029)
	(165,682)	(140,955)
	90,563	58,039
	242,630	174,395

(*) The operation is detailed in note 60.

According to the accounting policy described in note 1 B), the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2019, valuations of their investments for which there is goodwill recognised considering among other factors:

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

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

During 2019, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill, nor the improvement of the value of those financial participations that could lead to a reversion of previously booked impairments to the goodwill.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2024. After that date, perpetuity was considered based on the average long-term expected rate of return for this activity in the Polish market. Additionally it was taken into consideration the market performance of the Bank Millennium, S.A. in the Polish capital market and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded for the absence of impairment indicators related to the goodwill of this participation.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2020 to 2024, considering, along this period, a compound annual growth rate of 7.3% for Total Assets and of 12.5% for Total Equity, while considering a ROE evolution from 9.9% in 2020 to 10.5% by the end of 2024. The exchange rate EUR/PLN considered was 4.2518 as at 31 December 2019. The Cost of Equity considered was 8.75% for the period 2020-2024 and 8,75% in perpetuity. The annual growth rate in perpetuity (g) was 2.8%.

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

(Thousands of euros)

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

The changes occurred in Goodwill and intangible assets during 2018 are analysed as follows:

(Thousands of euros)

	2018					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	176,929	-	(3,195)	-	(3,241)	170,493
Impairment for goodwill	(57,332)	-	3,195	-	-	(54,137)
	119,597	-	-	-	(3,241)	116,356
Intangible assets						
Software	122,124	28,697	(5,801)	(884)	(1,907)	142,229
Other intangible assets	56,731	1,505	-	137	(1,608)	56,765
	178,855	30,202	(5,801)	(747)	(3,515)	198,994
Accumulated depreciation:						
Software	(80,286)	(13,307)	5,755	(749)	1,461	(87,126)
Other intangible assets	(53,760)	(1,619)	-	31	1,519	(53,829)
	(134,046)	(14,926)	5,755	(718)	2,980	(140,955)
	44,809	15,276	(46)	(1,465)	(535)	58,039
	164,406	15,276	(46)	(1,465)	(3,776)	174,395

30. Income tax

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

(Thousands of euros)

	2019			2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a) (b)						
Impairment losses (c)	983,177	-	983,177	973,317	-	973,317
Employee benefits	836,911	-	836,911	836,580	-	836,580
	1,820,088	-	1,820,088	1,809,897	-	1,809,897
Deferred taxes depending on the future profits						
Impairment losses (c)	822,822	(50,303)	772,519	800,003	(50,303)	749,700
Tax losses carried forward	120,295	-	120,295	328,229	-	328,229
Employee benefits	47,919	(811)	47,108	43,659	(222)	43,437
Financial assets at fair value through other comprehensive income	59,379	(140,103)	(80,724)	157,957	(188,577)	(30,620)
Derivatives	-	(5,640)	(5,640)	-	(6,071)	(6,071)
Intangible assets	49	(663)	(614)	39	-	39
Other tangible assets	11,199	(4,171)	7,028	8,759	(3,184)	5,575
Others	46,711	(17,192)	29,519	24,069	(13,085)	10,984
	1,108,374	(218,883)	889,491	1,362,715	(261,442)	1,101,273
Total deferred taxes	2,928,462	(218,883)	2,709,579	3,172,612	(261,442)	2,911,170
Offset between deferred tax assets and deferred tax liabilities	(207,814)	207,814	-	(255,982)	255,982	-
Net deferred taxes	2,720,648	(11,069)	2,709,579	2,916,630	(5,460)	2,911,170

(a) Special Regime applicable to deferred tax assets
(b) The increase in deferred tax assets not dependent on future profitability results from the merger by incorporation of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.
(c) The amounts of 2019 and 2018 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met

As at 31 December 2019, the balance deferred tax assets amounts to Euros 2.720.648.000, of which Euros 2,584,903,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 764,850,000 that depends of the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:
- Euros 657,233,000 related to impairment losses; and
- Euros 109,964,000 resulting from reportable tax losses originating in 2016, with a reporting period of 12 years (until 2028).

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

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

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,391,083,000 (31 December 2018: Euros 1,247,052,000).

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

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

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing bank 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 current tax rate for Banco Comercial Português, S.A. is analysed as follows:

	2019	2018
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000 (a)	9%	9%

The deferred tax rate related to the Bank's tax losses is 21% (31 December 2018: 21%).

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.30% (31 December 2018: 31.30%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique, 0% (exemption) in the Cayman Islands and 24.16% in Switzerland.

The reporting period of tax losses in Portugal is 12 years for the losses of 2014, 2015 and 2016 and 5 years for the losses of 2017 and following years. In Poland, the term is 5 years, in Mozambique it is 5 years and in Switzerland it is 7 years.

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

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

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

(Thousands of euros)

Expiry date	2019	2018
2019-2025	10,306	8,437
2026	-	10,297
2028 and following	109,989	309,495
	120,295	328,229

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.

For the estimation of taxable income, it was considered the maintenance of the tax rules in force until 2018, resulting from not exercising earlier the option of applying the new regime

In 2018, the Group adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the Bank's interpretation of the application of IRC Code's general rules.

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

Analysis of the recoverability of deferred tax assets

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

The assessment of the recoverability of deferred tax assets was carried based on the respective estimated financial statements, prepared under the budgetary process for 2020 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 2020 to 2028, 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 2020 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2019, compared to the amounts of net impairment increases recorded in these years;

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

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

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;

- 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 consider the Group's strategic priorities, essentially reflecting the projection of the Bank's medium-term business in Portugal in terms of results generation, and are globally consistent with the Reduction Plan of Non-Performing Assets 2019-2021, submitted to the supervisory authority in March 2019, emphasising:

- improvement in the net margin, reflecting an effort to increase credit, favoring 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.

- following the analysis of the recoverability of deferred tax assets carried out in 2019, the Bank unrecognized an amount net of deferred tax assets in the amount of Euros 116,347,000, proceeding to the derecognize of deferred tax assets relating to reportable tax losses of Euros 198,565,000 and the recognition of deferred tax assets relating to impairment losses of Euros 82,218,000. From the referred net amount, Euros 69,584,000 were recorded against results and Euros 46,763,000 were recorded against reserves. The allocation of deferred taxes to results and reserves was made in accordance with the accounting principle used for the recognition of the deferred tax assets in question, due to the decomposition of the realities that originated the tax losses to which they refer.

The performed analyse allow the conclusion of total recoverability of the deferred tax assets recognized as at 31 December 2019.

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	2019	2018
2021-2025	182,872	149,694
2026	213,521	203,349
2027 and following	408,679	209,397
	805,072	562,440

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

(Thousands of euros)

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

(a) The increase in deferred tax assets not dependent on future profitability arises from the merger by incorporation of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.
(b) Tax on reserves refers to realities recognized in reserves that compete for the purposes of calculating taxable income. The impacts on results and reserves of 2019 include the negative amounts of Euros 9,889,000 and Euros 1,349,000, respectively, resulting from the merger by incorporation of Banco de Investimento Imobiliário, S.A., calculated by reference to 1 January 2019, date that the merger produced its accounting-tax effects (from the perspective of the IRC).
(c) Refers to que sale of Planfipsa.

The impact of income taxes in Net income / (loss) and in other balances of Group's equity, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018			
	Net income / (loss) for the year	Reserves		Exchange differences
		Impact of adoption of IFRS 9	Changes of the year	
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	(3,230)	276	(264)	-
Employee benefits	(2,189)	-	-	-
	(5,419)	276	(264)	-
Deferred taxes depending on the future profits				
Impairment losses	(22,005)	(182,551)	370	3,092
Tax losses carried forward (b)	(5,031)	-	11,352	134
Employee benefits	9,862	-	3,461	(108)
Financial assets at fair value through other comprehensive income	(10,076)	33,341	(53,954)	69
Financial assets available for sale	n.a.	(7,070)	n.a.	n.a.
Derivatives	562	-	-	188
Other tangible assets	(824)	-	-	(19)
Others	473	6,373	3,250	(6,049)
	(27,039)	(149,907)	(35,521)	(2,693)
	(32,458)	(149,631)	(35,785)	(2,693)
Current taxes				
Current year	(107,043)	1,047	(963)	-
Correction of previous years	1,484	-	-	-
	(105,559)	1,047	(963)	-
	(138,017)	(148,584)	(36,748)	(2,693)

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

(b) - The tax on reserves refers to realities recognised in reserves considered for taxable income purposes.

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

(Thousands of euros)

	2019	2018
Net income / (loss) before income taxes	627,266	558,209
Current tax rate (%)	31.5%	31.5%
Expected tax	(197,589)	(175,836)
Employees' benefits	-	1,558
Tax benefits	13,610	14,819
Correction of previous years	12,279	(1,540)
Effect of the difference between the tax rate and deferred tax (a)	38,690	25,321
Effect of recognition / derecognition net of deferred taxes (b)	(85,478)	(1,142)
Other corrections	1,900	1,946
Non-deductible impairment and provisions	(8,779)	(718)
Results of companies accounted by the equity method	13,542	23,875
Autonomous tax	(1,580)	(2,337)
Contribution to the banking sector	(25,873)	(23,963)
Total	(239,278)	(138,017)
Effective rate (%)	38.15%	24.72%

(a) Includes the amount of Euros 15,486,000 related to the effect of updating the deferred tax assets rate on temporary differences transferred by merger of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.
(b) Includes the negative amount of Euros 69,584,000 (31 December 2018: negative Euros 14,336,000) related to Banco Comercial Português, S.A. and the effect of the de-recognition of deferred tax assets related to tax losses resulting from the merger of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A., in the negative amount of Euros 9,889,000.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Deposit account applications	468,123	53,417
Associated companies	631	1,644
Subsidies receivables	9,429	8,767
Prepaid expenses	25,757	29,307
Debtors for futures and options transactions	98,965	109,445
Insurance activity	5,882	6,297
Debtors		
Residents		
Advances to suppliers	-	962
Prosecution cases / agreements with the Bank	14,832	11,713
SIBS	6,183	6,005
Receivables from real estate, transfers of assets and other securities	40,361	46,550
Others	18,575	63,107
Non-residents	31,832	43,150
Interest and other amounts receivable	55,628	43,969
Amounts receivable on trading activity	7,256	33,792
Gold and other precious metals	3,769	3,617
Other financial investments	-	165
Other recoverable tax	20,473	22,026
Artistic patrimony	28,818	28,811
Reinsurance technical provision	16,604	5,243
Obligations with post-employment benefits	10,529	12,707
Capital supplies	238,449	227,295
Amounts due for collection	74,469	45,501
Amounts due from customers	225,073	217,483
Sundry assets	85,247	75,984
	1,487,050	1,096,957
Impairment for other assets	(247,916)	(285,141)
	1,239,134	811,816

As referred in note 47, as at 31 December 2019, the balances Capital supplies include the amount of Euros 231,136,000 (31 December 2018: Euros 226,049,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

As at 31 December 2019, the balance Deposit account applications includes the amount of Euros 431,226,000 (31 December 2018: Euros 16,307,000) on the Clearing houses / Clearing derivatives.

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

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

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

(Thousands of euros)

	2019	2018
Balance on 1 January	285,141	282,646
Transfers	3,442	51,842
Charge for the year (note 12)	14,107	7,234
Reversals for the year (note 12)	(7,606)	(1,414)
Amounts charged-off	(47,173)	(55,164)
Exchange rate differences	5	(3)
Balance at the end of the year	247,916	285,141

In 2018, the balance Transfers refers to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2019			2018		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	-	3,940,496	3,940,496	-	3,950,657	3,950,657
Central Banks abroad	-	109,508	109,508	-	805,264	805,264
	-	4,050,004	4,050,004	-	4,755,921	4,755,921
Resources from credit institutions in Portugal						
Very short-term deposits	-	-	-	-	8,134	8,134
Sight deposits	112,244	-	112,244	119,634	-	119,634
Term Deposits	-	92,471	92,471	-	190,825	190,825
Loans obtained	-	1,771	1,771	-	1,154	1,154
CIRS and IRS operations collateralised by deposits (*)	-	1,060	1,060	-	2,560	2,560
	112,244	95,302	207,546	119,634	202,673	322,307
Resources from credit institutions abroad						
Very short-term deposits	-	640	640	-	700	700
Sight deposits	109,004	-	109,004	184,543	-	184,543
Term Deposits	-	169,413	169,413	-	196,906	196,906
Loans obtained	-	1,784,671	1,784,671	-	1,818,677	1,818,677
CIRS and IRS operations collateralised by deposits (*)	18,484	-	18,484	-	21,174	21,174
Sales operations with repurchase agreement	-	21,335	21,335	-	451,712	451,712
Other resources	-	5,861	5,861	-	856	856
	127,488	1,981,920	2,109,408	184,543	2,490,025	2,674,568
	239,732	6,127,226	6,366,958	304,177	7,448,619	7,752,796

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

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

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

(Thousands of euros)

	2019	2018
Up to 3 months	836,401	1,965,667
3 to 6 months	3,535,288	52,630
6 to 12 months	628,022	231,413
1 to 5 periods	1,062,395	4,682,096
Over 5 years	304,852	820,990
	6,366,958	7,752,796

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2019			2018		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	36,658,120	425,247	37,083,367	30,143,049	449,154	30,592,203
Term deposits	-	17,329,381	17,329,381	-	18,231,848	18,231,848
Saving accounts	-	4,276,990	4,276,990	-	3,512,313	3,512,313
Treasury bills and other assets sold under repurchase agreement	-	21,963	21,963	-	15,958	15,958
Cheques and orders to pay	355,077	-	355,077	312,365	-	312,365
Other	-	60,227	60,227	-	-	-
	37,013,197	22,113,808	59,127,005	30,455,414	22,209,273	52,664,687

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

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

(Thousands of euros)

	2019	2018
Deposits repayable on demand	37,083,367	30,592,203
Term deposits and saving accounts		
Up to 3 months	11,357,567	10,882,082
3 to 6 months	5,713,727	5,676,407
6 to 12 months	3,979,916	4,557,361
1 to 5 years	554,915	614,111
Over 5 years	246	14,200
	21,606,371	21,744,161
Treasury bills and other assets sold under repurchase agreement		
Up to 3 months	21,963	15,958
Cheques and orders to pay		
Up to 3 months	355,077	312,365
Other		
Up to 3 months	227	-
Over 5 years	60,000	-
	60,227	-
	59,127,005	52,664,687

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Bonds	309,804	310,164
Covered bonds	995,976	994,347
Medium term notes (MTNs)	99,119	77,488
Securitisations	184,631	298,395
	1,589,530	1,680,394
Accruals	5,194	5,693
	1,594,724	1,686,087

The characteristics of the bonds issued by the Group, as at 31 December 2019 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
BCP 4.75 % set 20 Vm Sr 279	September, 2012	September, 2020	Fixed rate 4.75%	27,100	27,641
BCP Cln Brisa Fev 2023 Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	1,994
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	2,554
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate 0,75%	1,000,000	995,976
Bcp Div Cabaz 3 Ações Smtn 3	December, 2017	December, 2020	Indexed to portfolio of 3 shares	6,362	6,318
Bcp Mill Cabaz 3 Ações Fev 2021 Smtn Sr 6	February, 2018	February, 2021	Indexed to portfolio of 3 shares	10,958	10,958
Tit Div Mill Cabaz 3 Ações Mar 2021 Smtn Sr 7	March, 2018	March, 2021	Indexed to portfolio of 3 shares	24,336	24,336
Bcp Part Euro Ações Valor Iii/18 Smtn Sr. 8	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,370
Bcp Tit Div Mill Cabaz 3 Ações Mai 2021 Smtn Sr 10	May, 2018	May, 2021	Indexed to portfolio of 3 shares	32,361	32,361
Bcp Perfor Cabaz Ponder 18/17.05.21 Smtn Sr.14	May, 2018	May, 2021	Indexed to portfolio of 3 shares	790	790
Bcp Rend Min Cb Multi Set Iii19 Eur Smtn Sr 36	March, 2019	March, 2022	Indexed to portfolio of 3 shares	3,000	3,000
Bcp Euro Sectores Retorno Garantido Iv Smtn 37	May, 2019	May, 2022	Indexed to portfolio of 3 indexes	3,960	3,960
Bcp Ações Euro Zona Ret Min V19 Smtn 39	May, 2019	May, 2022	Indexed to portfolio of 3 shares	2,480	2,480
Bcp Rend Min Euro Setores Vi Smtn Sr 41	June, 2019	June, 2022	Indexed to portfolio of 3 indexes	3,150	3,150
Bcp Eur Cabaz Ações Ret MinVii 19 Eur Smtn Sr 43	July, 2019	August, 2022	Indexed to portfolio of 3 shares	2,270	2,270
Bcp Cabaz Ações America Ret Min Out22 Smtn 45	October, 2019	October, 2022	Indexed to portfolio of 3 shares	1,610	1,610
Bcp Cabaz Ações Euro Retorno Min.Xii19 Smtn 46	December, 2019	December, 2022	Indexed to portfolio of 3 shares	6,210	6,210
BCP Finance Bank:					
BCP Fin.Bank - EUR 10 M	March, 2004	March, 2024	Fixed rate 5.01%	300	305
Magellan Mortgages n.º 3:					
Mbs Magellan Mortgages S 3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.26%	196,588	182,230
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.38%	1,015	940
Mbs Magellan Mortgages S. 3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.58%	1,575	1,460
Bank Millennium:					
Bank Millennium - BPW_2020/02	February, 2017	February, 2020	Indexed to Platinum Price index	1,689	1,689
Bank Millennium - BPW_2020/03	March, 2017	March, 2020	Indexed to Facebook	1,121	1,121
Bank Millennium - BPW_2020/04	April, 2017	April, 2020	Indexed to Gold Fix Price	165	165
Bank Millennium - BKMO_210420T	April, 2017	April, 2020	Wibor 6m + 100 bp	70,430	70,430

(continues)

(continuation)

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bank Millennium - BPW_2020/05	May, 2017	May, 2020	Indexed to 4 shares portfolio	425	425
Bank Millennium - BPW_2020/06	June, 2017	June, 2020	Indexed to 4 shares portfolio	560	560
Bank Millennium - BPW_2020/07	July, 2017	July, 2020	Indexed to index WIG20	738	738
Bank Millennium - BPW_2020/08	August, 2017	August, 2020	Indexed to Alibaba	245	245
Bank Millennium - BPW_2020/09	September, 2017	September, 2020	Indexed to Louis Vuitton	748	748
Bank Millennium - BPW_2020/10	October, 2017	October, 2020	Indexed to Gold Fix Price	1,009	1,009
Bank Millennium - BPW_2020/11	November, 2017	November, 2020	Indexed to index S&P 500	1,640	1,640
Bank Millennium - BPW_2020/12	December, 2017	December, 2020	Indexed to 5 shares portfolio	866	866
Bank Millennium - BPW_2020/02A	February, 2018	February, 2020	Indexed to S&P 500	717	717
Bank Millennium - BPW_2020/03A	March, 2018	March, 2020	Indexed to DAX index	2,380	2,380
Millennium Leasing - G9	March, 2018	March, 2020	Wibor 3m + 90 bp	12,113	12,113
Bank Millennium - BPW_2020/04A	April, 2018	April, 2020	Indexed to Nasdaq 100 index	3,645	3,645
Bank Millennium - BPW_2021/05	May, 2018	May, 2021	Indexed to Gold Fix Price	1,523	1,523
Bank Millennium - BPW_2021/06A	June, 2018	June, 2021	Indexed to Nasdaq 100 index	2,777	2,777
Bank Millennium - BPW_2020/07A	July, 2018	June, 2021	Indexed to FTSE MIB index	3,925	3,925
Millennium Leasing - G10	July, 2018	July, 2020	Wibor 3m + 90 bp	8,702	8,702
Bank Millennium - BPW_2020/09A	September, 2018	September, 2020	Indexed to Facebook shares	4,425	4,425
Bank Millennium - BPW_2020/09B	September, 2018	September, 2020	Indexed to Facebook shares	2,964	2,964
Bank Millennium - BPW_2020/09C	September, 2018	September, 2020	Indexed to Facebook shares	1,867	1,867
Bank Millennium - BPW_2020/10A	October, 2018	October, 2020	Indexed to DAX index	4,142	4,142
Bank Millennium - BPW_2020/10B	October, 2018	October, 2020	Indexed to DAX index	2,802	2,802
Millennium Leasing - G11	October, 2018	October, 2020	Wibor 3m + 90 bp	3,810	3,810
Bank Millennium - BPW_2020/11A	November, 2018	November, 2020	Indexed to FTSE MIB index	3,515	3,515
Bank Millennium - BPW_2020/11B	November, 2018	November, 2020	Indexed to FTSE MIB index	1,561	1,561
Bank Millennium - BPW_2020/12A	December, 2018	December, 2020	Indexed to Nasdaq 100 index	5,775	5,775
Bank Millennium - BPW_2021/01	January, 2019	January, 2021	Indexed to Facebook shares	8,365	8,365
Bank Millennium - BPW_2021/03	February, 2019	March, 2021	Indexed to Gold Fix Price	5,412	5,412
Bank Millennium - BPW_2021/03A	February, 2019	March, 2021	Indexed to Apple shares	3,654	3,654
Millennium Leasing - G12	February, 2019	February, 2021	Wibor 3m + 80 bp	8,173	8,173
Bank Millennium - BPW_2021/03B	March, 2019	March, 2021	Indexed to DAX index	2,029	2,029
Bank Millennium - BPW_2021/03C	March, 2019	March, 2021	Indexed to Gold Fix Price	6,667	6,667
Bank Millennium - BPW_2021/04	April, 2019	April, 2021	Indexed to Volkswagen shares	1,768	1,768
Bank Millennium - BPW_2021/04A	April, 2019	April, 2021	Indexed to Gold Fix Price	6,993	6,993
Bank Millennium - BPW_2021/05A	May, 2019	May, 2021	Indexed to DAX index	2,224	2,224
Bank Millennium - BPW_2021/05B	May, 2019	May, 2021	Indexed to Gold Fix Price	6,260	6,260
Millennium Leasing - G13	May, 2019	May, 2022	Wibor 3m + 80 bp	9,408	9,408
Bank Millennium - BPW_2021/06	June, 2019	June, 2021	Indexed to NDX index	2,882	2,882
Bank Millennium - BPW_2021/06B	June, 2019	June, 2021	Indexed to NDX index	3,541	3,541
Bank Millennium - BPW_2021/07	July, 2019	July, 2021	Indexed to commodities	2,280	2,280
Bank Millennium - BPW_2021/07A	July, 2019	July, 2021	Indexed to SXAP index	2,883	2,883
EBK_011221C	December, 2017	December, 2021	Wibor 6m + 82 bp	58,799	58,799
					1,589,530
Accruals					5,194
					1,594,724

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

(Thousands of euros)

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

This balance as at 31 December 2018, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	74,027	15,466	39,561	181,110	-	310,164
Covered bonds	-	-	-	994,347	-	994,347
MTNs	-	-	-	77,182	306	77,488
Securitisations	-	-	-	-	298,395	298,395
	74,027	15,466	39,561	1,252,639	298,701	1,680,394

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Bonds		
Non Perpetual	1,540,201	1,036,785
Perpetual	22,035	27,021
	1,562,236	1,063,806
Accruals	15,470	8,299
	1,577,706	1,072,105

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

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	28,373
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	16,061
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	9,158
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,042	101
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,210	741
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	51,611	2,635
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,325	1,417
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,668	2,654
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (ii)	300,000	298,742	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (iii)	450,000	441,390	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	164,636	164,636	55,948
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 2,30%	195,211	195,211	66,339
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	96,000	86,222	10,563
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,540,201	943,990
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	-
					22,035	-
Accruals					15,470	-
					1,577,706	943,990

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

References:

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

(i) June 2020.

Interest rate

(ii) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%; (iii) Annual interest rate of 3.871 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 2018, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	51,173
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	28,881
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	16,158
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,637	979
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,541	7,444
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	43,234	6,844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,297	5,010
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,334	2,901
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,543	5,341
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	54,102	12,835
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,522	6,417
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,560	7,904
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (iii)	300,000	298,620	300,000
Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	162,920	162,920	42,409
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,445	80,331	14,978
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,036,785	509,274
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	8,814
BCP Leasing 2001	December, 2001	See reference (ii)	Euribor 3M+2,25%	4,986	4,986	1,994
					27,021	10,808
Accruals					8,299	-
					1,072,105	520,082

(*) 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 2019; (ii) - March 2019.

Interest rate

(iii) 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%.

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

(Thousands of euros)

	2019	2018
Up to 3 months	37,252	-
3 to 6 months	76,936	-
Up to 1 year	26,668	133,709
1 to 5 years	299,322	441,492
Over 5 years	1,100,023	461,584
Undetermined	22,035	27,021
	1,562,236	1,063,806
Accruals	15,470	8,299
	1,577,706	1,072,105

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Short selling securities	47,572	28,803
Trading derivatives (note 23):		
Swaps	274,506	281,724
Options	1,386	3,966
Embedded derivatives	14,983	8,344
Forwards	5,486	3,024
Others	-	1,147
	296,361	298,205
	343,933	327,008
Level 1	67	266
Level 2	280,944	289,039
Level 3	62,922	37,703

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

The balance Financial liabilities held for trading includes, as at 31 December 2019, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 C.5. in the amount of Euros 14,983,000 (31 December 2018: Euros 8,344,000). This note should be analysed together with note 23.

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

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Deposits from customers	1,720,134	2,583,549
Debt securities at fair value through profit and loss		
Bonds	262	826
Medium term notes (MTNs)	734,722	340,274
	734,984	341,100
Accruals	801	806
	735,785	341,906
Certificates	745,390	678,192
	3,201,309	3,603,647

As at 31 December 2019, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2019					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	318,903	433,281	734,858	233,092	-	1,720,134
Debt securities at fair value through profit and loss						
Bonds	262	-	-	-	-	262
MTNs	-	31,796	3,776	699,150	-	734,722
	262	31,796	3,776	699,150	-	734,984
Certificates	-	-	-	-	745,390	745,390
	319,165	465,077	738,634	932,242	745,390	3,200,508

As at 31 December 2018, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2018					
	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	409,770	532,337	424,000	1,217,442	-	2,583,549
Debt securities at fair value through profit and loss						
Bonds	-	-	566	260	-	826
MTNs	-	-	-	340,274	-	340,274
	-	-	566	340,534	-	341,100
Certificates	-	-	-	-	678,192	678,192
	409,770	532,337	424,566	1,557,976	678,192	3,602,841

As at 31 December 2019, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
BCP Eur Cln Port 10/15.06.20 - Emtn 766	November, 2010	June, 2020	Fixed rate 4.8% underlying asset OT - 2020/06	30,000	30,549
Bcp Reemb Parc Eur Ações Iii-Epvm 49	March, 2017	March, 2020	1st quarter=1,624%; 2nd quarter =3,9%; 3 nd semester=6,5%; 2nd year =3,25%; 3rd year=3,25%	268	262
Bcp Euro Divid Cup Mem Vi 17-Smtn 1	June, 2017	June, 2020	Indexed to EuroStoxx Select Dividend 30	1,240	1,248
Bcp Reemb Parc Ener Eur Viii-Smtn 2	August, 2017	August, 2020	Indexed to EuroStoxx Oil & Gas Index	598	604
Bcp Inv Eur Ações Cup Extra Xi/17 Eur-Smtn Sr4	November, 2017	November, 2020	Indexed to EuroStoxx 50	1,370	1,255
Bcp Rend Euro-Divid Autoccalable Xii Smtn Sr5	December, 2017	December, 2020	Indexed to EuroStoxx Select Dividend 30	1,930	1,917
Bcp Euro Divid Cupão Memoria Iii18-Smtn Sr9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	2,174
Bcp Rend Multi Set Europa Autocallable Smtn11	April, 2018	April, 2021	Indexed to portfolio of 3 shares	1,230	1,239
Millennium Cabaz 3 Ações-Smtn Sr13	June, 2018	June, 2023	Indexed to portfolio of 3 shares	87,831	87,274
Bcp Rend Cabaz Sectorial Autocallable-Smtn Sr15	June, 2018	June, 2021	Indexed to portfolio of 3 shares	1,580	1,582
Bcp Inv Euro Ações Cupão Lock In-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50 index	2,240	2,290
Bcp Tit Div Millennium Cabaz 3 Ações-Smtn Sr17	July, 2018	July, 2023	Indexed to portfolio of 3 shares	15,572	15,663
Bcp Ret Sect Europa Autcallable Vii18-Smtn Sr18	July, 2018	July, 2021	Indexed to portfolio of 3 indexes	1,270	1,273
Bcp Tit Div Millenn Cabaz 3Acoes-Smtn Sr20	September, 2018	September, 2023	Indexed to portfolio of 3 shares	29,937	30,161
Bcp Rendimento Sectores Ix 18- Smtn 22	September, 2018	September, 2021	Indexed to portfolio of 3 indexes	1,070	1,067
Cabaz Multi Sect Europ Autocall Xi18-Smtn 23	October, 2018	October, 2021	Indexed to portfolio of 3 shares	3,910	3,954
Rembol Parc Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indexed to EuroStoxx Telecoms	312	313
Bcp Performance Euro Divid-Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,596
Bcp Tit Divida MillennCabaz 3 Ações-Smtn 25	December, 2018	December, 2023	Indexed to portfolio of 3 shares	97,728	97,261
Bcp Tit Div Mill Cabaz 3 Ações Smtn Sr 28	January, 2019	January, 2024	Indexed to portfolio of 3 shares	23,010	23,843
Bcp Rend Euro Sect Autoc I19 Eur Smtn Sr 30	January, 2019	January, 2022	Indexed to portfolio of 3 indexes	900	883
Bcp Rend Ações Europ Cupão Min Autoc Smtn Sr 32	February, 2019	February, 2022	Indexed to portfolio of 3 shares	8,140	8,319
Bcp Cabaz 3 Ações Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to portfolio of 3 shares	76,526	76,818
Bcp Rend Ações Valor Glob Aut Iii19 Smtn 33	March, 2019	March, 2022	Indexed to Stoxx Global Select Divid 100	1,160	1,233
Bcp Ações Europa Rend Min Aut Iii19 Smtn 34	March, 2019	March, 2022	Indexed to portfolio of 3 shares	5,650	5,789
Bcp Tit Div Mill Cabaz 3 Ações 8Abr24 Smtn Sr 35	April, 2019	April, 2024	Indexed to portfolio of 3 shares	69,287	69,367
Bcp Tit Div Mill Cabaz 4 Ações Smtn Sr 38	June, 2019	June, 2024	Indexed to portfolio of 4 shares	86,570	87,880
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 42	July, 2019	July, 2024	Indexed to portfolio of 5 shares	80,182	80,281
Bcp Tit Div Millennium Cabaz 5 Ac Smtn 44	December, 2019	December, 2024	Indexed to portfolio of 5 shares	99,120	98,889
					734,984
Accruals					801
					735,785

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Provision for guarantees and other commitments (note 21)	116,560	187,710
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	7,346	7,801
Life insurance	3,400	4,736
For participation in profit and loss	216	184
Other technical provisions	26,853	13,918
Other provisions for liabilities and charges	190,937	136,483
	345,312	350,832

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

(Thousands of euros)

	2019	2018
Balance on 1 January	187,710	130,875
Adjustments due to the implementation of IFRS 9	-	14,714
Transfers resulting from changes in the Group's structure (Euro Bank acquisition)	172	-
Other transfers	(67,072)	(2,122)
Charge for the year (note 13)	36,230	86,255
Reversals for the year (note 13)	(40,618)	(41,802)
Exchange rate differences	138	(210)
Balance at the end of the year	116,560	187,710

As at 31 December 2019, the balance Other transfers includes the amount of Euros 64,588,000 corresponding to provisions for guarantees and other commitments, which was transferred to impairment for credit risks due the conversion of guarantees granted into loans and advances to customers.

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

(Thousands of euros)

	2019	2018
Balance on 1 January	136,483	135,249
Transfers	2,447	733
Charge for the year (note 13)	65,239	13,537
Reversals for the year (note 13)	(3,367)	(301)
Amounts charged-off	(10,627)	(12,427)
Exchange rate differences	762	(308)
Balance at the end of the year	190,937	136,483

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for contingencies in the sale of Millennium Bank (Greece) (Euros 23,507,000), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 70,714,000 (31 December 2018: Euros 65,539,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

This balance also includes the amount of Euros 52,480,000 (PLN 223.134.000) related to the creation, by Bank Millennium, of provisions for legal risk related to FX-indexed mortgages. As described in note 56, 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 2019, the Loans and advances to customers portfolio in CHF has a net amount of approximately Euros 3,473,000,000.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Creditors:		
Associated companies	190	44
Suppliers	44,627	46,144
From factoring operations	35,948	26,323
For futures and options transactions	11,039	13,731
For direct insurance and reinsurance operations	3,350	3,614
Deposit account and other applications	60,339	75,453
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	15,014	13,431
Rents to pay	281,072	-
Other creditors		
Residents	29,774	27,915
Non-residents	61,564	257,902
Negative equity in associated companies	278	-
Holidays, subsidies and other remuneration payable	59,420	58,609
Interests and other amounts payable	151,170	106,326
Operations to be settled - foreign, transfers and deposits	288,281	277,452
Amounts payable on trading activity	89,003	10,603
Other administrative costs payable	5,153	5,194
Deferred income	10,846	11,688
Loans insurance received and to amortised	74,712	59,641
Public sector	38,037	35,791
Other liabilities	182,408	270,213
	1,442,225	1,300,074

As at 31 December 2018, the balance Other creditors - Non-residents included the amount of Euros 207,531,000 related to the acquisition of securities for BCP's portfolio, which were settled in 2019.

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 5,543,000 (31 December 2018: Euros 6,363,000) 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 2018: Euros 3,733,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 50.

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

In 2019, the Group 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 59. The analyse of this balance, by maturity, is as follows:

(Thousands of euros)

	2019
Until 1 year	26,473
1 to 5 years	97,590
Over 5 years	168,361
	292,424
Accrued costs recognised in Net interest income	(11,352)
	281,072

40. Share capital, Preference shares and Other equity instruments

The Bank's share capital, as at 31 December 2019, 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 2019, 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 2019, the balance Other equity instruments, in the amount of Euros 400,000,000 (31 December 2018: Euros 2,922,000) 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.

As at 31 December 2019, the shareholders who individually or jointly hold 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l. held by Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	512,328,512	3.39%	3.39%
EDP Pension Fund (**)	311,616,144	2.06%	2.06%
Total Qualified Shareholdings	7,888,801,188	52.20%	52.20%

(*) In accordance with the announcement on 5 March 2018 (last information available).

(**) Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

As described in note 48, Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as Additional Tier 1 core capital instrument, in the amount of Euros 400,000,000. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E.

This operation 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.

41. Legal and statutory reserves

Under Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10 percent 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 2018 financial year approved at the General Shareholders' Meeting held on 22 May 2019, the Bank increased its legal reserve in the amount of Euros 5,927,000. Thus as at 31 December 2019, the Legal reserves amount to Euros 240,535,000 (31 December 2018: Euros 234,608,000).

In accordance with current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity and are recorded in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

As described in note 48, 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.

42. Treasury shares

This balance is analysed as follows:

	2019			2018		
	Net book value (Euros '000)	Number of securities	Average book value (Euros)	Net book value (Euros '000)	Number of securities	Average book value (Euros)
Banco Comercial Português, S.A. shares	65	323,738	0.32	74	323,738	0.23
Other treasury stock	37			-		
Total	102			74		

As at 31 December 2019, Banco Comercial Português, S.A. does not hold treasury shares and did not purchased or sold own shares during the period. However, this balance includes 323,738 shares (31 December 2018: 323,738 shares) owned by clients. Since for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the Bank's by-laws and by "Código das Sociedades Comerciais".

Regarding treasury shares owned by associated companies of the BCP Group, as referred in note 51, as at 31 December 2019, the Millenniumbcp Ageas Group owned 142,601,002 BCP shares (31 December 2018: 142,601,002 shares) in the amount of Euros 28,891,000 (31 December 2018: Euros 32,727,000).

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	78,849	(10,343)
Equity instruments	(33,913)	(30,197)
Of associated companies and other changes	29,205	25,675
Cash-flow hedge	153,330	105,705
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	132	4,151
	227,603	94,991
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(22,724)	7,988
Equity instruments	3,797	1,880
Cash-flow hedge	(48,398)	(34,069)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(41)	(1,299)
	(67,366)	(25,500)
	160,237	69,491
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(33,084)	(38,841)
BIM - Banco International de Moçambique, S.A.	(150,976)	(152,287)
Banco Millennium Atlântico, S.A.	(143,476)	(100,382)
Others	2,528	2,454
	(325,008)	(289,056)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	38,813	43,342
Others	(3,965)	(3,965)
	34,848	39,377
Other reserves and retained earnings	565,746	650,669
	435,823	470,481

(*) Includes the effects arising from the application of hedge accounting.

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 C).

During 2019, 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 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 (nota 23)						
Debt instruments						
Debt securities - Portuguese public issuers	(72,484)	112,077	72,400	(2,718)	(70,165)	39,110
Others	62,141	17,245	(15,427)	538	(24,758)	39,739
	(10,343)	129,322	56,973	(2,180)	(94,923)	78,849
Equity instruments	(30,197)	(10,508)	-	-	6,792	(33,913)
Associated companies and others						
Millenniumbcp Ageas	18,774	7,494	-	-	-	26,268
Others	6,901	(2,897)	-	-	(1,067)	2,937
	25,675	4,597	-	-	(1,067)	29,205
	(14,865)	123,411	56,973	(2,180)	(89,198)	74,141

The changes occurred, during 2018, 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 2017	Adjustments - implementation of IFRS 9	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2018
Financial assets at fair value through other comprehensive income							
Debt instruments							
Debt securities - Portuguese public issuers	-	(58,155)	25,299	(19,605)	(3,329)	(16,694)	(72,484)
Others	-	87,904	12,622	(10,094)	2,237	(30,528)	62,141
	-	29,749	37,921	(29,699)	(1,092)	(47,222)	(10,343)
Equity instruments	-	(67,149)	176	-	-	36,776	(30,197)
Financial assets available for sale							
Debt instruments							
Debt securities - Portuguese public issuers	(57,774)	57,774	-	-	-	-	-
Others	85,101	(85,101)	-	-	-	-	-
	27,327	(27,327)	-	-	-	-	-
Equity instruments							
Visa Inc.	2,927	(2,927)	-	-	-	-	-
Others	26,629	(26,629)	-	-	-	-	-
	29,556	(29,556)	-	-	-	-	-
Financial assets held to maturity	(3,049)	3,049	-	-	-	-	-
Associated companies and others							
Millenniumbcp Ageas	25,032	-	(6,258)	-	-	-	18,774
Others	4,167	(843)	3,577	-	-	-	6,901
	29,199	(843)	(2,681)	-	-	-	25,675
	83,033	(92,077)	35,416	(29,699)	(1,092)	(10,446)	(14,865)

In 2018 the negative amount of Euros 92,077,000 of adjustments due to the implementation of IFRS 9 corresponds. as described in note 58, to the impact arising from the adoption of IFRS 9 in the balance Investments in associated companies and other changes due to changes in the classification of securities.

In 2019 and 2018, the Disposals occurred regards to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Fair value changes		
Debt instruments	10,538	15,890
Equity instruments	3,337	2,938
Cash-flow hedge	(3,286)	(7,964)
Other	38	29
	10,627	10,893
Deferred taxes		
Debt instruments	(1,994)	(3,019)
Equity instruments	(634)	(558)
Cash-flow hedge	624	1,513
	(2,004)	(2,064)
	8,623	8,829
Exchange differences arising on consolidation	(101,914)	(113,417)
Actuarial losses (net of taxes)	178	248
Other reserves and retained earnings	1,354,637	1,287,773
	1,261,524	1,183,433

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	2019	2018	2019	2018
Bank Millennium, S.A.	1,049,395	973,749	65,141	89,027
BIM - Banco International de Moçambique, SA (*)	180,278	160,776	34,614	33,340
Other subsidiaries	31,851	48,908	(358)	(4,558)
	1,261,524	1,183,433	99,397	117,809

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora International de Moçambique, S.A.R.L.

The following table presents a summary of financial information for the main subsidiaries included in this balance, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousands of euros)

	Bank Millennium, S.A.		BIM - Banco International de Moçambique, S.A.	
	2019	2018	2019	2018
Total income	1,074,244	851,205	324,311	357,268
Net profit for the year	147,567	178,411	99,486	94,063
Net profit for the year attributable to the shareholders	82,426	89,384	66,343	62,726
Net profit for the year attributable to non-controlling interests	65,141	89,027	33,143	31,337
Other comprehensive income attributable to the shareholders	10,551	(15,200)	1,425	(519)
Other comprehensive income attributable to non-controlling interests	10,508	(15,139)	712	(260)
Total comprehensive income	168,626	148,072	101,623	93,284
Balance sheet				
Financial assets	22,593,994	18,457,170	2,120,457	1,955,494
Non-financial assets	468,044	268,047	213,856	183,010
Financial liabilities	(20,375,566)	(16,338,222)	(1,696,897)	(1,583,802)
Non-financial liabilities	(583,476)	(435,595)	(105,067)	(78,588)
Equity	2,102,996	1,951,400	532,349	476,114
Equity attributed to the shareholders	1,053,601	977,651	354,999	317,499
Equity attributed to the non-controlling interests	1,049,395	973,749	177,350	158,615
Cash flows arising from:				
operating activities	(134,219)	990,383	78,251	48,387
investing activities	(214,636)	(1,863,011)	(31,003)	(8,587)
financing activities	168,249	(32,172)	(47,490)	(18,217)
Net increase / (decrease) in cash and equivalents	(180,606)	(904,800)	(242)	21,583
Dividends paid during the year:				
attributed to the shareholders	-	-	29,834	17,192
attributed to the non-controlling interests	-	-	14,904	8,589
	-	-	44,738	25,781

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Guarantees granted		
Guarantees	4,298,837	4,306,184
Stand-by letter of credit	52,447	81,249
Open documentary credits	237,828	300,020
Bails and indemnities	137,695	139,345
	4,726,807	4,826,798
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	3,999,502	3,267,453
Securities subscription	83,842	97,159
Other irrevocable commitments	115,247	114,829
Revocable commitments		
Revocable credit lines	4,897,405	4,077,379
Bank overdraft facilities	566,525	552,307
Other revocable commitments	108,905	109,535
	9,771,426	8,218,662
Guarantees received	27,225,242	24,061,727
Commitments from third parties	10,262,135	9,411,635
Securities and other items held for safekeeping	69,128,000	64,887,064
Securities and other items held under custody by the Securities Depository Authority	67,072,528	65,566,396
Other off balance sheet accounts	126,060,542	126,252,374

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 38).

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

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

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

46. Assets under management and custody

In accordance with the no. 4 of the 29th article of Decree-Law 252/2003 of 17 October, which regulates collective investment organisms, the funds managing companies together with the custodian Bank of the Funds, are jointly responsible to all the funds investors, for the compliance of all legal obligations arising from the applicable Portuguese legislation and in accordance with the regulations of the funds. The total value of the funds managed by the Group companies is analysed as follows:

(Thousands of euros)

	2019	2018
Banco Comercial Português, S.A. (*)	2,610,678	2,140,906
Banque Privée BCP (Suisse) S.A.	1,286,759	1,134,734
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	782,602	760,104
Millennium TFI S.A.	1,065,256	982,632
	5,745,295	5,018,376

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

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

The total assets under management and custody by the Group companies are analysed as follows:

(Thousands of euros)

	2019	2018
Assets under deposit	61,085,200	57,497,563
Wealth management	3,004,260	2,489,547
Investment funds	2,741,035	2,528,828
	66,830,495	62,515,939

47. Transfers of assets

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

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

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

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

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. 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 2019 and 2018, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 31 December 2019 and 2018, related to these operations are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

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

(Thousands of euros)

	2019			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	276,247	32,669	-	308,916
Impairment and other fair value adjustments	(51,360)	(32,669)	-	(84,029)
	224,887	-	-	224,887
Fundo Reestruturação Empresarial FCR				
Gross value	88,402	-	33,280	121,682
Impairment and other fair value adjustments	(44,698)	-	(33,280)	(77,978)
	43,704	-	-	43,704
FLIT-PTREL				
Gross value	247,354	38,154	-	285,508
Impairment and other fair value adjustments	(7,587)	(38,154)	-	(45,741)
	239,767	-	-	239,767
Fundo Recuperação FCR				
Gross value	187,741	82,947	-	270,688
Impairment and other fair value adjustments	(101,496)	(82,947)	-	(184,443)
	86,245	-	-	86,245
Fundo Aquarius FCR				
Gross value	139,147	-	-	139,147
Impairment and other fair value adjustments	(9,153)	-	-	(9,153)
	129,994	-	-	129,994
Discovery Real Estate Fund				
Gross value	155,328	-	-	155,328
Impairment and other fair value adjustments	2,149	-	-	2,149
	157,477	-	-	157,477
Fundo Vega FCR				
Gross value	48,076	77,366	-	125,442
Impairment and other fair value adjustments	(5,661)	(77,366)	-	(83,027)
	42,415	-	-	42,415
Total Gross value	1,142,295	231,136	33,280	1,406,711
Total impairment and other fair value adjustments	(217,806)	(231,136)	(33,280)	(482,222)
	924,489	-	-	924,489

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and 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.

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 Group 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 2018, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2018			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	287,930	32,206	-	320,136
Impairment and other fair value adjustments	(49,074)	(32,206)	-	(81,280)
	238,856	-	-	238,856
Fundo Reestruturação Empresarial FCR				
Gross value	106,690	-	33,280	139,970
Impairment and other fair value adjustments	(31,336)	-	(33,280)	(64,616)
	75,354	-	-	75,354
FLIT-PTREL				
Gross value	268,645	38,154	-	306,799
Impairment and other fair value adjustments	(3,899)	(38,154)	-	(42,053)
	264,746	-	-	264,746
Fundo Recuperação FCR				
Gross value	193,730	80,938	-	274,668
Impairment and other fair value adjustments	(89,971)	(80,938)	-	(170,909)
	103,759	-	-	103,759
Fundo Aquarius FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(10,974)	-	-	(10,974)
	128,174	-	-	128,174
Discovery Real Estate Fund				
Gross value	152,864	-	-	152,864
Impairment and other fair value adjustments	1,075	-	-	1,075
	153,939	-	-	153,939
Fundo Vega FCR				
Gross value	47,694	74,751	-	122,445
Impairment and other fair value adjustments	(5,534)	(74,751)	-	(80,285)
	42,160	-	-	42,160
Total Gross value	1,196,701	226,049	33,280	1,456,030
Total impairment and other fair value adjustments	(189,713)	(226,049)	(33,280)	(449,042)
	1,006,988	-	-	1,006,988

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and it was made a negative fair value adjustment of the same amount.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2019			2018		
	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	276,246	15,754	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	74,263	67,409	6,854	101,133	86,419	14,714
FLIT-PTREL	241,358	241,358	-	262,231	262,231	-
Fundo Recuperação FCR	206,805	187,742	19,063	213,635	193,729	19,906
Fundo Aquarius FCR	156,100	139,148	16,952	156,100	139,148	16,952
Discovery Real Estate Fund	156,121	156,121	-	153,243	153,243	-
Fundo Vega FCR	49,616	46,601	3,015	49,616	46,233	3,383
	1,176,263	1,114,625	61,638	1,239,641	1,168,932	70,709

In 2019, there are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of 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	2019	2018
Loans and advances to customers	232,892	282,480
Guarantees granted and irrevocable credit lines	49,327	55,089
Gross exposure	282,219	337,569
Impairment	(88,337)	(85,884)
Net exposure	193,882	251,685

48. Relevant events occurred during 2019

Issue of perpetual subordinated notes by Banco Comercial Português, S.A.

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 ("Additional Tier 1" or "AT1").

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.

The issuance, the first of its kind denominated in euros on the European market in 2019, was part of the Bank's strategy to strengthen and diversify the components of its capital base, contributing significantly to the strengthening of its eligible liabilities to meet the minimum requirement for eligible own funds and liabilities and to strengthen its presence in the capital market.

Issue of W-Series subordinated bonds of the Bank Millennium, S.A. (Poland)

On 30 January 2019 the Bank Millennium, S.A. (Poland) issued 1,660 series W subordinated bonds in the total amount of PLN 830 million (Euros 193 million). The maturity of the bonds is 30 January 2029 and the interest rate is variable, based on WIBOR 6M plus a margin of 2.30% per annum.

After the assent of Polish Financial Supervision Authority, the bonds were considered instruments in the Bank's Tier 2 capital in the meaning of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on 22 May 2019, with 64.59% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the individual and consolidated annual report, balance sheet and financial statements of 2018, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profits for the 2018 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 Supervision Bodies;

Item Five – Approval of the alteration of the articles of association, giving a new wording to paragraph c) of article 14 and to nr. 1 of article 10, adding two new numbers 2 and 3 to article 10 with the consequent renumbering of current nrs. 2 and 3;

Item Six – Approval of the cooptation of Mr. Fernando Costa Lima as member of the Board of Directors and of the Audit Committee for the exercise of functions in the term-of-office ending in 2021. The effects of this cooptation are subject to obtaining the authorization for the exercise of functions from the European Central Bank;

Item Seven – Appointment of Prof. Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021;

Item Eight – Election of Mr. Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board;

Item Nine - Election of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, as the Single Auditor, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the two-year term-of-office 2019/2020;

Item Ten - Selection of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period;

Item Eleven – Approval of the acquisition and sale of own shares and bonds.

Appropriation of profits for the 2018 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 22 May 2019, that the year-end results amounting to Euros 59,266,674.99 and the reserve for the stabilization of dividends, in the amount of Euros 30,000,000.00, be applied as follows:

a) For the reinforcement of legal reserve, Euros 5,926,667.50;
b) For the attribution of dividends Euros 30,227,979.90, corresponding Euros 227,979.90 to earnings and Euros 30,000,000.00 to the reserve for the stabilization of dividends;
c) to be distributed to employees Euros 12,587,009.00;
d) Euros 40,525,018.59, that is, the remaining, to Retained Earnings.

It was also approved that:

i) The payment to each share of the unit dividend of Euros 0.002;
ii) The dividend on the shares owned by the Company on the first day of the dividend payment period shall not be paid and shall be registered in the retained earnings.

Acquisition of Euro Bank S.A. by Bank Millennium S.A.

Bank Millennium S.A., owned 50.1% by Banco Comercial Português, S.A., announced on 28 May 2019, having been informed of the non-objection by the Polish Financial Supervision Authority to its acquisition of Euro Bank S.A.. As at 31 May 2019, the Bank Millennium S.A has completed the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A.. On 1 October 2019, the legal merger of Bank Millennium S.A. with Euro Bank S.A. has been completed. The details of the acquisition are detailed in note 60.

Merger of Banco de Investimento Imobiliário, S.A. with Banco Comercial Português, S.A.

Following the announcement dated 19 June 2019, Banco Comercial Português, S.A. hereby informs that its Board of Directors and the Board of Directors of Banco de Investimento Imobiliário, S.A. approved during September 2019, the merger project of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter. The process was concluded on 30 December 2019, after the signature of the merger deed.

Notification from the Competition Authority

On 9 September 2019, BCP was notified by the Portuguese Competition Authority ("AdC") of its decision of conviction under a litigation related to alleged restrictive competition practices regarding the sharing of sensitive commercial information between credit institutions in the segments of mortgage loans, consumer loans and corporate loans.

Thereby, BCP was one of the 14 banks to which AdC decided to apply the payment of fines in the global amount of Euros 225 million for alleged concerted practice of sensitive commercial information exchange, fining BCP in Euros 60 million. Under the same litigation, other 13 credit institutions were also condemned: BBVA, BIC/BPN, BPI, BES, BANIF, Barclays, CGD, Caixa Central de Crédito Agrícola Mútuo, Montepio, Santander (for facts practiced by itself and by Banco Popular), Deutsche Bank and UCI.

According to the referred decision, BCP's fine of Euros 60 million contemplated the duration of its participation in the alleged infringement (11 years, between May 2002 and March 2013) and the Bank's turnover related with the markets included in the infringement, i.e., mortgage loans, consumer loans and corporate loans.

The exchange of sensitive information for which BCP is condemned refers to: (i) information related to commercial conditions (as prices/spread rates that were not public in the moment of the information exchange or that were difficult to access or systematize); and (ii) monthly production amounts of each bank occurred during that period (disaggregated information relative to the amount of credit granted in Euros in a determined period, normally corresponding to the month before).

AdC did not constitute any evidence about the restrictive effect on competition due to the information exchange. AdC considered the information exchange as an infringement by object, hence considering there would not be need of constituting evidence of the restrictive effect on competition, which, in BCP's opinion, is not in conformity with the doctrine and relevant community jurisprudence.

On 21 October 2019, BCP filed an appeal to the Court of Competition, Regulation & Supervision ("TCRS"). The sentence, that will be given by TCRS, may be appealed to the Lisbon Court of Appeal ("TRL").

The Bank contested AdC's decision because it believes that the impugned facts and decisions are not properly supported and substantiated, considering the applied fine unjustified and unbalanced.

On 15 November 2019, BCP was notified of a ruling, by the Lisbon Court of Appeal, on an appeal that it had filed in an earlier moment, still at the pre-trial phase of these administrative proceedings, on the right by the concerned parties to attend the examination of witnesses enrolled by other parties, and such ruling was unfavourable to its claims. Because BCP did not agree with that ruling by the Lisbon Court of Appeal, on 25 November 2019 it appealed this decision to the Constitutional Court.

Issue of subordinated notes by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. fixed, as at 20 September 2019, the terms for a new issue of medium term subordinated notes qualified as Tier 2 own funds, under its Euro Note Programme.

The issue, in the amount of Euros 450 million, will have a tenor of 10.5 years, with the option of early redemption by the Bank at the end of 5.5 year, and an 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, which, for the determination of the interest rate for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

Rating assessment

Long-term issuer default rating was affirmed by Fitch Ratings and by Standard & Poor's at BB and the outlook was revised to positive from stable.

Minimum prudential requirements

Banco Comercial Português, S.A. (BCP) 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 2020, based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII).

The aforementioned decisions define, with regard to the minimum capital requirements to be observed as from 1 January 2020, the following ratios, determined according to the total value of risk-weighted assets (RWA):

Minimum capital requirements from 1 January 2020								
BCP Consolidate	Phased-in	of which:			Fully implemented	of which:		
		Pilar 1	Pilar 2	*Buffers*		Pilar 1	Pilar 2	*Buffers*
CET1	9,81%	4,50%	2,25%	3,06%	10,25%	4,50%	2,25%	3,50%
T1	11,31%	6,00%	2,25%	3,06%	11,75%	6,00%	2,25%	3,50%
Total	13,31%	8,00%	2,25%	3,06%	13,75%	8,00%	2,25%	3,50%

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.563%). Given the increased systemic importance of BCP for the Portuguese financial system, its future O-SII reserve requirement was revised from 0.75% to 1.00%, and BCP was granted an additional year (January 1st, 2022) to fulfill it, as communicated by the Bank of Portugal in its website.

According to ECB's decision under SREP, the Pillar 2 requirement for BCP was set at 2.25% for 2020, the same value as for 2019.

49. Fair value

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

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 -0.4% as at 31 December 2019 (31 December 2018: -0.4%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group 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 Group 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 Group 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 Group. This was calculated from the average production of the three most recent months compared to the reporting date.

As at 31 December 2019, 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	
	2019	2018	2019	2018	2019	2018	2019	2018
EUR	0.66%	0.45%	2.26%	2.75%	0.57%	0.44%	-0.08%	0.01%
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.17%	2.34%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.05%	2.31%
CHF	n.a.	n.a.	2.30%	2.63%	n.a.	-0.11%	-0.45%	-0.42%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.64%	2.79%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.29%	-0.14%
GBP	0.83%	n.a.	3.88%	3.64%	n.a.	n.a.	0.94%	1.05%
HKD	n.a.	n.a.	n.a.	2.29%	n.a.	n.a.	2.99%	1.98%
MOP	n.a.	n.a.	2.29%	n.a.	n.a.	n.a.	2.35%	2.14%
MZN	n.a.	n.a.	15.81%	19.82%	n.a.	n.a.	9.66%	12.03%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.08%	1.57%
PLN	1.60%	1.36%	5.73%	5.47%	1.31%	1.72%	1.55%	1.61%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.44%	0.17%
USD	2.13%	2.90%	3.45%	5.36%	1.93%	2.76%	1.62%	2.56%
ZAR	7.20%	6.80%	11.58%	16.18%	n.a.	n.a.	3.72%	4.93%

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 the prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt securities

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

Hedging and trading derivatives

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

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

Debt securities non subordinated issued and subordinated debt

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

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

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

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

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	2019			2018		
	EUR	PLN	USD	EUR	PLN	USD
Placed in the institutional market						
Subordinated	5.05%	1.74%	-	6.92%	-	-
Senior (including mortgage)	-0.01%	-	-	0.05%	-	-
Placed in retail						
Subordinated	3.88%	-	-	2.64%	-	-
Senior and collateralised	0.10%	1.99%	2.37%	0.36%	2.27%	3.30%

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 29,017,000 (31 December 2018: a negative amount of Euros 9,663,000) and includes a payable amount of Euros 13,726,000 (31 December 2018: a payable amount of Euros 7,424,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading (note 23 and 36).

As 31 December 2019 and 2018, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	2019				2018			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.47%	1.73%	0.73%	1.45%	-0.43%	2.75%	0.75%	1.44%
7 days	-0.47%	1.70%	0.74%	1.45%	-0.40%	2.55%	0.78%	1.44%
1 month	-0.47%	1.75%	0.75%	1.53%	-0.41%	2.57%	0.80%	1.54%
2 months	-0.44%	1.79%	0.80%	1.57%	-0.38%	2.61%	0.85%	1.58%
3 months	-0.43%	1.81%	0.83%	1.61%	-0.36%	2.72%	0.96%	1.62%
6 months	-0.38%	1.84%	0.90%	1.69%	-0.29%	2.81%	1.08%	1.69%
9 months	-0.35%	1.86%	0.93%	1.70%	-0.23%	2.88%	1.18%	1.72%
1 year	-0.32%	1.75%	0.97%	1.70%	-0.23%	2.74%	1.29%	1.74%
2 years	-0.29%	1.67%	0.80%	1.75%	-0.18%	2.65%	1.16%	1.82%
3 years	-0.24%	1.65%	0.82%	1.75%	-0.07%	2.58%	1.22%	1.91%
5 years	-0.12%	1.70%	0.88%	1.79%	0.20%	2.57%	1.30%	2.12%
7 years	0.02%	1.76%	0.94%	1.82%	0.47%	2.62%	1.36%	2.29%
10 years	0.21%	1.86%	1.02%	1.87%	0.82%	2.70%	1.43%	2.48%
15 years	0.47%	1.97%	1.10%	1.98%	1.17%	2.79%	1.51%	2.75%
20 years	0.60%	2.02%	1.12%	2.07%	1.35%	2.82%	1.55%	2.88%
30 years	0.63%	2.05%	1.11%	2.07%	1.41%	2.81%	1.54%	2.88%

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

(Thousands of euros)

	2019				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	5,166,551	5,166,551	5,166,551
Loans and advances to credit institutions repayable on demand	-	-	320,857	320,857	320,857
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	892,995	892,995	881,873
Loans and advances to customers (i)	-	-	49,847,829	49,847,829	49,421,513
Debt securities	-	-	3,185,876	3,185,876	3,199,965
Financial assets at fair value through profit or loss					
Financial assets held for trading	878,334	-	-	878,334	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	1,405,513	-	-	1,405,513	1,405,513
Financial assets designated at fair value through profit or loss	31,496	-	-	31,496	31,496
Financial assets at fair value through other comprehensive income	-	13,216,701	-	13,216,701	13,216,701
Hedging derivatives (ii)	45,141	-	-	45,141	45,141
	2,360,484	13,216,701	59,414,108	74,991,293	74,567,944
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	6,366,958	6,366,958	6,353,655
Resources from customers (i)	-	-	59,127,005	59,127,005	59,134,647
Non subordinated debt securities issued (i)	-	-	1,594,724	1,594,724	1,623,741
Subordinated debt (i)	-	-	1,577,706	1,577,706	1,685,810
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	343,933	-	-	343,933	343,933
Financial liabilities designated at fair value through profit or loss	3,201,309	-	-	3,201,309	3,201,309
Hedging derivatives (ii)	229,923	-	-	229,923	229,923
	3,775,165	-	68,666,393	72,441,558	72,573,018

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

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2018:

(Thousands of euros)

	2018				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	2,753,839	2,753,839	2,753,839
Loans and advances to credit institutions repayable on demand	-	-	326,707	326,707	326,707
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	890,033	890,033	889,441
Loans and advances to customers (i)	-	-	45,560,926	45,560,926	45,128,921
Debt securities	-	-	3,375,014	3,375,014	3,381,178
Financial assets at fair value through profit or loss					
Financial assets held for trading	870,454	-	-	870,454	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	-	-	1,404,684	1,404,684
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034	33,034
Financial assets at fair value through other comprehensive income	-	13,845,625	-	13,845,625	13,845,625
Assets with repurchase agreement	-	-	58,252	58,252	58,259
Hedging derivatives (ii)	123,054	-	-	123,054	123,054
	2,431,226	13,845,625	52,964,771	69,241,622	68,815,196
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	7,752,796	7,752,796	7,716,281
Resources from customers (i)	-	-	52,664,687	52,664,687	52,675,638
Non subordinated debt securities issued (i)	-	-	1,686,087	1,686,087	1,676,424
Subordinated debt (i)	-	-	1,072,105	1,072,105	1,126,038
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	327,008	-	-	327,008	327,008
Financial liabilities designated at fair value through profit or loss	3,603,647	-	-	3,603,647	3,603,647
Hedging derivatives (ii)	177,900	-	-	177,900	177,900
	4,108,555	-	63,175,675	67,284,230	67,302,936

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

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13. The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

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

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

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

Level 2 - Valuation methods and techniques based on market data

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

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

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

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

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

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

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

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

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

(Thousands of euros)

	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	5,166,551	-	-	5,166,551
Loans and advances to credit institutions repayable on demand	320,857	-	-	320,857
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	881,873	881,873
Loans and advances to customers	-	-	49,421,513	49,421,513
Debt securities	123,300	703,248	2,373,417	3,199,965
Financial assets at fair value through profit or loss				
Financial assets held for trading	252,683	317,689	307,962	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,405,513	1,405,513
Financial assets designated at fair value through profit or loss	31,496	-	-	31,496
Financial assets at fair value through other comprehensive income	12,643,402	464,728	108,571	13,216,701
Hedging derivatives	-	45,141	-	45,141
	18,538,289	1,530,806	54,498,849	74,567,944
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	6,353,655	6,353,655
Resources from customers	-	-	59,134,647	59,134,647
Non subordinated debt securities issued	-	-	1,623,741	1,623,741
Subordinated debt	-	-	1,685,810	1,685,810
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	67	280,944	62,922	343,933
Financial liabilities designated at fair value through profit or loss	745,390	-	2,455,919	3,201,309
Hedging derivatives	-	229,923	-	229,923
	745,457	510,867	71,316,694	72,573,018

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2018:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	2,753,839	-	-	2,753,839
Loans and advances to credit institutions repayable on demand	326,707	-	-	326,707
Financial assets at amortised cost				
Loans and advances to credit institutions	-	-	889,441	889,441
Loans and advances to customers	-	-	45,128,921	45,128,921
Debt securities	122,601	677,298	2,581,279	3,381,178
Financial assets at fair value through profit or loss				
Financial assets held for trading	214,531	347,770	308,153	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	1,404,684	1,404,684
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034
Financial assets at fair value through other comprehensive income	12,973,893	843,946	27,786	13,845,625
Assets with repurchase agreement	-	-	58,259	58,259
Hedging derivatives	-	123,054	-	123,054
	16,424,605	1,992,068	50,398,523	68,815,196
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	7,716,281	7,716,281
Resources from customers	-	-	52,675,638	52,675,638
Non subordinated debt securities issued	-	-	1,676,424	1,676,424
Subordinated debt	-	-	1,126,038	1,126,038
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	266	289,039	37,703	327,008
Financial liabilities designated at fair value through profit or loss	678,192	-	2,925,455	3,603,647
Hedging derivatives	-	177,900	-	177,900
	678,458	466,939	66,157,539	67,302,936

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

(Thousands of euros)

	2019			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	308,153	1,404,684	27,786	8,900
Gains / (losses) recognised in profit or loss				
Results on financial operations	2,210	(13,620)	-	6,428
Net interest income	-	26,968	-	-
Transfers between portfolios	(4,059)	-	-	-
Transfers between levels	(3,378)	-	83,815	(14)
Purchases	8,815	162,287	85,617	573
Sales, repayments or amortisations	(3,779)	(178,030)	(92,350)	(537)
Gains / (losses) recognised in reserves	-	-	3,519	-
Exchange differences	-	3,224	82	-
Accruals of interest	-	-	102	-
Balance as at 31 December	307,962	1,405,513	108,571	15,350

(*) Do not include short sales in the amount of Euros 47,572,000 (note 36).

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during 2018 is presented as follows:

(Thousands of euros)

	2018				
	Financial assets				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Available for sale	Financial liabilities held for trading (*)
Balance as at 31 December 2017	305,451	-	-	1,300,626	10,925
Impact of transition to IFRS 9	-	1,381,734	29,509	(1,300,626)	-
Balance as at 1 January 2018	305,451	1,381,734	29,509	-	10,925
Gains / (losses) recognised in profit or loss					
Results on financial operations	2,121	(12,175)	-	-	(1,924)
Net interest income	-	23,128	-	-	-
Transfers between portfolios	(3)	-	3	-	-
Transfers between levels	(3,113)	-	-	-	(265)
Purchases	12,044	28,824	3,848	-	397
Sales, repayments or amortisations	(8,347)	(9,451)	(9,149)	-	(233)
Gains / (losses) recognised in reserves	-	-	3,641	-	-
Exchange differences	-	(7,376)	(66)	-	-
Balance as at 31 December 2018	308,153	1,404,684	27,786	-	8,900

(*) Do not include short sales in the amount of Euros 28,803,000 (note 36).

50. Post-employment benefits and other long term benefits

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

As at 31 December 2019 and 2018, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2019	2018
Pensioners	16,959	16,829
Former Attendees Acquired Rights	3,258	3,300
Employees	7,340	7,255
	27,557	27,384

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

(Thousands of euros)

	2019	2018
Actual amount of the past services		
Pensioners	2,310,799	2,048,284
Former attendees acquired rights	224,004	193,995
Employees	955,538	823,444
	3,490,341	3,065,723
Pension fund value	(3,500,869)	(3,078,430)
Net (assets) / liabilities in balance sheet (note 31)	(10,528)	(12,707)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,574,864	3,289,529

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 31 December 2019 amounts to Euros 289,733,000 (31 December 2018: Euros 284,923,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. The agreement establishes the increase for 2018 by 0.75% to level 6 and 0.50% for levels 7 to 20 (similar increase for 2019) and the increase of other pecuniary clauses, such as the lunch allowance, diuturnities, among others.

Regarding from the update of salary tables, with reference to 2019 and 2018, the Group recorded an actuarial loss in the amount of Euros 53,705,000 in the pension fund's liabilities.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2019	2018
Balance as at 1 January	3,065,723	3,049,570
Service cost	(15,372)	(15,800)
Interest cost / (income)	57,755	62,991
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	99,969	43,549
Related to changes in assumptions	367,125	-
Payments	(111,339)	(102,024)
Early retirement programmes and terminations by mutual agreement	18,375	19,303
Contributions of employees	8,105	8,134
Balance at the end of the year	3,490,341	3,065,723

As at 31 December 2019, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 111,339,000 (31 December 2018: Euros 102,024,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 327,573,000 as at 31 December 2019 (31 December 2018: Euros 300,550,000).

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 2019 amounts to Euros 58,039,000 (31 December 2018: Euros 62,677,000), 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.

Changes in the Collective Labour Agreement (CLA)

At the end of December 2016, a revision of the Collective Labour Agreement (CLA) was reached between the BCP Group and the Workers' Trade Unions, "Federação dos Sindicatos Independentes da Banca" and" Federação Nacional do Sector Financeiro". "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA only formalized the acceptance of the amendments to the CLA in April 2017 and, as such, the Bank only recognise the impact of changes from CLA to employees associates of SBN in 2017. The new CLA have already been published by the Ministry of Labour in Bulletin of Labour and Employment

The most relevant changes that occurred in the CLA and can be described as follows:

- Change in the retirement age (presumed disability) from 65 years to 66 years and 2 months in 2016. This age is not fixed and increases at the beginning of each calendar year one month. So, in 2019 the retirement age is 66 years and 5 months (66 years and 4 months in 2018). It was agreed that the retirement age in each year, fixed by the application of the above mentioned rule, cannot exceed in any case the normal retirement age in force in the General Social Security Regime. For the actuarial calculation, a progressive increase in retirement age was considered up to 67 years and 2 months.

- It was introduced a change into the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the Pensions (Euros 88 per beneficiary and Euros 37.93 in the case of pensioners). This amount will be updated by the salary table update rate. This change has no impact on participants and beneficiaries, both in terms of their contributions and in their benefits.

- A new benefit and retirement was introduced called End of Career Premium. At the retirement date the participant is entitled to a capital equal to 1.5 times the amount of the monthly remuneration earned at the retirement date. This benefit replaces the Seniority premium that was awarded during active life. This benefit, to be attributed at the retirement date or in the event of death, is a post-employment benefit by which it becomes part of retirement liabilities. This benefit is not included in the pension fund agreement in force at 2016 and as such was considered as Extra-Fund. The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

During 2019 and 2018 the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2019	2018
Balance as at 1 January	3,078,430	3,166,351
Contributions to the Fund	290,000	-
Employees' contributions	8,105	8,134
Actuarial gains / (losses)	181,759	(54,373)
Payments	(111,339)	(102,024)
Expected return on plan assets	53,231	59,962
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	683	380
Balance at the end of the year	3,500,869	3,078,430

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	2019			2018		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	303,434	111,902	415,336	280,208	102,992	383,200
Bonds and other fixed income securities	1,745,335	4,405	1,749,740	1,054,637	4,193	1,058,830
Participations units in investment funds	-	550,732	550,732	-	752,628	752,628
Participation units in real estate funds	-	266,222	266,222	-	276,144	276,144
Properties	-	245,392	245,392	-	245,392	245,392
Loans and advances to credit institutions and others	-	273,447	273,447	-	362,236	362,236
	2,048,769	1,452,100	3,500,869	1,334,845	1,743,585	3,078,430

The balance Shares includes an investment of 2.73% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2019 amounts to Euros 110,459,000 (31 December 2018: Euros 101,618,000). 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 2019, amounts to Euros 245,392,000 (31 December 2018: Euros 245,392,000), mostly a set of properties called "Taguspark" whose book amounts to Euros 243,750,000 (31 December 2018: Euros 243,750,000). This book value was calculated based on valuations performed by independent expert evaluators performed in 2017.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2019	2018
Loans and advances to credit institutions and others	26,534	275,429
Bonds and other fixed income securities	12,278	12,209
	38,812	287,638

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

(Thousands of euros)

	2019	2018
Balance as at 1 January	(12,707)	(116,781)
Recognised in the income statement:		
Service cost	(15,372)	(15,800)
Interest cost / (income) net of the balance liabilities coverage	4,524	3,029
Cost with early retirement programs	18,375	19,303
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(683)	(380)
	6,844	6,152
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(181,759)	54,373
Difference between expected and effective obligations	99,969	43,549
Arising from changes in actuarial assumptions	367,125	-
	285,335	97,922
Contributions to the fund	(290,000)	-
Balance at the end of the year	(10,528)	(12,707)

The estimated contributions to be made in 2020, by the Group and by the employees, for the Defined Benefit Plan amount to Euros 12,128,000 and Euros 7,925,000, respectively.

In accordance with IAS 19, during 2019 and 2018, the Group accounted cost/(income) with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2019	2018
Current service cost	(15,372)	(15,800)
Net interest cost in the liability coverage balance	4,524	3,030
Cost with early retirement programs	18,375	19,303
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(683)	(380)
(Income) / Cost of the year	6,844	6,153

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

Board of Directors Plan

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

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

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

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised as at 31 December 2019 a provision of Euros 3,733,000 (31 December 2018: Euros 3,733,000).

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2019	2018
Salary growth rate	0.75%	0,25% until 2019 0,75% after 2019
Pensions growth rate	0.50%	0% until 2019 0,5% after 2019
Discount rate / Projected Fund's rate of return	1.4%	2.1%
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 4 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1%	1%

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2019 it is 66 years and 5 months (2018: 66 years and 4 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 was determined on 31 December 2016, based on an analysis performed over the market yield regarding a bond issues universe – with 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. As at 31 December 2019, the Group used a discount rate of 1.4% (31 December 2018: 2.1%) to measure its liability for defined benefit pension plans of its employees and managers.

As at 31 December 2019 and 2018, 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			
	2019		2018	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		99,969		43,549
Changes on the assumptions:				
Discount rate		367,125		-
Deviation between expected income and income from funds	8.13%	(181,759)	0.18%	54,372
		285,335		97,921

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			
	2019		2018	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	146,426	(137,734)	125,693	(121,218)
Pension's increase rate	(154,939)	164,454	(132,092)	141,376
Salary growth rate	(36,297)	45,536	(26,101)	43,592

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2019		2018	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	125,716	(125,224)	97,169	(103,574)

(*) 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 2019 and 2018, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) the previous year BCP's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. The Group accounted as staff costs in 2019, the amount of Euros 183,000 (2018: Euros 81,000) related to this contribution.

51. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 61 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, namely under Article no. 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 40.

A) Balances and transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2019	2018
Assets		
Financial assets at amortised cost		
Loans and advances to customers	99,564	100,700
Debt instruments	159,160	150,614
Financial assets at fair value through profit or loss		
Financial assets held for trading	5,525	6,102
Financial assets at fair value through other comprehensive income	108,361	32,968
Others	53	53
	372,663	290,437
Liabilities		
Resources from customers	121,570	162,665
	121,570	162,665

Loans and advances to customers are net of impairment in the amount of Euros 210,000 (31 December 2018: Euro 650,000).

During 2019 and 2018, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2019	2018
Income		
Interest and similar income	12,547	10,858
Commissions	5,447	6,834
	17,994	17,692
Costs		
Interest and similar expenses	8	116
Commissions	175	124
	183	240

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2019	2018
Guarantees granted	99,792	100,329
Revocable credit lines	49,750	56,670
Irrevocable credit lines	150,000	150,121
	299,542	307,120

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	2	7	7,892	5,915
Executive Committee	107	114	631	868
Closely related people	277	301	419	322
Controlled entities	-	-	30	30
Key management members				
Key management members	6,066	6,155	8,744	6,133
Closely related people	933	629	3,272	2,353
Controlled entities	12	17	1,801	1,818
	7,397	7,223	22,789	17,439

In accordance with Article 85, no. 9, of RGICSF, in the year of 2019 no credits were attributed.

During 2019 and 2018, the transactions with related parties discriminated in the following table, included in income items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions' income	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	-	-	21	16
Executive Committee	-	-	14	12
Closely related people	-	-	5	5
Key management members				
Key management members	43	43	37	46
Closely related people	10	9	35	28
Controlled entities	-	-	8	9
	53	52	120	116

During 2019 and 2018, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	172	71	1	2
Key management members				
Key management members	19	26	1	2
Closely related people	2	3	1	1
Controlled entities	1	1	2	2
	194	101	5	7

The revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines		Irrevocable credit lines	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	39	22	-	-
Executive Committee	157	70	-	-
Closely related people	37	39	-	-
Key management members				
Key management members	748	429	-	50
Closely related people	176	163	-	24
Controlled entities	20	14	-	-
	1,177	737	-	74

The fixed remuneration and social charges paid to members of the Board of Directors and key management members are analysed as follows:

(Thousands of euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2019	2018	2019	2018	2019	2018
Fixed remuneration	3,055	3,720	1,859	1,215	6,675	6,406
Variable remuneration	479	-	-	-	1,019	-
Supplementary retirement pension	611	5,658	84	-	-	-
Post-employment benefits	3	(5)	-	-	(123)	(120)
Other mandatory social security charges	711	895	430	291	1,652	1,582
	4,859	10,268	2,373	1,506	9,223	7,868

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 2019, the amount of remuneration paid to the Executive Committee includes Euros 94,000 (2018: Euros 85,000) 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 55,000 (2018: Euros 85,000).

In 2019, the Bank distributed variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employes, approved for 2018, as described in accounting policies 1 S4) and 1 S5).

In 2019, the Executive Committee's variable remuneration incorporates shares in the amount of Euros 210,000. It was also assigned to the Executive Committee a variable remuneration deferred over a 3-year period in the amount of Euros 268,000 and 1,042,295 shares. During 2018 no variable remuneration was paid to the Executive Committee's.

As approved in the General Shareholders' Meeting of May 2018, the balance "Supplementary retirement pension" includes, in 2018, the amount of Euros 4,920,000 relative to the payment of a single and extraordinary contribution of BCP to the pension funds of the Executive Directors in functions between 2015/2017.

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

(Thousands of euros)

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

As described in accounting policies 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 a variable remuneration deferred over a 3-year period in the amount of Euros 542,000. During 2018 no variable remuneration was paid to key management members.

During 2019, variable remunerations were paid to 46 key management members and were provided severance payments to three key management members in the amount of Euros 1,077,000, of which the highest amounts to Euros 657,000. During 2018, no severance payments were provided to key management members.

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 2019, are as follows:

Shareholders/Bondholders	Security	Number of securities at 31/12/2019	31/12/2018	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	231,676	32,695	198981.0 *		25-Oct-19	0.202
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500				
	Bonds (a)	1	0	1.0		26-Feb-19	200000
José Manuel Elias da Costa	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	175,707	1,748	173959.0 *		25-Oct-19	0.202
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	169,450	*** 96,240	73210.0 *		25-Oct-19	0.202
Miguel de Campos Pereira de Bragança	BCP Shares	564,949	365,968	198981.0 *		25-Oct-19	0.202
Miguel Maya Dias Pinheiro	BCP Shares	581,117	361,408	219709.0 *		25-Oct-19	0.202
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	1,025,388				
	Bonds (a)	2	0	2.0		31-Jan-19	200000
Rui Manuel da Silva Teixeira (3)	BCP Shares	212,043	36,336	175707.0 *		25-Oct-19	0.202
Teófilo César Ferreira da Fonseca (4)	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	5,000	2,000	3000.0		31-Jan-19	0.193
Alexandre Manuel Casimiro de Almeida	BCP Shares	0	121,440		121440.0	14-May-19	0.252
Américo João Pinto Carola (5)	BCP Shares	503	503				
Ana Isabel dos Santos de Pina Cabral (6)	BCP Shares	39,040	39,040				
Ana Maria Jordão F. Torres Marques Tavares (7)	BCP Shares	82,635	82,635				
André Cardoso Meneses Navarro	BCP Shares	267,888	267,888				
António Augusto Amaral de Medeiros	BCP Shares	0	42,656		42656.0	17-Apr-19	0.251
António José Lindeiro Cordeiro	BCP Shares	0	0				
António Luís Duarte Bandeira (8)	BCP Shares	113,000	113,000				
Artur Frederico Silva Luna Pais	BCP Shares	328,795	328,795				
Belmira Abreu Cabral	BCP Shares	0	0				
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	0	0				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	0	0				
Francisco António Caspa Monteiro (9)	BCP Shares	29,354	29,354				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	48	48				
Helene Xin Xia	BCP Shares	0	0				
Hugo Miguel Martins Resende	BCP Shares	11,984	11,984				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	500	500				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	1,600	1,600				
Jorge Manuel Machado de Sousa Góis	BCP Shares	0	0				
Jorge Manuel Nobre Carreteiro	BCP Shares	9,468	9,468				
José Carlos Benito Garcia de Oliveira	BCP Shares	0	0				
José Gonçalo Prior Regalado (10)	BCP Shares	0	0				

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".
(a) - Tejo Project - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

Shareholders/Bondholders	Security	Number of securities at 31/12/2019	Number of securities at 31/12/2018	Acquisitions	Disposals	Date	Unit Price Euros
José Guilherme Potier Raposo Pulido Valente	BCP Shares	138,719	138,719				
Luis Miguel Manso Correia dos Santos	BCP Shares	21,328	21,328				
Maria de Los Angeles Sanchez Sanchez (13)	BCP Shares	0	0				
Maria Helena Soledade Nunes Henriques	BCP Shares	170,974	170,974				
Maria Manuela de Araújo Mesquita Reis (10)	BCP Shares	106,656	106,656				
Maria Rita Sítima Fonseca Lourenço	BCP Shares	42,385	42,385				
Mário António Pinho Gaspar Neves	BCP Shares	30,000	30,000				
Mário Madeira Robalo Fernandes	BCP Shares	0	0				
Nelson Luís Vieira Teixeira	BCP Shares	285	285				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	1,800	1,800				
Nuno Miguel Nobre Botelho	BCP Shares	0	0				
Pedro José Mora de Paiva Beija	BCP Shares	0	0				
Pedro Manuel Francisco da Silva Dias (12)	BCP Shares	0	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	0	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	14,816	14,816				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	0	0				
Ricardo Potes Valadares	BCP Shares	10,613	10,613				
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	8,204	8,204				
Rui Emanuel Agapito Silva	BCP Shares	0	0				
Rui Fernando da Silva Teixeira	BCP Shares	91,297	91,297				
Rui Manuel Pereira Pedro	BCP Shares	149,328	149,328				
Rui Miguel Alves Costa	BCP Shares	162,881	162,881				
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	0	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	0	0				
PEOPLE CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184				
Álvaro Manuel Coreia Marques Tavares (7)	BCP Shares	25,118	25,118				
Américo Simões Regalado (11)	BCP Shares	880	880				
Ana Isabel Salgueiro Antunes (5)	BCP Shares	29	29				
Ana Margarida Rebelo A.M. Soares Bandeira (8)	BCP Shares	2,976	2,976				
António da Silva Bandeira (8)	BCP Shares	20,000	20,000				
Filomena Maria Brito Francisco Dias (12)	BCP Shares	4,290	4,290				
Francisco Jordão Torres Marques Tavares (7)	BCP Shares	1,016	1,016				
Guilherme Sanchez Oliveira Lima (13)	BCP Shares	300	0	300.0		17-Oct-19	0.187
José Francisco Conceição Monteiro (9)	BCP Shares	18,002	18,002				
José Manuel de Vasconcelos Mendes Ferreira (5)	BCP Shares	1,616	1,616				
Luís Filipe da Silva Reis (10)	BCP Shares	280,000	280,000				
Maria Avelina V C L J Teixeira Diniz (7)	BCP Shares	16,770	16,770				
Maria Eugénia Pinto Tavares da Fonseca (4)	BCP Shares	37	37				
Maria Helena Espassandim Catão (3)	BCP Shares	576	576				
Ricardo Gil Monteiro Lopes de Campos (2) **	BCP Shares	169,450	96,240 ***				
Ricardo Miranda Monteiro (9)	BCP Shares	1,639	1,639				
Rita Miranda Monteiro (9)	BCP Shares	1,639	1,639				

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 of shares occurred in 2019 corresponding to variable remuneration of 2018.
(**) person in the category "People closely related to the previous categories" is equally a "Key management member".
(***) position held in which the primary account holder is part of "People closely related to the previous categories" or "Key management member".

C) Balances and transactions with associated companies

The balances with associated companies included in the consolidated balance sheet items, except for investments in associated companies, are as follows:

(Thousands of euros)

	2019	2018
Assets		
Loans and advances to credit institutions repayable on demand	597	5
Financial assets at amortised cost		
Loans and advances to credit institutions	250,621	293,553
Loans and advances to customers	68,062	65,577
Debt instruments	-	950
Financial assets at fair value through profit or loss		
Financial assets held for trading	101,391	107,843
Other assets	13,997	14,579
	434,668	482,507
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	120,999	189,106
Resources from customers	617,256	541,422
Non subordinated debt securities issued	45,622	132,911
Subordinated debt	355,297	474,873
Financial liabilities held for trading	18,448	27,275
Financial liabilities designated at fair value through profit or loss	31,070	31,995
Other liabilities	22	3
	1,188,714	1,397,585

As at 31 December 2019, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 142,601,002 BCP shares (31 December 2018: 142,601,002 shares) in the amount of Euros 28,891,000 (31 December 2018: Euros 32,727,000).

During 2019 and 2018, the transactions with associated companies included in the consolidated income statement items are as follows:

(Thousands of euros)

	2019	2018
Income		
Interest and similar income	13,425	14,438
Commissions	57,265	58,026
Profits from financial operations	10,363	-
Other operating income	870	1,378
	81,923	73,842
Costs		
Interest and similar expenses	41,771	47,830
Commissions	22	38
Other operating losses	1,242	95
Losses from financial operations	13,411	-
Other administrative costs	1,136	862
	57,582	48,825

The guarantees granted and revocable credit lines by the Group over associated companies are as follows:

(Thousands of euros)

	2019	2018
Guarantees granted	7,982	21,325
Revocable credit lines	3,951	9,862
Irrevocable credit lines	600	14,011
Other revocable commitments	4,907	4,906
	17,439	50,104

Under the scope of the Group's insurance mediation activities, the remuneration from services provided is analysed as follows:

(Thousands of euros)

	2019	2018
Life insurance		
Saving products	35,783	33,715
Mortgage and consumer loans	20,122	19,158
Others	31	24
	55,936	52,897
Non-Life insurance		
Accidents and health	18,758	17,298
Motor	3,959	3,705
Multi-Risk Housing	6,712	6,433
Others	1,315	1,197
	30,744	28,633
	86,680	81,530

Remuneration from insurance intermediation services was received through bank transfers and resulted from insurance intermediation with the subsidiaries of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, SA. The Group does not collect insurance premiums on behalf of Insurance Companies nor performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported related to the activity of insurance mediation exercised by the Group, other than those already disclosed.

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

(Thousands of euros)

	2019	2018
Funds receivable for payment of life insurance commissions	13,877	14,545
Funds receivable for payment of non-life insurance commissions	7,729	7,292
	21,606	21,837

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

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

D) Transactions with the Pension Fund

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

(Thousands of euros)

	2019	2018
Assets		
Other assets	-	58
Liabilities		
Resources from customers	31,391	279,851
Financial liabilities measured at amortised cost		
Non subordinated debt securities issued	14,426	14,306
Subordinated debt	-	34
	45,817	294,191

During 2019, the Pension Fund holds Perpetual subordinated debt securities (Adt1) in the amount of Euros 1,575,000, issued by Banco Comercial Português, S.A. During 2019 and 2018, there were no transactions related to other financial instruments between the Group and the Pension Fund.

During 2019 and 2018, income and expenses with the Pension Fund included in the items of the consolidated income statement are as follows:

(Thousands of euros)

	2019	2018
Income		
Commissions	836	564
Expenses		
Interest expense and similar charges	306	89
Other administrative costs	14,274	15,028
	14,580	15,117

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

As at 31 December 2019, the amount of guarantees granted by the Group to the Pension Fund amounts to Euros 5,000 (31 December 2018: Euros 5,000).

52. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies, Corporate & Investment Banking; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target "Mass Market" customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;
- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate and Investment Banking segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment;
- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;
- Trade Finance Department (from Treasury and Markets International Division), which coordinates the business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);
- Interfundos with the activity of management of real estate investment funds.

The Private Banking segment, for the purposes of geographical segments, comprises the Private Banking network in Portugal and the provision of advisory services and the asset management activity provided by the Wealth Management Division. For the purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:
- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;
- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and
- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment). The Other segment also includes the contribution of the associate in Angola.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which, in this context, are considered in Private Banking segment.

Business segments activity

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit and Portuguese subsidiaries were re-calculated, considering the replacement of the equity book values by the amounts assigned through the allocation process, based on the regulatory solvency criteria.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 31 December 2019 and 31 December 2018 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. In this case, the allocation is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 December 2019. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 31 December 2019, the net contribution of the major business segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	501,354	1,033,548	1,534,902	328,785	27,867	99,891	1,991,445
Interest expense and similar charges	(26,135)	(284,166)	(310,301)	(53,738)	(7,855)	(71,023)	(442,917)
Net interest income	475,219	749,382	1,224,601	275,047	20,012	28,868	1,548,528
Commissions and other income	426,328	285,123	711,451	162,345	57,555	16,997	948,348
Commissions and other costs	(43,919)	(163,886)	(207,805)	(26,920)	(7,526)	(134,450)	(376,701)
Net commissions and other income (2)	382,409	121,237	503,646	135,425	50,029	(117,453)	571,647
Net gains arising from trading activity (3)	16,798	88,247	105,045	396	3,998	33,874	143,313
Share of profit of associates under the equity method	-	2,518	2,518	-	-	40,471	42,989
Gains / (losses) arising from the sale of subsidiaries and other assets	-	4,335	4,335	-	9	27,563	31,907
Net operating revenue	874,426	965,719	1,840,145	410,868	74,048	13,323	2,338,384
Operating expenses	488,002	468,816	956,818	126,073	46,513	40,068	1,169,472
Impairment for credit and financial assets (4)	(25,237)	(111,122)	(136,359)	(270,784)	1,602	17,413	(388,128)
Other impairments and provisions (5)	(8)	(59,458)	(59,466)	15	-	(94,067)	(153,518)
Net income / (loss) before income tax	361,179	326,323	687,502	14,026	29,137	(103,399)	627,266
Income tax	(111,661)	(92,690)	(204,351)	(3,452)	(7,711)	(23,764)	(239,278)
Income / (loss) after income tax from continuing operations	249,518	233,633	483,151	10,574	21,426	(127,163)	387,988
Income / (loss) arising from discontinued operations	-	-	-	-	-	13,412	13,412
Net income / (loss) for the year	249,518	233,633	483,151	10,574	21,426	(113,751)	401,400
Non-controlling interests	-	(99,756)	(99,756)	-	-	359	(99,397)
Net income / (loss) for the year attributable to Bank's Shareholders	249,518	133,877	383,395	10,574	21,426	(113,392)	302,003

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2019, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

BALANCE SHEET							
Cash and Loans and advances to credit institutions	9,488,042	1,425,056	10,913,098	1,678,262	2,706,079	(8,917,036)	6,380,403
Loans and advances to customers (1)	22,028,660	17,065,043	39,093,703	11,971,158	645,486	564,358	52,274,705
Financial assets (2)	384,926	6,220,579	6,605,505	-	5,389	9,725,291	16,336,185
Other assets	197,446	778,715	976,161	49,208	25,060	5,601,686	6,652,115
Total Assets	32,099,074	25,489,393	57,588,467	13,698,628	3,382,014	6,974,299	81,643,408
Resources from other credit institutions (3)	616,186	443,268	1,059,454	4,413,047	512	893,945	6,366,958
Resources from customers (4)	28,855,517	20,842,418	49,697,935	7,882,707	2,793,225	473,273	60,847,140
Debt securities issued (5)	1,399,948	278,290	1,678,238	1,797	94,973	1,300,890	3,075,898
Other financial liabilities (6)	-	546,892	546,892	-	67	1,604,603	2,151,562
Other liabilities (7)	46,786	688,540	735,326	67,409	18,811	999,050	1,820,596
Total Liabilities	30,918,437	22,799,408	53,717,845	12,364,960	2,907,588	5,271,761	74,262,154
Equity and non-controlling interests	1,180,637	2,689,985	3,870,622	1,333,668	474,426	1,702,538	7,381,254
Total Liabilities, Equity and Non-controlling interests	32,099,074	25,489,393	57,588,467	13,698,628	3,382,014	6,974,299	81,643,408
Number of employees	4,635	11,295	15,930	597	230	1,828	18,585
Public subsidies received	-	-	-	-	-	-	-

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.
(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income, assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) Foreign Business segment considers 8,615 employees from Poland corresponding to 8,464 FTE - Full-time equivalent.

As at 31 December 2018, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business [1]	Total				
INCOME STATEMENT							
Interest and similar income	460,036	886,236	1,346,272	343,043	30,273	170,151	1,889,739
Interest expense and similar charges	(38,012)	(276,786)	(314,798)	(62,663)	(8,528)	(80,119)	(466,108)
Net interest income	422,024	609,450	1,031,474	280,380	21,745	90,032	1,423,631
Commissions and other income	411,761	255,775	667,536	171,552	56,691	5,282	901,061
Commissions and other costs	(41,145)	(137,664)	(178,809)	(27,574)	(7,233)	(130,191)	(343,807)
Net commissions and other income [2]	370,616	118,111	488,727	143,978	49,458	(124,909)	557,254
Net gains arising from trading activity [3]	16,079	62,487	78,566	436	4,207	(4,661)	78,548
Share of profit of associates under the equity method	-	34,060	34,060	-	-	55,115	89,175
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	10,774	10,773	12	-	27,131	37,916
Net operating revenue	808,718	834,882	1,643,600	424,806	75,410	42,708	2,186,524
Operating expenses	467,085	361,500	828,585	127,328	41,912	29,388	1,027,213
Impairment for credit and financial assets [4]	(11,976)	(75,538)	(87,514)	(453,636)	329	76,445	(464,376)
Other impairments and provisions [5]	(9)	(14,680)	(14,689)	(8)	1	(122,030)	(136,726)
Net income / (loss) before income tax	329,648	383,164	712,812	(156,166)	33,828	(32,265)	558,209
Income tax	(102,261)	(85,421)	(187,682)	50,036	(8,592)	8,221	(138,017)
Income / (loss) after income tax from continuing operations	227,387	297,743	525,130	(106,130)	25,236	(24,044)	420,192
Income arising from discontinued operations	-	-	-	-	-	(1,318)	(1,318)
Net income / (loss) for the year	227,387	297,743	525,130	(106,130)	25,236	(25,362)	418,874
Non-controlling interests	-	(122,366)	(122,366)	-	-	4,557	(117,809)
Net income / (loss) for the year attributable to Bank's Shareholders	227,387	175,377	402,764	(106,130)	25,236	(20,805)	301,065

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2018, the net contribution of the major operational segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

BALANCE SHEET							
Cash and Loans and advances to credit institutions	8,676,928	1,280,716	9,957,644	218,221	2,513,580	(8,718,866)	3,970,579
Loans and advances to customers [1]	21,257,724	12,977,414	34,235,138	13,092,522	573,712	221,924	48,123,296
Financial assets [2]	20,838	6,148,434	6,169,272	-	1,481	10,976,994	17,147,747
Other assets	187,135	596,699	783,834	49,580	15,569	5,832,444	6,681,427
Total Assets	30,142,625	21,003,263	51,145,888	13,360,323	3,104,342	8,312,496	75,923,049
Resources from other credit institutions [3]	913,040	483,416	1,396,456	4,310,909	1,640	2,043,791	7,752,796
Resources from customers [4]	27,168,263	16,988,098	44,156,361	7,883,217	2,577,072	631,586	55,248,236
Debt securities issued [5]	1,018,395	188,446	1,206,841	769	54,691	1,443,884	2,706,185
Other financial liabilities [6]	-	304,002	304,002	-	1,428	1,271,583	1,577,013
Other liabilities [7]	38,566	514,180	552,746	60,772	10,559	1,050,836	1,674,913
Total Liabilities	29,138,264	18,478,142	47,616,406	12,255,667	2,645,390	6,441,680	68,959,143
Equity and non-controlling interests	1,004,361	2,525,121	3,529,482	1,104,656	458,950	1,870,818	6,963,906
Total Liabilities, Equity and Non-controlling interests	30,142,625	21,003,263	51,145,888	13,360,323	3,104,340	8,312,498	75,923,049
Number of employees	4,637	8,889	13,526	725	226	1,590	16,067
Public subsidies received	-	-	-	-	-	-	-

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.
(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates);
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) Foreign Business segment considers 6,270 employees from Poland corresponding to 6,132 FTE - Full-time equivalent.

As at 31 December 2019, the net contribution of the major geographic segments, for the income statement and balance sheet, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	501,354	328,785	18,093	99,891	948,123	785,688	247,860	9,774	1,991,445
Interest expense and similar charges	(26,135)	(53,738)	(7,695)	(71,023)	(158,591)	(218,355)	(65,465)	(506)	(442,917)
Net interest income	475,219	275,047	10,398	28,868	789,532	567,333	182,395	9,268	1,548,528
Commissions and other income	426,328	162,345	26,936	16,997	632,606	226,526	58,597	30,619	948,348
Commissions and other costs	(43,919)	(26,920)	(1,928)	(134,450)	(207,217)	(148,993)	(14,893)	(5,598)	(376,701)
Net commissions and other income [2]	382,409	135,425	25,008	(117,453)	425,389	77,533	43,704	25,021	571,647
Net gains arising from trading activity [3]	16,798	396	395	33,874	51,463	73,382	14,865	3,603	143,313
Share of profit of associates under the equity method	-	-	-	40,471	40,471	-	-	2,518	42,989
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	27,563	27,563	(2,082)	6,417	9	31,907
Net operating revenue	874,426	410,868	35,801	13,323	1,334,418	716,166	247,381	40,419	2,338,384
Operating expenses	488,002	126,073	20,154	40,068	674,297	369,753	97,817	27,605	1,169,472
Impairment for credit and financial assets [4]	(25,237)	(270,784)	1,563	17,413	(277,045)	(93,542)	(19,999)	2,458	(388,128)
Other impairments and provisions [5]	(8)	15	-	(94,067)	(94,060)	(58,397)	(1,062)	1	(153,518)
Net income / (loss) before income tax	361,179	14,026	17,210	(103,399)	289,016	194,474	128,503	15,273	627,266
Income tax	(111,661)	(3,452)	(5,421)	(23,764)	(144,298)	(63,931)	(28,094)	(2,955)	(239,278)
Income / (loss) after income tax from continuing operations	249,518	10,574	11,789	(127,163)	144,718	130,543	100,409	12,318	387,988
Income / (loss) arising from discontinued operations	-	-	-	13,412	13,412	-	-	-	13,412
Net income / (loss) for the year	249,518	10,574	11,789	(113,751)	158,130	130,543	100,409	12,318	401,400
Non-controlling interests	-	-	-	359	359	(65,141)	(34,067)	(548)	(99,397)
Net income / (loss) for the year attributable to Bank's Shareholders	249,518	10,574	11,789	(113,392)	158,489	65,402	66,342	11,770	302,003

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2019, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

BALANCE SHEET									
Cash and Loans and advances to credit institutions	9,488,042	1,678,262	2,075,021	(8,917,036)	4,324,289	724,030	701,026	631,058	6,380,403
Loans and advances to customers [1]	22,028,660	11,971,158	273,602	564,358	34,837,778	16,432,968	632,075	371,884	52,274,705
Financial assets [2]	384,926	-	-	9,725,291	10,110,217	5,436,994	783,585	5,389	16,336,185
Other assets	197,446	49,208	13,234	5,601,686	5,861,574	468,044	217,627	104,870	6,652,115
Total Assets	32,099,074	13,698,628	2,361,857	6,974,299	55,133,858	23,062,036	2,334,313	1,113,201	81,643,408
Resources from other credit institutions [3]	616,186	4,413,047	-	893,945	5,923,178	392,671	12,192	38,917	6,366,958
Resources from customers [4]	28,855,517	7,882,707	2,193,470	473,273	39,404,967	19,157,713	1,684,705	599,755	60,847,140
Debt securities issued [5]	1,399,948	1,797	94,973	1,300,890	2,797,608	278,290	-	-	3,075,898
Other financial liabilities [6]	-	-	-	1,604,603	1,604,603	546,892	-	67	2,151,562
Other liabilities [7]	46,786	67,409	1,060	999,050	1,114,305	583,474	105,066	17,751	1,820,596
Total Liabilities	30,918,437	12,364,960	2,289,503	5,271,761	50,844,661	20,959,040	1,801,963	656,490	74,262,154
Equity and non-controlling interests	1,180,637	1,333,668	72,354	1,702,538	4,289,197	2,102,996	532,350	456,711	7,381,254
Total Liabilities, Equity and Non-controlling interests	32,099,074	13,698,628	2,361,857	6,974,299	55,133,858	23,062,036	2,334,313	1,113,201	81,643,408
Number of employees	4,635	597	144	1,828	7,204	8,615	2,680	86	18,585
Public subsidies received	-	-	-	-	-	-	-	-	-

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.
(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income , assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) In Poland, the number of employees presented corresponds to 8,464 FTE - Full-time equivalent.

As at 31 December 2018, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	460,036	343,043	17,732	170,151	990,962	600,899	285,337	12,541	1,889,739
Interest expense and similar charges	(38,012)	(62,663)	(6,486)	(80,119)	(187,280)	(174,610)	(101,829)	(2,389)	(466,108)
Net interest income	422,024	280,380	11,246	90,032	803,682	426,289	183,508	10,152	1,423,631
Commissions and other income	411,761	171,552	27,674	5,282	616,269	200,753	55,022	29,017	901,061
Commissions and other costs	(41,145)	(27,574)	(1,584)	(130,191)	(200,494)	(123,173)	(14,490)	(5,650)	(343,807)
Net commissions and other income [2]	370,616	143,978	26,090	(124,909)	415,775	77,580	40,532	23,367	557,254
Net gains arising from trading activity [3]	16,079	436	418	(4,661)	12,272	52,980	9,506	3,790	78,548
Share of profit of associates under the equity method	-	-	-	55,115	55,115	-	-	34,060	89,175
Gains / (losses) arising from the sale of subsidiaries and other assets	(1)	12	-	27,131	27,142	2,692	8,082	-	37,916
Net operating revenue	808,718	424,806	37,754	42,708	1,313,986	559,541	241,628	71,369	2,186,524
Operating expenses	467,085	127,328	17,405	29,388	641,206	270,149	91,350	24,508	1,027,213
Impairment for credit and financial assets [4]	(11,976)	(453,636)	82	76,445	(389,085)	(45,959)	(34,140)	4,808	(464,376)
Other impairments and provisions [5]	(9)	(8)	-	(122,030)	(122,047)	(3,112)	1,055	(12,622)	(136,726)
Net income / (loss) before income tax	329,648	(156,166)	20,431	(32,265)	161,648	240,321	117,193	39,047	558,209
Income tax	(102,261)	50,036	(6,436)	8,221	(50,440)	(61,910)	(22,160)	(3,507)	(138,017)
Income / (loss) after income tax from continuing operations	227,387	(106,130)	13,995	(24,044)	111,208	178,411	95,033	35,540	420,192
Income arising from discontinued operations	-	-	-	(1,318)	(1,318)	-	-	-	(1,318)
Net income / (loss) for the year	227,387	(106,130)	13,995	(25,362)	109,890	178,411	95,033	35,540	418,874
Non-controlling interests	-	-	-	4,557	4,557	(89,027)	(32,307)	(1,032)	(117,809)
Net income / (loss) for the year attributable to Bank's Shareholders	227,387	(106,130)	13,995	(20,805)	114,447	89,384	62,726	34,508	301,065

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.
(2) Includes net fees and commissions income, other operating income / (loss), net gains from insurance activity and dividends from equity instruments.
(3) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.
(4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).
(5) Includes impairment of non current assets held for sale, investments in associated companies, goodwill, other assets and provisions.

As at 31 December 2018, the net contribution of the major geographic segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	8,676,928	218,221	1,869,029	(8,718,866)	2,045,312	740,447	540,268	644,552	3,970,579
Loans and advances to customers [1]	21,257,724	13,092,522	231,839	221,924	34,804,009	12,268,269	711,562	339,456	48,123,296
Financial assets [2]	20,838	-	-	10,976,994	10,997,832	5,448,454	699,980	1,481	17,147,747
Other assets	187,135	49,580	12,163	5,832,444	6,081,322	268,046	186,692	145,367	6,681,427
Total Assets	30,142,625	13,360,323	2,113,031	8,312,496	53,928,475	18,725,216	2,138,502	1,130,856	75,923,049
Resources from other credit institutions [3]	913,040	4,310,909	-	2,043,791	7,267,740	428,274	13,203	43,579	7,752,796
Resources from customers [4]	27,168,263	7,883,217	1,998,106	631,586	37,681,172	15,417,499	1,570,599	578,966	55,248,236
Debt securities issued [5]	1,018,395	769	54,691	1,443,884	2,517,739	188,446	-	-	2,706,185
Other financial liabilities [6]	-	-	-	1,271,583	1,271,583	304,002	-	1,428	1,577,013
Other liabilities [7]	38,566	60,772	1,018	1,050,836	1,151,192	435,594	78,586	9,541	1,674,913
Total Liabilities	29,138,264	12,255,667	2,053,815	6,441,680	49,889,426	16,773,815	1,662,388	633,514	68,959,143
Equity and non-controlling interests	1,004,361	1,104,656	59,216	1,870,817	4,039,050	1,951,400	476,114	497,342	6,963,906
Total Liabilities, Equity and Non-controlling interests	30,142,625	13,360,323	2,113,031	8,312,497	53,928,476	18,725,215	2,138,502	1,130,856	75,923,049
Number of employees	4,637	725	143	1,590	7,095	6,270	2,619	83	16,067
Public subsidies received	-	-	-	-	-	-	-	-	-

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.
(2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income (net of impairment), assets with repurchase agreement and hedging derivatives.
(3) Includes resources and other financing from central banks and resources from other credit institutions.
(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).
(5) Includes non subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).
(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.
(7) Includes provisions, current and deferred tax liabilities and other liabilities.
(8) In Poland, the number of employees presented corresponds to 6,132 FTE - Full-time equivalent.

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	2019	2018
Net contribution		
Retail banking in Portugal	249,518	227,387
Companies, Corporate and Investment banking	10,574	(106,130)
Private Banking	11,789	13,995
Foreign business (continuing operations)	243,270	308,984
Non-controlling interests (1)	(99,756)	(122,366)
	415,395	321,870
Amounts not allocated to segments		
Net interest income of the bond portfolio	(1,615)	30,531
Foreign exchange activity	8,576	22,222
Gains / (losses) arising from sales of subsidiaries and other assets	27,563	27,130
Equity accounted earnings	40,471	55,115
Impairment and other provisions (2)	(76,654)	(45,586)
Operational costs (3)	(40,068)	(29,388)
Gains on sale of Portuguese public debt	69,444	14,889
Mandatory contributions	(66,627)	(66,471)
Loans sale	(28,897)	(49,343)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(28,806)	(11,130)
Taxes (5)	(23,764)	8,221
Income from discontinued operations	13,412	(1,318)
Non-controlling interests	359	4,557
Others (6)	(6,786)	19,766
Total not allocated to segments	(113,392)	(20,805)
Consolidated net income	302,003	301,065

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, and in Mozambique.
(2) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.
(3) Corresponds to revenues/costs related restructuring costs.
(4) Includes gains/(losses) from corporate restructuring funds.
(5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.
(6) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments, net commissions and other operating income / expenses and other income from financial operations.

53. Solvency

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

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1 (AT1).

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. 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 additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value as well as the irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund , are also deducted.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and minority interests related to minimum level 1 additional capital requirements, of institutions that are not totally owned by the Group.

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

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

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

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2019, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2019 Minimum Capital Requirements

BCP		of which:			Fully	of which:		
Consolidated	Phased-in	Pilar 1	Pilar 2	*Buffers*	implemented	Pilar 1	Pilar 2	*Buffers*
CET1	9.63%	4.50%	2.25%	2.88%	10.00%	4.50%	2.25%	3.25%
T1	11.13%	6.00%	2.25%	2.88%	11.50%	6.00%	2.25%	3.25%
Total	13.13%	8.00%	2.25%	2.88%	13.50%	8.00%	2.25%	3.25%

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

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

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

(Thousands of euros)

	2019	2018
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	(102)	(74)
Reserves and retained earnings	926,877	1,006,048
Minority interests eligible to CET1	711,470	493,796
Regulatory adjustments to CET1	(871,226)	(1,194,083)
	5,508,490	5,047,158
Tier 1		
Capital Instruments	400,000	1,169
Minority interests eligible to AT1	103,949	72,740
	6,012,439	5,121,067
Tier 2		
Subordinated debt	821,704	477,675
Minority interests eligible to CET1	260,886	148,108
Other	(58,800)	(58,800)
	1,023,790	566,983
Total own funds	7,036,229	5,688,050
RWA - Risk weighted assets		
Credit risk	39,558,388	36,974,641
Market risk	1,301,134	1,125,845
Operational risk	4,058,072	3,631,244
CVA	113,884	151,302
	45,031,478	41,883,032
Capital ratios		
CET1	12.2%	12.1%
Tier 1	13.4%	12.2%
Tier 2	2.3%	1.4%
	15.6%	13.6%

The 2018 and 2019 amounts include the accumulated net income.

54. Risk Management

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

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

Main types ok risk

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

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

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

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

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

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

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

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

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

Internal organisation

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

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

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

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

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

Risk assessment

Credit Risk

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

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

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

(Thousands of euros)

Risk items	2019	2018
Central Governments or Central Banks	15,734,930	15,231,511
Regional Governments or Local Authorities	818,986	806,871
Administrative and non-profit Organisations	301,479	144,656
Multilateral Development Banks	41,422	19,139
Other Credit Institutions	3,155,805	2,738,662
Retail and Corporate customers	66,252,288	60,735,561
Other items (*)	9,863,160	10,072,372
	96,168,070	89,748,772

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

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

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

a) Collaterals and Guarantees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the remaining real estate (land or 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 2019 and 2018 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) 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 2019, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1 C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

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

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 45.

(Thousands of euros)

	2019				
	Impairment losses				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	161	207	-	-	368
Loans and advances to customers (note 21)	94,766	190,878	2,117,756	13,622	2,417,022
Debt instruments (note 22)	4,669	382	9,480	-	14,531
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	-	-	-	-	-
Guarantees and other commitments (note 38)	10,329	6,330	99,899	2	116,560
Total	109,925	197,797	2,227,135	13,624	2,548,481

(Thousands of euros)

	2019				
	Net exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	890,196	2,799	-	-	892,995
Loans and advances to customers (note 21)	40,769,344	7,029,606	1,940,360	108,519	49,847,829
Debt instruments (note 22)	3,111,674	74,133	69	-	3,185,876
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	13,179,281	-	1,177	-	13,180,458
Guarantees and other commitments (notes 38 and 45)	12,011,967	1,787,301	383,195	121	14,182,584
Total	69,962,462	8,893,839	2,324,801	108,640	81,289,742

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

As at 31 December 2018, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments as accounting policy 1 C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2018				
	Gross Exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	880,560	10,657	669	-	891,886
Loans and advances to customers (note 21)	35,658,333	7,235,837	5,518,658	4	48,412,832
Debt instruments (note 22)	3,080,409	264,307	72,007	-	3,416,723
Debt instruments at fair value					
through other comprehensive income (note 23) (*)	13,797,971	-	4,887	-	13,802,858
Guarantees and other commitments (note 45)	10,702,195	1,491,003	640,274	-	12,833,472
Total	64,119,468	9,001,804	6,236,495	4	79,357,771

(Thousands of euros)

	2018				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	410	774	669	-	1,853
Loans and advances to customers (note 21)	94,542	183,932	2,573,432	-	2,851,906
Debt instruments (note 22)	4,542	507	36,660	-	41,709
Guarantees and other commitments (note 38)	10,632	6,615	170,463	-	187,710
Total	110,126	191,828	2,781,224	-	3,083,178

(Thousands of euros)

	2018				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 20)	880,150	9,883	-	-	890,033
Loans and advances to customers (note 21)	35,563,791	7,051,905	2,945,226	4	45,560,926
Debt instruments (note 22)	3,075,867	263,800	35,347	-	3,375,014
Debt instruments at fair value					
through other comprehensive income (note 23)	13,797,971	-	4,887	-	13,802,858
Guarantees and other commitments (notes 38 and 45)	10,691,563	1,484,388	469,811	-	12,645,762
Total	64,009,342	8,809,976	3,455,271	4	76,274,593

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

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	2019	2018
Financial assets held for trading (note 23)		
Debt instruments	255,313	220,047
Derivatives	763,611	696,943
Financial assets designated at fair value through profit or loss - Debt instruments (note 23)	31,496	33,034
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 23)	1,037,480	1,108,605
Hedging derivatives (note 24)	87,677	185,525
Total	2,087,900	2,058,629

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

(Thousands of euros)

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

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

(Thousands of euros)

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

During 2018, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	2018				
	Financial assets at amortised cost - Loans and advances to customers (gross)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January	34,511,663	7,177,992	6,960,474	-	48,650,129
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,805,394)	1,805,394	-	-	-
Transfer from Stage 1 to Stage 3	(161,037)	-	161,037	-	-
Transfer from Stage 2 to Stage 1	1,359,489	(1,359,489)	-	-	-
Transfer from Stage 2 to Stage 3	-	(481,014)	481,014	-	-
Transfer from Stage 3 to Stage 1	40,611	-	(40,611)	-	-
Transfer from Stage 3 to Stage 2	-	325,303	(325,303)	-	-
Write-offs	(8,218)	(32,515)	(635,807)	-	(676,540)
Net balance of new financial assets and derecognised financial assets and other changes	1,721,219	(199,834)	(1,082,146)	4	439,243
Gross amount at the end of the year	35,658,333	7,235,837	5,518,658	4	48,412,832

During 2018, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

	2018				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January 2018	112,344	244,708	3,165,613	-	3,522,665
Change in impairment losses:					
Transfer to Stage 1	39,995	(34,753)	(5,242)	-	-
Transfer to Stage 2	(8,140)	52,265	(44,125)	-	-
Transfer to Stage 3	(4,487)	(32,534)	37,021	-	-
Changes occurred due to changes in credit risk	(48,233)	(2,782)	393,564	-	342,549
Write-offs	(8,218)	(32,515)	(635,807)	-	(676,540)
Changes due to new financial assets and derecognised					-
financial assets and other variations	11,281	(10,457)	(337,592)	-	(336,768)
Impairment losses at the end of the year	94,542	183,932	2,573,432	-	2,851,906

The modified financial assets that do not result in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

Financial assets modified	**2019**	**2018**
Amortised cost before changes	669,892	547,969
Impairment losses before changes	(270,074)	(171,010)
Net amortised cost before changes	399,818	376,959
Net gain / loss arising on changes	(8,979)	(13,348)
Net amortised cost after changes	390,839	363,611

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 f

(Thousands of euros)

Financial assets changed	2019	2018
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	-	67,709

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

(Thousands of euros)

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

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

(Thousands of euros)

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

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

(Thousands of euros)

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

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

(Thousands of euros)

	2019							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	27,229,156	9,199,924	3,325,337	24,978	3,593,623	43,373,018	96,281	43,276,737
stage 2	1,156,108	1,649,110	2,999,799	498,649	615,424	6,919,090	184,280	6,734,810
stage 3	1,054	3,425	66,159	3,757,614	75,746	3,903,998	2,048,079	1,855,919
POCI	434	536	456	112,054	8,662	122,142	13,622	108,520
	28,386,752	10,852,995	6,391,751	4,393,295	4,293,455	54,318,248	2,342,262	51,975,986
Debt instruments at fair value through other comprehensive income (*)								
stage 1	12,732,509	88,792	184	-	276,641	13,098,126	-	13,098,126
stage 2	-	-	-	-	-	-	-	-
stage 3	-	-	-	-	-	-	-	-
	12,732,509	88,792	184	-	276,641	13,098,126	-	13,098,126
Guarantees and other commitments								
stage 1	7,431,539	2,938,347	940,101	235	482,333	11,792,555	9,321	11,783,234
stage 2	206,446	342,793	640,031	65,466	453,912	1,708,648	6,047	1,702,601
stage 3	9	9	18,415	457,458	1,596	477,487	99,279	378,208
	7,637,994	3,281,149	1,598,547	523,159	937,841	13,978,690	114,647	13,864,043
Total	48,757,255	14,222,936	7,990,482	4,916,454	5,507,937	81,395,064	2,456,909	78,938,155

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

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

As at 31 December 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2018									
		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	19,749,462	2,536,079	197,808	46,836	2,780,723	429,851	551,741	981,592	-	23,511,777
Individuals-Other	5,552,362	714,557	102,982	32,516	850,055	267,829	371,734	639,563	4	7,041,984
Financial Companies	2,968,123	363,896	-	-	363,896	283,266	372,289	655,555	-	3,987,574
Non-financial comp. - Corporate	7,633,705	1,230,536	6,688	202	1,237,426	599,083	637,974	1,237,057	-	10,108,188
Non-financial comp.- SME-Corporate	9,015,943	2,041,249	25,862	3,241	2,070,352	1,088,217	622,686	1,710,903	-	12,797,198
Non-financial comp. -SME-Retail	3,381,566	1,151,099	64,964	6,624	1,222,687	558,034	357,637	915,671	-	5,519,924
Non-financial comp.-Other	282,342	173,104	351	143	173,598	31,802	58,226	90,028	-	545,968
Other loans	1,737,994	302,936	43	88	303,067	11	1,228	1,239	-	2,042,300
Total	50,321,497	8,513,456	398,698	89,650	9,001,804	3,258,093	2,973,515	6,231,608	4	65,554,913
Impairment										
Individuals-Mortgage	6,527	10,629	7,063	2,865	20,557	32,951	103,478	136,429	-	163,513
Individuals-Other	28,974	16,796	10,419	5,249	32,464	109,544	216,385	325,929	-	387,367
Financial Companies	2,266	7,318	-	-	7,318	187,600	280,991	468,591	-	478,175
Non-financial comp. - Corporate	23,010	33,240	109	5	33,354	346,914	378,883	725,797	-	782,161
Non-financial comp.- SME-Corporate	37,788	53,270	1,829	1,250	56,349	347,670	362,971	710,641	-	804,778
Non-financial comp. -SME-Retail	8,906	29,055	2,047	760	31,862	216,571	165,252	381,823	-	422,591
Non-financial comp.-Other	775	3,716	11	13	3,740	17,295	13,479	30,774	-	35,289
Other loans	1,880	6,184	-	-	6,184	11	1,229	1,240	-	9,304
Total	110,126	160,208	21,478	10,142	191,828	1,258,556	1,522,668	2,781,224	-	3,083,178
Net exposure										
Individuals-Mortgage	19,742,935	2,525,450	190,745	43,971	2,760,166	396,900	448,263	845,163	-	23,348,264
Individuals-Other	5,523,388	697,761	92,563	27,267	817,591	158,285	155,349	313,634	4	6,654,617
Financial Companies	2,965,857	356,578	-	-	356,578	95,666	91,298	186,964	-	3,509,399
Non-financial comp. - Corporate	7,610,695	1,197,296	6,579	197	1,204,072	252,169	259,091	511,260	-	9,326,027
Non-financial comp.- SME-Corporate	8,978,155	1,987,979	24,033	1,991	2,014,003	740,547	259,715	1,000,262	-	11,992,420
Non-financial comp. -SME-Retail	3,372,660	1,122,044	62,917	5,864	1,190,825	341,463	192,385	533,848	-	5,097,333
Non-financial comp.-Other	281,567	169,388	340	130	169,858	14,507	44,747	59,254	-	510,679
Other loans	1,736,114	296,752	43	88	296,883	-	(1)	(1)	-	2,032,996
Total	50,211,371	8,353,248	377,220	79,508	8,809,976	1,999,537	1,450,847	3,450,384	4	62,471,735
% of impairment coverage										
Individuals-Mortgage	0.03%	0.42%	3.57%	6.12%	0.74%	7.67%	18.75%	13.90%	0.00%	0.70%
Individuals-Other	0.52%	2.35%	10.12%	16.14%	3.82%	40.90%	58.21%	50.96%	0.00%	5.50%
Financial Companies	0.08%	2.01%	7.10%	21.98%	2.01%	66.23%	75.48%	71.48%	0.00%	11.99%
Non-financial comp. - Corporate	0.30%	2.70%	1.63%	2.67%	2.70%	57.91%	59.39%	58.67%	0.00%	7.74%
Non-financial comp.- SME-Corporate	0.42%	2.61%	7.07%	38.58%	2.72%	31.95%	58.29%	41.54%	0.00%	6.29%
Non-financial comp. -SME-Retail	0.26%	2.52%	3.15%	11.47%	2.61%	38.81%	46.21%	41.70%	0.00%	7.66%
Non-financial comp.-Other	0.27%	2.15%	3.17%	8.86%	2.15%	54.38%	23.15%	34.18%	0.00%	6.46%
Other loans	0.11%	2.04%	1.04%	0.22%	2.04%	100.00%	99.92%	99.92%	0.00%	0.46%
Total	0.22%	1.88%	5.39%	11.31%	2.13%	38.63%	51.21%	44.63%	0.00%	4.70%

As at 31 December 2018, 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)

	2018									
		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	25,301,824	3,250,636	300,790	79,352	3,630,778	697,680	923,475	1,621,155	4	30,553,761
Non-financial comp.- Trade	4,247,942	642,117	14,849	2,904	659,870	230,067	157,920	387,987	-	5,295,799
Non-financial comp.- Construction	1,574,944	525,725	7,678	2,245	535,648	705,122	457,206	1,162,328	-	3,272,920
Non finan. comp.- Manufacturing indust.	4,474,126	903,046	16,952	1,291	921,289	146,016	169,215	315,231	-	5,710,646
Non-financial comp.-Other activities	1,349,242	320,945	2,313	502	323,760	212,992	18,897	231,889	-	1,904,891
Non-financial comp.- Other services	8,667,302	2,204,155	56,073	3,268	2,263,496	982,939	873,285	1,856,224	-	12,787,022
Other Services /Other activities	4,706,117	666,832	43	88	666,963	283,277	373,517	656,794	-	6,029,874
Total	50,321,497	8,513,456	398,698	89,650	9,001,804	3,258,093	2,973,515	6,231,608	4	65,554,913
Impairment										
Loans to individuals	35,501	27,425	17,482	8,114	53,021	142,495	319,863	462,358	-	550,880
Non-financial comp.- Trade	14,814	16,075	783	902	17,760	92,613	92,945	185,558	-	218,132
Non-financial comp.- Construction	6,299	5,719	1,099	550	7,368	265,322	263,502	528,824	-	542,491
Non-financial comp.- Manufacturing indus	17,935	18,086	1,039	132	19,257	52,154	88,621	140,775	-	177,967
Non-financial comp.-Other activities	2,407	10,089	75	70	10,234	90,586	8,189	98,775	-	111,416
Non-financial comp.- Other services	29,024	69,312	1,000	374	70,686	427,775	467,328	895,103	-	994,813
Other Services /Other activities	4,146	13,502	-	-	13,502	187,611	282,220	469,831	-	487,479
Total	110,126	160,208	21,478	10,142	191,828	1,258,556	1,522,668	2,781,224	-	3,083,178
Net exposure										
Loans to individuals	25,266,323	3,223,211	283,308	71,238	3,577,757	555,185	603,612	1,158,797	4	30,002,881
Non-financial comp.- Trade	4,233,128	626,042	14,066	2,002	642,110	137,454	64,975	202,429	-	5,077,667
Non-financial comp.- Construction	1,568,645	520,006	6,579	1,695	528,280	439,800	193,704	633,504	-	2,730,429
Non finan. comp.- Manufacturing indust.	4,456,191	884,960	15,913	1,159	902,032	93,862	80,594	174,456	-	5,532,679
Non-financial comp.-Other activities	1,346,835	310,856	2,238	432	313,526	122,406	10,708	133,114	-	1,793,475
Non-financial comp.- Other services	8,638,278	2,134,843	55,073	2,894	2,192,810	555,164	405,957	961,121	-	11,792,209
Other Services /Other activities	4,701,971	653,330	43	88	653,461	95,666	91,297	186,963	-	5,542,395
Total	50,211,371	8,353,248	377,220	79,508	8,809,976	1,999,537	1,450,847	3,450,384	4	62,471,735
% of impairment coverage										
Loans to individuals	0.14%	0.84%	5.81%	10.23%	1.46%	20.42%	34.64%	28.52%	0.00%	1.80%
Non-financial comp.- Trade	0.35%	2.50%	5.28%	31.06%	2.69%	40.25%	58.86%	47.83%	0.00%	4.12%
Non-financial comp.- Construction	0.40%	1.09%	14.31%	24.49%	1.38%	37.63%	57.63%	45.50%	0.00%	16.58%
Non finan. comp.- Manufacturing indust.	0.40%	2.00%	6.13%	10.20%	2.09%	35.72%	52.37%	44.66%	0.00%	3.12%
Non-financial comp.-Other activities	0.18%	3.14%	3.25%	13.99%	3.16%	42.53%	43.34%	42.60%	0.00%	5.85%
Non-financial comp.- Other services	0.33%	3.14%	1.78%	11.46%	3.12%	43.52%	53.51%	48.22%	0.00%	7.78%
Other Services /Other activities	0.09%	2.02%	1.04%	0.32%	2.02%	66.23%	75.56%	71.53%	0.00%	8.08%
Total	0.22%	1.88%	5.39%	11.31%	2.13%	38.63%	51.21%	44.63%	0.00%	4.70%

As at 31 December 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2018									
		Stage 2				Stage 3				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	35,135,414	7,451,625	241,597	40,889	7,734,111	2,966,505	2,524,585	5,491,090	4	48,360,619
Poland	13,457,252	622,012	137,888	45,848	805,748	260,144	316,334	576,478	-	14,839,478
Mozambique	1,250,611	439,819	19,213	2,913	461,945	27,866	132,596	160,462	-	1,873,018
Switzerland	478,220	-	-	-	-	3,578	-	3,578	-	481,798
Total	50,321,497	8,513,456	398,698	89,650	9,001,804	3,258,093	2,973,515	6,231,608	4	65,554,913
Impairment										
Portugal	31,379	124,608	5,442	1,429	131,479	1,126,917	1,272,926	2,399,843	-	2,562,701
Poland	67,895	24,838	12,879	7,398	45,115	108,280	200,123	308,403	-	421,413
Mozambique	10,094	10,762	3,157	1,315	15,234	20,652	49,619	70,271	-	95,599
Switzerland	758	-	-	-	-	2,707	-	2,707	-	3,465
Total	110,126	160,208	21,478	10,142	191,828	1,258,556	1,522,668	2,781,224	-	3,083,178
Net exposure										
Portugal	35,104,035	7,327,017	236,155	39,460	7,602,632	1,839,588	1,251,659	3,091,247	4	45,797,918
Poland	13,389,357	597,174	125,009	38,450	760,633	151,864	116,211	268,075	-	14,418,065
Mozambique	1,240,517	429,057	16,056	1,598	446,711	7,214	82,977	90,191	-	1,777,419
Switzerland	477,462	-	-	-	-	871	-	871	-	478,333
Total	50,211,371	8,353,248	377,220	79,508	8,809,976	1,999,537	1,450,847	3,450,384	4	62,471,735
% of impairment coverage										
Portugal	0.09%	1.67%	2.25%	3.49%	1.70%	37.99%	50.42%	43.70%	0.00%	5.30%
Poland	0.50%	3.99%	9.34%	16.14%	5.60%	41.62%	63.26%	53.50%	0.00%	2.84%
Mozambique	0.81%	2.45%	16.43%	45.16%	3.30%	74.11%	37.42%	43.79%	0.00%	5.10%
Switzerland	0.16%	0.00%	0.00%	0.00%	0.00%	75.66%	0.00%	75.66%	0.00%	0.72%
Total	0.22%	1.88%	5.39%	11.31%	2.13%	38.63%	51.21%	44.63%	0.00%	4.70%

As at 31 December 2018, the gross exposure, by type of financial instrument, internal rating (attributed in Portugal and in Poland) and stage, is analysed as follows:

(Thousands of euros)

	2018							
	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	25,159,396	8,953,561	2,853,215	35	1,181,364	38,147,571	90,088	38,057,483
stage 2	1,205,609	1,583,594	3,037,028	474,487	774,553	7,075,271	170,144	6,905,127
stage 3	2,549	10,477	96,250	5,246,346	73,159	5,428,781	2,538,296	2,890,485
POCI	-	-	-	-	4	4	-	4
	26,367,554	10,547,632	5,986,493	5,720,868	2,029,080	50,651,627	2,798,528	47,853,099
Debt instruments at fair value through other comprehensive income (*)								
stage 1	13,708,187	83,940	-	-	5,843	13,797,970	-	13,797,970
stage 3	-	-	-	-	4,887	4,887	-	4,887
	13,708,187	83,940	-	-	10,730	13,802,857	-	13,802,857
Guarantees and other commitments								
stage 1	6,664,521	2,619,025	759,108	24	402,415	10,445,093	9,186	10,435,907
stage 2	205,729	304,644	609,108	49,856	295,250	1,464,587	6,451	1,458,136
stage 3	60	5	25,145	609,961	3,617	638,788	169,948	468,840
	6,870,310	2,923,674	1,393,361	659,841	701,282	12,548,468	185,585	12,362,883
Total	46,946,051	13,555,246	7,379,854	6,380,709	2,741,092	77,002,952	2,984,113	74,018,839

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

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

As at 31 December 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

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

(Thousands of euros)

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

(Thousands of euros)

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

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 31 December 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, by sector of activity and by geography, are presented in the following tables:

(Thousands of euros)

	2018					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	32,543	23,479,234	23,511,777	12,377	151,136	163,513
Individuals-Other	158,089	6,883,895	7,041,984	63,796	323,571	387,367
Financial Companies	639,580	3,347,994	3,987,574	465,963	12,212	478,175
Non-financial comp. - Corporate	1,220,815	8,887,373	10,108,188	720,016	62,145	782,161
Non-financial comp.- SME-Corporate	1,343,991	11,453,207	12,797,198	603,860	200,918	804,778
Non-financial comp. -SME-Retail	670,617	4,849,307	5,519,924	297,013	125,578	422,591
Non-financial comp.-Other	84,175	461,793	545,968	28,034	7,255	35,289
Other loans	1,238	2,041,062	2,042,300	1,238	8,066	9,304
Total	4,151,048	61,403,865	65,554,913	2,192,297	890,881	3,083,178

(Thousands of euros)

	2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	190,631	30,363,130	30,553,761	76,174	474,706	550,880
Non-financial comp.- Trade	258,813	5,036,986	5,295,799	141,116	77,016	218,132
Non-financial comp.- Construction	985,308	2,287,612	3,272,920	471,588	70,903	542,491
Non finan. comp.- Manufacturing indust.	199,963	5,510,683	5,710,646	105,874	72,093	177,967
Non-financial comp.-Other activities	201,314	1,703,577	1,904,891	90,656	20,760	111,416
Non-financial comp.- Other services	1,674,201	11,112,821	12,787,022	839,687	155,126	994,813
Other Services /Other activities	640,818	5,389,056	6,029,874	467,202	20,277	487,479
Total	4,151,048	61,403,865	65,554,913	2,192,297	890,881	3,083,178

(Thousands of euros)

	2018					
	Gross Exposure			Impairment losses		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	3,833,290	44,527,329	48,360,619	2,046,861	515,840	2,562,701
Poland	172,336	14,667,142	14,839,478	87,960	333,453	421,413
Mozambique	141,844	1,731,174	1,873,018	54,769	40,830	95,599
Switzerland	3,578	478,220	481,798	2,707	758	3,465
Total	4,151,048	61,403,865	65,554,913	2,192,297	890,881	3,083,178

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 31 December 2019, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

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

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

As at 31 December 2018, 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):

	2018					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2008 and previous						
Number of operations	17,356	27,714	322,834	611,393	478	979,775
Value (Euros '000)	1,084,845	3,584,254	13,454,506	1,034,717	50,947	19,209,269
Impairment constituted (Euros '000)	168,452	163,012	135,942	26,295	771	494,472
2009						
Number of operations	2,077	3,273	18,789	73,636	64	97,839
Value (Euros '000)	237,103	685,307	903,711	114,823	7,638	1,948,582
Impairment constituted (Euros '000)	23,915	14,271	7,467	4,585	176	50,414
2010						
Number of operations	2,001	4,058	20,615	106,117	64	132,855
Value (Euros '000)	183,439	488,464	1,014,984	192,961	9,896	1,889,744
Impairment constituted (Euros '000)	19,436	15,042	6,723	3,872	594	45,667
2011						
Number of operations	1,960	5,450	13,584	122,165	43	143,202
Value (Euros '000)	98,288	464,657	618,493	193,887	11,437	1,386,762
Impairment constituted (Euros '000)	13,435	14,889	4,167	5,624	568	38,683
2012						
Number of operations	1,861	5,812	11,104	132,350	259	151,386
Value (Euros '000)	108,842	514,859	457,504	182,500	17,890	1,281,595
Impairment constituted (Euros '000)	9,720	90,442	6,146	7,281	338	113,927
2013						
Number of operations	2,833	8,494	11,479	167,727	116	190,649
Value (Euros '000)	139,013	966,916	514,301	230,884	144,862	1,995,976
Impairment constituted (Euros '000)	21,422	54,113	7,606	14,703	17,363	115,207
2014						
Number of operations	3,216	13,391	8,545	212,415	224	237,791
Value (Euros '000)	181,713	1,074,423	436,849	313,691	220,795	2,227,471
Impairment constituted (Euros '000)	9,084	43,856	6,413	24,582	819	84,754
2015						
Number of operations	4,850	20,901	9,886	292,179	448	328,264
Value (Euros '000)	265,538	1,782,911	586,031	517,277	224,327	3,376,084
Impairment constituted (Euros '000)	32,095	145,900	4,230	41,267	7,020	230,512
2016						
Number of operations	5,389	27,322	13,692	289,145	382	335,930
Value (Euros '000)	416,921	2,528,360	858,463	693,072	206,116	4,702,932
Impairment constituted (Euros '000)	31,960	119,846	4,202	37,250	4,137	197,395
2017						
Number of operations	6,189	31,197	25,233	306,462	440	369,521
Value (Euros '000)	696,026	3,046,700	1,834,789	877,639	262,900	6,718,054
Impairment constituted (Euros '000)	45,668	92,627	5,114	31,016	6,008	180,433
2018						
Number of operations	14,010	132,610	32,879	634,048	4,017	817,564
Value (Euros '000)	1,942,173	8,159,206	2,723,382	1,933,972	803,583	15,562,316
Impairment constituted (Euros '000)	29,250	143,454	4,332	31,428	17,731	226,195
Total						
Number of operations	61,742	280,222	488,640	2,947,637	6,535	3,784,776
Value (Euros '000)	5,353,901	23,296,057	23,403,013	6,285,423	1,960,391	60,298,785
Impairment constituted (Euros '000)	404,437	897,452	192,342	227,903	55,525	1,777,659

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

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

As at 31 December 2018, 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:

	2018					
	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	7,509	8,674	10,699	67,843	412,381	471
Value (Euros '000)	926,993	221,851	1,531,245	1,583,305	45,077,642	24,357
>= 0.5 M€ and < 1 M€						
Number	638	57	1,314	293	2,450	5
Value (Euros '000)	432,714	36,504	915,079	205,129	1,586,158	2,876
>= 1 M€ and < 5 M€						
Number	436	56	1,055	224	372	2
Value (Euros '000)	875,232	99,842	2,081,256	425,434	561,752	2,916
>= 5 M€ and < 10 M€						
Number	68	3	118	24	4	-
Value (Euros '000)	479,873	19,280	803,674	162,992	24,124	-
>= 10 M€ and < 20 M€						
Number	32	4	59	17	-	-
Value (Euros '000)	430,715	58,495	791,756	255,092	-	-
>= 20 M€ and < 50 M€						
Number	26	-	27	3	-	-
Value (Euros '000)	757,027	-	802,373	86,423	-	-
>= 50 M€						
Number	3	-	8	2	-	-
Value (Euros '000)	176,677	-	669,380	688,193	-	-
Total						
Number	8,712	8,794	13,280	68,406	415,207	478
Value (Euros '000)	4,079,231	435,972	7,594,763	3,406,568	47,249,676	30,149

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

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

(Thousands of euros)

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

As at 31 December 2018, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	31 December 2018				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,919,046	714,764	537,137	234,797
<60%	9,267	397,422	217,356	90,602	31,083
>=60% and <80%	4,269	490,779	82,968	109,921	23,882
>=80% and <100%	2,132	162,694	54,044	96,652	29,928
>=100%	15,197	263,815	151,302	819,524	428,196
Companies - Other Activities					
Without associated collateral	n.a.	14,681,508	2,224,191	1,597,121	1,045,994
<60%	47,980	1,374,701	447,465	233,219	80,416
>=60% and <80%	16,575	902,710	244,641	151,310	51,077
>=80% and <100%	13,894	709,089	202,621	143,773	70,388
>=100%	8,657	1,115,491	357,817	723,141	487,563
Mortgage loans					
Without associated collateral	n.a.	231,962	5,098	10,469	7,999
<60%	272,952	8,057,885	952,664	201,100	30,362
>=60% and <80%	145,013	7,210,271	1,031,242	236,650	29,324
>=80% and <100%	67,132	3,286,948	616,158	251,569	29,570
>=100%	28,216	1,343,396	219,650	375,142	115,204

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

(Thousands of euros)

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

As at 31 December 2018, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 26), by type of asset:

(Thousands of euros)

	2018					
	Assets arising from recovered loans results (note 26)		Assets belong to investments funds and real estate companies (note 26)		Total	
Asset	Appraised value	Book value	Appraised value	Book value	Appraised value	Book value
Land						
Urban	623,010	477,795	267,943	267,943	890,953	745,738
Rural	33,188	26,466	32,760	32,760	65,948	59,226
Buildings in development						
Commercials	28,401	23,348	34,754	34,754	63,155	58,102
Mortgage loans	55,406	44,107	-	-	55,406	44,107
Other	61	61	-	-	61	61
Constructed buildings						
Commercials	394,885	307,941	23,692	23,692	418,577	331,633
Mortgage loans	499,889	417,164	6,994	6,994	506,883	424,158
Other	6,123	6,050	2,851	2,851	8,974	8,901
Other assets	4,081	4,050	-	-	4,081	4,050
	1,645,044	1,306,982	368,994	368,994	2,014,038	1,675,976

Credit concentration risk

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

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

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

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

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

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

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

The limits in force as at 31 December 2019, for the exposure to Sovereigns, Institutions, Single-name and geographical (for a given Customer/Group of Customers in the second and third cases) are the following, in terms of the Net Exposure weight over the Consolidated Own Funds:

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

Risk quality	Risk grade	*Single-name*
High quality	1 - 5	7.0%
Average/good quality	6 - 7	4.5%
Average low/quality	8 - 9	3.0%
Low quality	10 - 11	0.7%
Restricted credit	12 - 13	0.3%

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

(**) NPE = Non-performing exposures

As at 31 December 2019:

- There were no exposure excesses to Sovereigns, Institutions or countries;
- There were 3 Economic Groups with net exposure above the established Single-name limits for their respective risk grade, the same number as by the end of 2018. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

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

In what concerns the limit for exposure to sectors of activity, in force on 31 December 2019, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. As of 31 December 2019, there was no excess over this limit.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks, which are assessed by measuring the weights of the net exposure values in question in terms of the consolidated Own Funds level. For such measurements, the Risk Office uses a database on credit exposures (the Risk Office Datamart), monthly updated by the Group's systems, which also feeds a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, used by the Credit Division within the scope of credit analysis for large clients.

Market risk

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

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

- Trading - Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;

Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;

- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

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

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

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

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

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

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

The table below presents the amounts at risk for the Trading Book, between 31 December 2019 and 31 December 2018, measured by the methodologies referred to above:

(Thousands of euros)

	December 2019	Max of global risk in the period	Min of global risk in the period	December 2018
Generic Risk (VaR)	2,094	5,490	884	3,039
Interest Rate Risk	1,876	5,596	714	3,125
FX Risk	1,170	306	415	363
Equity Risk	81	32	7	34
Diversification effects	*(1,033)*	*(444)*	*(252)*	*(483)*
Specific Risk	3	15	10	47
Non-Linear Risk	-	-	-	-
Commodities Risk	5	2	3	5
Global Risk	2,102	5,507	897	3,091

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

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

Interest rate risk

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

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

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

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

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

(Thousands of euros)

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

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

(Thousands of euros)

				2,018
Currency	- 200 bp (*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	1,822	1,822	2,879	5,694
EUR	(20,095)	(24,812)	128,633	251,343
PLN	16,936	7,841	(7,100)	(13,523)
USD	(28,136)	(13,800)	13,280	26,077
	(29,473)	(28,949)	137,692	269,591

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

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

	Closing exchange rates (Balance sheet)		Average exchange rates (Income statement)	
Currency	2019	2018	2019	2018
AOA	541.2770	352.8610	412.0225	298.2603
BRL	4.5114	4.4377	4.3958	4.3064
CHF	1.0872	1.1267	1.1132	1.1518
MOP	9.0080	9.2211	9.0080	9.2211
MZN	70.0750	70.5000	69.9398	71.6463
PLN	4.2518	4.2966	4.2954	4.2635
USD	1.1225	1.1434	1.1201	1.1828

Foreign exchange and equity risk in the banking book

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

As at 31 December 2019, the Group's investments in convertible foreign currencies were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

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

As at 31 December 2019, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		2019			
		Net Investment	Hedging instruments	Net Investment	Hedging instruments
Company	Currency	Currency '000	Currency '000	Euros '000	Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	76,493	76,493	70,355	70,355
Bank Millennium, S.A.	PLN	2,570,017	2,570,017	604,454	604,454

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. These hedging relationships were considered effective during the first semester of 2019, as referred in the accounting policy 1 C4.

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

Liquidity risk

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

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

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

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

In 2019, net wholesale financing needs decreased by Euros 2,346,095,000 in consolidated terms, attributable to a decrease of Euro 2.739.569.000 in the Portuguese operation and an increase of Euros 393,474,000 in Bank Millennium, in this case mainly as a result of the acquisition of Euro Bank SA. In Portugal, the variation was due, by decreasing order of materiality, to the reductions in the commercial gap and investments in sovereign debt, cash flow from operations, sale of other assets and reduction of the corporate securities portfolio.

From a funding structure perspective, the reduction in the liquidity needs of the operation in Portugal was carried out through decreases in the resort to net funding from the ECB (Euros 2,368,613,000, to Euros 283,385,000) and money market instruments (Euros 1,249,982,000, split between interbank market and repos, in this case to a zero balance) against a reinforcement totaling Euros 850,000,000 of its medium-term component eligible for MREL, already foreseen in the Group Liquidity Plan for 2019. Thus, in January BCP placed an issue of Additional Tier 1 worth Euros 400,000,000 and returned to the market in September with a new issue of Euros 450,000,000 of subordinated debt securities eligible as Tier 2, with the operation placed on a very diverse set of European institutional investors. Bank Millennium, in turn, issued PLN 830,000,000 subordinated bonds to strengthen its financial structure in view of the acquisition of Euro Bank, also assuming long-term liabilities originating in that entity in the amount of PLN 878,000,000. The overall amount of debt placed on the market by the Group amounts to Euro Euros 2,590,681,000 at the end of 2019. The medium-long-term funding component was further strengthened by an increase of Euros 131,407,000 of the balance of loan agreements, to Euros 1,886,747,000, split between Bank Millennium (Euros 89,895,000) and BCP (Euros 41,512,000).

The value of collateralized borrowings with the ECB remained at Euros 4,000,000,000 euros, corresponding to the balance of targeted longer-term refinancing operations, called TLTRO, which will mature in 2020. Net debt with the ECB, which deducts from the value of the gross borrowings the liquidity deposited with the Bank of Portugal euros in excess of the minimum cash reserves, other liquidity denominated in euros and accrued interest to be received, reached the lowest value since the Bank borrows from the central bank at Euros 283,385,000, a reduction of Euros 2,368,613,000 over the previous year.

The evolution of the central bank's liquidity buffers held by the three main operations of the Group showed a favorable evolution throughout 2019, assuming in any case a very comfortable dimension in relation to total of customer deposits, an indicator internally used by the Group to assess the resilience of the liquidity buffer to a scenario of financial stress.

In Portugal, the joint evolution of liquidity held at the central bank and the portfolio of eligible assets with the ECB has substantially increased the Eurosystem's liquidity buffer by Euros 2,516,214,000, to Euros 16,776,747,000.

Although Bank Millennium's liquidity buffer with the Central Bank of Poland was reduced by Euros 1,169,465,000 at the end of May, to pay for the acquisition of Euro Bank SA, the balance at the end of 2019 was similar to that observed one year earlier (Euros 5,088,019,000).

Throughout 2019, BIM maintained a strong liquidity position, with the central bank buffer increasing at year end by Euros 79,058,000 vs. 2018, to a total of Euros 800,306,000.

On a consolidated basis and considering the implementation of the 2020 Liquidity Plan issuance plan, future refinancing needs will remain at low materiality levels over the next five years, exceeding Euros 1,000,000,000 just once, in 2022. Even in this case, it will involve the repayment of a Euros 1,000,000,000 issuance which pledged collateral will be free for discount with the ECB at maturity, thus meaning a minor loss of liquidity.

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

(Thousands of euros)

	2019	2018
European Central Bank	7,328,153	7,248,348
Other Central Banks	5,888,324	5,608,093
	13,216,477	12,856,441

As at 31 December 2019, the amount discounted with the European Central Bank amounts to Euros 4,000,000,000 (31 December 2018: Euros 4,000,000,000). On 31 December 2019 the amount discounted from the Bank of Mozambique was Euros 2,426,000 (Euros 1,275,000 as of 31 December 2018). There were no discounted amounts with other central banks. The amount of assets eligible for discount with the European Central Bank includes securities issued by the SPE from securitization operations whose assets have not been derecognised in the Group's consolidated view, so that the securities are not recognized in the securities portfolio.

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

(Thousands of euros)

	2019	2018
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	7,328,153	7,248,348
Outside the pool of ECB monetary policy	9,731,980	9,664,184
	17,060,133	16,912,532
Net borrowing at the ECB (ii)	283,385	2,651,998
Liquidity buffer (iii)	16,776,748	14,260,534

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
ii) Includes, as at 31 December 2019, the value of funding with ECB net of interest associated with negative financing rate applied to TLTRO (Euros 56,428,000) of deposits with the Bank of Portugal and other liquidity of the Eurosystem (Euros 4,039,694,000), plus the minimum cash reserves (Euros 379,507,000).
iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

Loans to deposits ratio

The BCP Group structurally improved its liquidity profile by recording as at 31 December 2019 a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 (current version) of 86% and as at 31 December 2018 this ratio was set at 87% (according to the current version of the Instruction as at 31 December 2019).

Liquidity coverage ratio

The Basel Committee published the definition of the Liquidity Coverage Ratio (LCR) in 2014, and the Delegated Act by the European Commission was adopted in early October 2015, which introduced, in relation to CRD IV / CRR, new metrics and calculation criteria implemented in the European Union. The adoption of the new framework defines a minimum requirement of 100% from1 January 2018. The LCR ratio of the BCP Group comfortably stood above the reglementary limit indicating 216% at the end of December 2019 (31 December 2018: 218%), supported by highly liquid asset portfolios of value compatible with prudent management of the Group's short-term liquidity.

Net stable funding ratio

The definition of the Net Stable Funding Ratio (NSFR) was approved by the Basel Committee in October 2014. The Group has a stable financing base, obtained by the high weight of customer deposits in the funding structure, collateralised financing, medium and long-term instruments and a strengthened regulatory capital structure, that allow to adequately support the stable financing requirements of the medium and long-term business model, including tangible and intangible assets, customers loans and the securities portfolio that partly serves the purpose of maintaining a highly liquid assets buffer to cover liquidity outflows in adverse situations. The NFSR stood at 135 % as at 31 December 2019 (which compares to 133% by 31 December 2018).

Encumbered and Unencumbered assets

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

(Thousands of euros)

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

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

(Thousands of euros)

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

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

(Thousands of euros)

	2019 [1]	
Sources of encumbrance	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	6,768,487	10,056,710

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

At the end of 2019, and according to the EBA methodology, the total encumbered assets represents 12% of the Group's total balance sheet assets. The encumbered Loans to customers represent 81%, while Debt securities represents 12%.

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

On 31 December 2019, the Other assets: Other, in the amount of Euros 7,520,436,000, although not encumbered, are mostly related to the Group's activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

On 31 December 2019, the Group has an Euros 12.5 billion BCP Covered Bond Programme ("BCP Programme") with Euros 8.2 billion of covered bonds outstanding. The BCP Programme is backed by a Euros 11.7 billion portfolio of residential mortgages, providing an overcollateralization ("OC") of 42.3% that is above the minimum of 14% currently required by rating agencies. The former BII covered bond programme finished on 28 March 2019.

The Portuguese covered bond legislation ensures covered bond holders the benefit of dual-recourse over the issuer, together with a special preferential claim over the respectively assigned residential mortgage portfolios, with precedence over any other creditors, covered bond law superseding the general bankruptcy regulation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, which include a maximum LTV of 80%, delinquency of no more than 90 days and first lien mortgages (or, if otherwise, all preceding liens being included in the cover pool) over properties located in the EU. Both the BCP Programme and the BII Programme documentation limit property location to Portugal.

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

(Thousands of euros)

	2019						
	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Assets							
Cash and deposits at Central Banks	5,166,551	-	-	-	-	-	5,166,551
Loans and advances to CI							
Repayable on demand	320,857	-	-	-	-	-	320,857
Other loans and advances (a)	-	875,286	8,077	10,000	-	-	893,363
Loans and advances to customers (a)	-	-	8,954,416	10,395,257	31,329,587	1,585,591	52,264,851
Other financial assets (b)	-	1,285,847	1,727,517	8,506,399	3,284,829	727,452	15,532,044
	5,487,408	2,161,133	10,690,010	18,911,656	34,614,416	2,313,043	74,177,666
Liabilities							
Resources from CI	-	836,401	4,163,310	1,062,395	304,852	-	6,366,958
Resources from costumers	37,083,367	11,734,834	9,693,643	554,915	60,246	-	59,127,005
Debt securities issued	-	23,213	153,995	1,232,885	184,631	-	1,594,724
Subordinated debt	-	52,722	103,604	299,322	1,100,023	22,035	1,577,706
	37,083,367	12,647,170	14,114,552	3,149,517	1,649,752	22,035	68,666,393

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

Operational Risk

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

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

The risk management system (SGR) – role of Risk Management (Risk Office) and Compliance (Compliance Office) – represents the 2nd Line of Defence and is 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 2019, the usual operational risk management activities continued to be carried out 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 mobilization 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. In order to strengthen mechanisms for more efficient control of operational risk, several initiatives were launched, of which we highlight:

- Integrated assessment of operational risks and conduct risks in the analysis and approval of new products and services;
- The strengthening of the monitoring of the risk of conflicts of interest and the evaluation and monitoring of service provision contracts under an outsourcing regime considered critical;
- Conducting a new IT Risk self-assessment exercise;
- Redesign of the operational risk self-assessment methodology, to include aspects and quantitative indicators monitored by internal controls on compliance and conduct risks;
- Reinforcement of the weight of operational risk indicators in the RAS metrics, namely in the monitoring of digital channels;
- Improvement of the rules for validating the quality of regulatory reports related to Operational Risk.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors (“negative pledge”). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group’s participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade of BCP.

Hedge accounting

As at 31 December 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		Change in
Type of hedging	Notional	Assets	Liabilities	fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,536,385	17,131	46,122	(106,219)
	4,536,385	17,131	46,122	(106,219)
Cash flows hedging				
Foreign exchange risk				
Currency swap	83,090	185	172	48
Currency and interest rate swap	3,005,625	8,853	98,300	4,019
Interest rate risk				
Interest rate swaps	11,883,933	18,972	77,272	(123,578)
	14,972,648	28,010	175,744	(119,511)
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	598,795	-	8,057	(6,303)
	598,795	-	8,057	(6,303)
Total	20,107,828	45,141	229,923	(232,033)

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

As at 31 December 2018, 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)

	2018			
	Hedging instruments			
		Book value		Change in
Type of hedging	Notional	Assets	Liabilities	fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	4,001,174	12,662	77,787	(32,377)
	4,001,174	12,662	77,787	(32,377)
Cash flows hedging				
Foreign exchange risk				
Currency and interest rate swap	3,516,676	28,051	87,700	5,068
Interest rate risk				
Interest rate swaps	12,725,086	81,677	7,604	107,337
	16,241,762	109,728	95,304	112,405
Hedging of net investments in foreign entities				
Foreign exchange risk				
Currency and interest rate swap	596,165	664	4,809	17,333
	596,165	664	4,809	17,333
Total	20,839,101	123,054	177,900	97,361

(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 hedged items:

(Thousands of euros)

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

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

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

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

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

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

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

(G) Financial liabilities at amortised cost - Subordinated debt

(H) Debt securities held not associated with credit operations

As at 31 December 2018, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	Balance sheet item	2018 Hedged items Book value Assets	Book value Liabilities	Cumulative value of the adjustments Assets	Cumulative value of the adjustments Liabilities	Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	462,400	-	5,306	-	444	n.a.	n.a.
	(C)	3,484,435	-	(65,176)	-	37,021	n.a.	n.a.
	(D)	-	260,000	-	2,797	(3,796)	n.a.	n.a.
	(E)	-	180,650	-	7,417	1,679	n.a.	n.a.
	(F)	-	2,517	-	11	20	n.a.	n.a.
	(G)	-	7,685	-	137	196	n.a.	n.a.
		3,946,835	450,852	(59,870)	10,362	35,564	n.a.	n.a.
Cash flows hedging								
Foreign exchange risk								
Currency and interest rate swap	(B)	3,577,938	-	-	-	(5,068)	(9,074)	(7,051)
Interest rate risk								
Interest rate swaps	(B)	12,214,683	-	-	-	(107,337)	63,219	50,648
		15,792,621	-	-	-	(112,405)	54,145	43,597
Hedging of net investments in foreign entities								
Foreign exchange risk								
Bank Millennium, S.A.		n.a.	n.a.	n.a.	n.a.	(17,333)	17,333	n.a.
Total		19,739,456	450,852	(59,870)	10,362	(94,174)	71,478	43,597

(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

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 31 December 2019 and 2018, is as follows:

(Thousands of euros)

	Cash flow hedge reserve 2019	Cash flow hedge reserve 2018	Exchange differences 2019	Exchange differences 2018
Balance as at 1 January	(16,126)	(26,514)	21,783	4,450
Amounts recognised in other comprehensive income:				
Hedging cash flows - foreign exchange risk				
Changes in fair value of currency swaps	4,067	4,951	-	-
Foreign exchange changes	(170)	746	-	-
Ineffectiveness of coverage recognised in results	4,514	4,691	-	-
Others	1,130	-	-	-
Hedging of net investments - foreign exchange risk				
Reclassified to the income statement	-	-	(6,303)	17,333
Balance at the end of the year	(6,585)	(16,126)	15,480	21,783

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

(Thousands of euros)

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

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2018:

(Thousands of euros)

	2018					
				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.	3,187		n.a.	n.a.
		n.a.	3,187		n.a.	n.a.
Cash flows hedging						
Foreign exchange risk						
Currency and interest rate swap	(D)	5,068	(4,636)		-	-
Interest rate risk						
Interest rate swaps	(D)	43	-	(E)	23,004	-
		5,111	(4,636)		23,004	-
Hedging of net investments in foreign entities						
Foreign exchange risk						
Currency and interest rate swap	(F)	17,333	-	-	-	-
		17,333	-		-	-
Total		22,444	(1,449)		23,004	-

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

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

(Thousands of euros)

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

The table below shows the detail of hedging instruments, as at 31 December 2018, by maturity:

(Thousands of euros)

	2018					
	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	-	24,500	3,976,674	4,001,174	12,662	77,787
Fixed interest rate (average)		3.44%	1.05%	1.07%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	52,367	205,511	12,467,208	12,725,086	81,677	7,604
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Foreign exchange rate and interest rate swap	336,794	570,475	2,609,407	3,516,676	28,051	87,700
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	58,059	76,034	462,072	596,165	664	4,809
Total derivatives traded by OTC Market:	447,220	876,520	19,515,361	20,839,101	123,054	177,900

55. Mozambique's sovereign debt

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

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

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

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

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique. Additionally, on June 3, 2019, the Constitutional Council of the Republic of Mozambique issued a Judgment, within the framework of a successive abstract review of constitutionality, declaring the nullity of the acts inherent to the loan contracted by the entity that originated this debt, and the respective sovereign guarantee granted by the Government in 2013. On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

As at 31 December 2019, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 354,999,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 150,976,000. BIM's contribution to consolidated net income for 2019, attributable to the shareholders of the Bank, amounts to Euros 66,343,000.

On this date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of Euros 702,375,000 and Financial assets at fair value through other comprehensive income in the gross amount of Euros 80,150,000.

As at 31 December 2019, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of Euros 327,948,000 (of which Euros 327,240,000 are denominated in metical and Euros 707,000 denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 162,604,000 denominated in USD and in the balance Guarantees granted and irrevocable commitments, an amount of Euros 62,053,000 (of which Euros 1,170,000 are denominated in euros, Euros 2,037,000 are denominated in metical, Euros 58,714,000 denominated in USD and Euros 133,000 denominated in Rands).

According to public information provided by IMF, there are credits granted in default to Mozambican companies, non-state, guaranteed by the Mozambican State. The ongoing dialogue between the Government of Mozambique, IMF and creditors has the objective of finding a solution to the debt guaranteed by the State of Mozambique that had not previously been disclosed to the IMF referred to above. Nevertheless, the Ministry of Economy and Finance of the Republic of Mozambique has presented in November 2018 new proposals regarding this matter, a solution has not yet been approved to change the current Group's expectations reflected in the financial statements as at 31 December 2019, regarding the capacity of the Government of Mozambique and public companies to repay their debts and the development of the activity of its subsidiary Banco Internacional de Moçambique (BIM).

56. Contingent liabilities and other commitments

In accordance with accounting policy 1.V3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority (PCA) initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ('BCP' or 'Bank') and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between credit institutions in the Portuguese banking 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.

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018 the PCA notified the Bank of its intention to refuse the application for confidential treatment of some of the information included in the Bank's defence, restating its arguments. The Bank submitted a non-confidential revised version of its reply but reaffirmed that it is not the Bank that must protect the confidential information of the co-defendants. On 25 January 2019, the PCA granted the Bank a 10-business day period to provide summaries for the co-defendants' confidential information. On 4 February 2019, the Bank filed an appeal before the Competition Court and, on 11 February 2019, submitted a reply to the PCA (although restated its opposition to the PCA's request).

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. The admission of the appeal and the decision on its respective effect are expected.

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 abusiveness of agreements' clauses determined by the court, during abstract control, 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 4.87 million).

The decision of the President of UOKIK is not final. Bank Millennium filed an appeal within the statutory time limit for not agreeing with this decision.

On 7 January 2020, the court of first instance dismissed Bank Millennium's appeal in its entirety. 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 intends to make to the court of second instance.

The verdict issued on 7 January 2020 is not final. Bank Millennium will appeal to the court of second instance. According to current estimates of the risk of losing the 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 recognizes anti-competitive practices through an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards. On 29 December 2009, it was imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.87 million). The case is currently pending. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. 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 122.75 million), with statutory interest from 5 April 2016 until the day of payment.

According to the plaintiff, the basis of the claim is damage caused to their 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 case brought by EFWP-B, the plaintiff set the claim in the amount of PLN 250 million (Euros 58.80 million). The petition was dismissed on 5 September 2016, with legal validity by the Appeal Court. Bank Millennium is requesting complete dismissal of the lawsuit, stating disagreement with the charges raised in the claim. Supporting the position of Bank Millennium, Bank Millennium's attorney submitted a binding copy of the final verdict of Wrocław Court of Appeal, which was favourable to Bank Millennium, issued in the same legal state of the action brought by PCZ S.A. against Bank Millennium.

Currently, the court is conducting evidence proceedings.

4. On 19 January 2018, Bank Millennium received a lawsuit petition by First Data Polska S.A., requesting the payment of PLN 186.8 million (Euros 43.93 million). First Data Polska S.A. claims a portion of an amount that Bank Millennium received for the sale of shares of Visa Europe to 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 filed the response to the lawsuit petition within the legal deadline. 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 provision related to this matter.

5. Regarding mortgage loans indexed to swiss francs (CHF) granted by Bank Millennium, there are risks related to verdicts issued by polish courts in individual lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans.

Vast majority of verdicts in lawsuits concerning Bank Millennium have been favourable to the Bank so far. However, it should be noted that there is a significant risk that such favourable verdicts may change, as a result of which pending lawsuits' verdicts may not be taken in accordance with the Bank's expectation.

If such risk materializes, it may have a significant negative impact on Bank Millennium. Among other factors which are relevant for the assessment of risk related to disputes concerning CHF-indexed mortgage loans, the judgment of the Court of Justice of the European Union (CJEU) on Case C-260/18 should be considered.

On 3 October 2019, the CJEU issued a judgment on Case C-260/18, in connection with the preliminary questions formulated by the District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG. The judgment of CJEU, combined with the interpretation of European Union Law, is binding on domestic courts.

The referred judgment was based on the interpretation of Article 6 of Directive 93/13, of the European Union, to formulate the answers to the preliminary questions. In the light of the subject matter in question, Article 6 of Directive 93/13 must be interpreted as following: (i) the national court may, based on national law, conclude that a loan agreement cannot continue to exist if the removal of terms that alter the nature of the main subject matter of the agreement occurs; (ii) the effects on the consumer's situation resulting from the cancellation of the contract as a whole must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose, and that the will of the consumer is decisive as to whether he wishes to maintain the contract and avoid those effects; (iii) Article 6 precludes the filling of gaps in the contract caused by the removal of abusive terms from it based on national law (even if the non-filling of those gaps would result in the contract annulment to the detriment of the consumer), which provides that the effects expressed in the content of a legal act are to be supplemented, in particular, by principles arising from equality rules or established customs; and, (iv) Article 6 precludes the maintenance of abusive terms in the contract (even if their removal would result in the contract annulment to the detriment of the consumer), if the consumer has not consented to the maintenance of such terms.

CJEU's judgment concerns only the 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 particular contract term can be identified as abusive in the circumstances of the lawsuit.

It can be reasonably assumed that the legal issues relating to FX-indexed mortgage loans will be further examined by the national courts within the framework of the disputes considered, which could possibly result in the emergence of further interpretations relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis 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 may also be filed.

At the end of 2019, Bank Millennium had 2,010 FX-indexed mortgage loans under individual litigations, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 203 million (Euros 47.74 million). Until 31 December 2019, only 19 of these cases had obtained a final verdict, being the vast majority in accordance with Bank Millennium's interest. The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract or the payment for reimbursement of allegedly undue performance, due to the abusive nature of indexation clauses. The pushy advertising campaign observed in the public domain to encourage claims against banks may lead to an increase of the number of future court disputes.

On 21 October 2014, a class action was presented to Bank Millennium, in which a group of Bank Millennium's borrowers, represented by the Municipal Consumer Ombudsman in Olsztyn, seek the ascertainment that Bank Millennium is liable for unjust enrichment in connection with the CHF-indexed mortgage loans. The members of the group claim that Bank Millennium unduly collected excessive amounts from them for the repayment of loans. It is not a payment dispute. According to the statement of claim, the overstatement of such amounts is the result of applying abusive contractual provisions concerning the CHF-indexed loans. The number of loan agreements involved in this lawsuit is 3,281. The case is pending before its first hearing, which is scheduled for March 2020.

According to the Polish Bank Association (ZBP), during 2019, over 70% of the lawsuits regarding FX-indexed mortgage loans obtained a final verdict favourable to the banks involved. However, after the CJEU judgment regarding Case C-260/18 issued on 3 October 2019, there is a risk that this so far positive scenario for the banks may change.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created a provision in the amount of PLN 223 million (Euros 52.45 million) for legal risk. 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.

Bank Millennium undertakes a number of actions at different levels towards different stakeholders in order to mitigate legal and litigation risk regarding the FX-indexed mortgage loans portfolio. Bank Millennium is open 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.

Finally, it should be mentioned that Bank Millennium has to maintain additional own funds for the coverage of additional capital requirements related to the FX-indexed mortgage portfolio risks (Pillar II FX buffer) in the amount of 4.87 p.p. at the Group level, which corresponds to, approximately, PLN 1.85 billion (Euros 43.51 billion), part of which is allocated to operational/legal risk.

6. On 3 December 2015, a collective action against Bank Millennium was filed. A group of Bank Millennium's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.82 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 0.82 million) to over PLN 5 million (Euros 1.18 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 1.733.644,09).

The next stage of the proceedings is establishing the composition of the group (i.e., determining whether all the people who joined the proceedings may participate in the group).

As at 31 December 2019, there are also 537 individual court cases regarding loan-to-value (LTV) insurance.

In addition, there are currently two class actions against Euro Bank S.A. (bank held by Bank Millennium):

- firstly, a class action worth PLN 3.5 million (Euros 0.82 million), in which the plaintiffs demand the determination of the actual condition of their debt under the mortgage loan agreements, accusing the bank of abusiveness;
- secondly, a class action worth PLN 1.3 million (Euros 0.31 million), in which the plaintiffs demand payment for the abusive nature of the mortgage loan agreements regarding the valorisation clause.

The cases are pending before the court of first instance.

7. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against the Bank, 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. Currently, the Bank is waiting for the designation of an expert, requested by the plaintiffs, and each one of the parties must, afterwards, indicate an expert and the court shall indicate a third expert.

8. 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 23 of the Resolution Fund's annual report of 2018, *"Legal actions related to the application of resolution measures have no legal precedents, which make it impossible to use of case law in their evaluation, as well as a reliable estimate of the associated contingent financial impact. However, on 12 March 2019, the Administrative Court of Lisbon unanimously by its 20 judges delivered its judgment, confirming the constitutionality of the legal regime of the resolution and the full legality of the resolution measure applied to BES on 3 August 2014. Also, by decision of the Supreme Administrative Court on 13 March 2019, a judgment on the substance was entirely favourable to the Resolution Fund associated to the impugnation of the sale process of Novo Banco. 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.

Also in its 2018 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 of Euros 7,838 million (book value of the associated assets, net of impairments), and the value of the portfolio, as of 31 December 2018, amounted to approximately Euros 3,920 million (book value, net of impairments);

- The accumulated losses of the covered assets and their management, between 30 June 2016 (reference date of the mechanism) and 31 December 2018, correspond to Euros 2,661 million. Of this amount, the Resolution Fund paid in 2018, in accordance with the terms and conditions of the CCA, around Euros 792 million, hence, the amount of losses not borne by the Fund was, at the end of 2018, approximately Euros 1,869 million;

- The amount necessary to maintain the capital ratios of Novo Banco for 2018 at the agreed levels is Euros 1,149 million. The amount payable by the Resolution Fund results from a comparison between the amount of Euros 1.869 million (accumulated loss on the covered assets not supported by the Fund) and the amount of Euros 1,149 million, corresponding to the lower of those amounts, i.e. Euros 1,149 million.

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 792 million to Novo Banco using its available financial resources from banking contributions (direct or indirect) and complemented by a State loan of Euros 430 million under the terms agreed between the Portuguese State and the Resolution Fund in October 2017. In its 2018 annual results press release, on 1 March 2019, Novo Banco states that, in connection with the impact of losses related to the sale and write-downs of legacy assets, Novo Banco will request a compensation of Euros 1,149 million under the existing CCA. The Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to the 2018 exercise, in the amount of Euros 1.149 million. For this purpose, the Resolution Fund used its own resources and also resorted to a State loan of Euros 850 million, which corresponds to the annual maximum funding limit agreed between the Resolution Fund and the State. The amount paid by the Resolution Fund to Novo Banco in two years was Euros 1,941 million.

According to Novo Banco's 2019 earnings press release, Novo Banco will request a compensation of Euros 1.037 million under the Contingent Capital Agreement (CCA), as stipulated in the sale agreement. The amount of the compensation requested in 2017 and 2018 and to be requested relating to 2019 totals Euros 2.98 billion. The maximum amount of compensation established in the CCA is Euros 3.89 billion.

As at 31 December 2019, Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

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 2018 annual report, *"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 2018, Oitante made partial prepayments of Euros 360.961 thousand, which reduces the amount of the guarantee provided by the Resolution Fund to Euros 385.038 thousand. Considering the anticipated reimbursements, as well as information provided by Oitante's Board of Directors regarding 2018 exercise, it is envisaged that there are no relevant situations that could trigger the guarantee provided by the Resolution Fund".* On 13 July 2019, Oitante states that *"at the end of the current month, July 2019, the debt reimbursed since it was incurred will reach 57.7%"*.

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 Banco de Portugal to that entity [amounts to] Euros 352,880.3 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).

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 2018 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 24 of the Resolution Fund's 2018 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 6,114 million, according to the latest 2018 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. 24/2019, published on 16 December 2019, set the base rate to be effective in 2020 for the determination of periodic contributions to the FR by 0.06% against the rate of 0.057% in 2019.

During 2019, the Group made regular contributions to the Resolution Fund in the amount of Euros 15,965 thousand. The amount related to the contribution on the banking sector, registered in 2019, was Euros 31,818 thousand. These contributions were recognized as a cost in 2019, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group had to make an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group in 2019 was Euros 21,918 thousand, of which the Group delivered Euros 18,747 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 Banco de 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 Agreeement; (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 2018 annual report, under note 10, *"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"*.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Group.

9. 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 Banco de 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 Banco de Portugal dated 31 March 2017, of which the Claimants were not notified.

The proceedings were filed in court on 4 September 2017. Banco de 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 Banco de 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, Banco de 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 Banco de 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.

10. 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 22 May 2019, following the proposal submitted by the Board of Directors, the application of profits for the year 2018 was approved, which includes the distribution to employees of Euros 12,587,009, in compliance partially with the previously referred clause. This payment occurred in June 2019 and the corresponding amount was recognized in 'Staff costs' in 2019.

11. The Bank was subject to tax inspections for the years up to 2016. 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. The additional liquidations/corrections made by the tax administration were mostly 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.

12. Banco Comercial Português, S.A. filed in 2013 a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental – Companhia de Seguros de Vida, S.A., requesting mainly that the following be recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, cannot exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the former director cannot maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director cannot 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.

After several procedural extraordinary events, on 27 January 2019, the court issued a new sentence - which fully reproduces the previous one issued on 25 May 2018 - considering: (i) rejected the request made by the Bank consisting in 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 made 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 paid since that date or will pay in the future, in the amount that comes to be settled, expenses which would be part of his retirement regime, plus default interests accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

In March 2019, BCP appealed the sentence to the Tribunal da Relação de Lisboa (Lisbon Court of Appeal) requesting that the same is revoked and replaced by a decision accepting all the requests presented by the Bank. The Bank considers that the court decided incorrectly regarding evidence and relevant legal issues, and that the appeal has good chances of success, namely because, concerning the amounts received by the former director, the sentence upholds an original interpretation of the limit of article 402, no.2, of the Commercial Companies Code (CCC), going against all court decisions issued by superior courts and most of all the prior doctrine on these issues.

On 5 March 2020, Lisbon Court of Appeal abrogated the court of first instance's decision, upholding the Bank's legal action and declaring the non-existence of the right of the Defendant Mr. Jardim Gonçalves to receive the retirement supplements paid by Ocidental Vida, 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. Jardim Gonçalves. Finally, the court dismissed the counterclaim, acquitting the Bank of the request. There may be an appeal to the Supreme Court of Justice for this last decision.

57. Recently issued accounting standards

1- Recently issued accounting standards and interpretations that came into force in 2019

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union (EU) with mandatory application for the financial year of the Group started on 1 January 2019:

Amendment to IFRS 9: Prepayment features with negative clearing

This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value through reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and, (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question not to be considered as an instrument that only includes payments of principal and interest.

The Group applied IFRS 9 and early adopted the amendment to IFRS 9 in the period beginning on 1 January 2018, as note 58.

IFRIC 23 – Uncertainties in the treatment of income tax

This interpretation clarifies what are the recognition and measurement requirements that must be adopted in scenarios of uncertainty regarding the treatment of income tax in accordance with IAS 12. It is applicable to all the inherent aspects of the treatment of income tax, such as the determination of taxable income, tax losses to be reported, tax bases, tax credits to be used and tax rates.

There were no material impacts on the application of this interpretation in the Group's financial statements.

IFRS 16 – Leases

IFRS 16 was approved by the EU in October 2017 and entered into force in the periods starting on or after 1 January 2019. Its early application is permitted through the fulfilment of certain requirements.

This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases. The Group applied the principles set out in IFRS 16 at the beginning of 2019 with the following impacts:

- from the lessor's perspective, leases continue to be classified as finance leases or operating leases, with no substantial changes for the Group compared to which was already defined in IAS 17;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those which the lease term ends within 12 months or for those which the underlying asset is of low value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with those leases as an expense.

The Group 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 of the economic benefits of using it, and the right to choose how to use the identified asset over a period in exchange of a payment.

Impacts from the lessee's perspective

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

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

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

Subsequently, lease payments are measured as follows:

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

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

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

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

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

The implementation of this standard implies changes in the Group's financial statements, as referred in note 59, namely:

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

Impact from the lessor's perspective

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

Transition

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group applied this standard retrospectively, with its transition impacts being recognised on 1 January 2019. This way, comparative information was not restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

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;
- discount rate: it was used the lessee 's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Group's risk spread, applied over the weighted average term of each lease contract;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Group identified that the main lease contracts covered by this standard were contracts on real estate (branches and central buildings) and on a residual number of vehicles, with the impacts arising from the implementation of IFRS 16 with reference to 1 January 2019 detailed in note 59. These changes did not result in material impacts in the Income statements.

Amendment to IAS 28: Long-term interests in associates and joint arrangements

This amendment clarifies that IFRS 9 (including its respective requirements related to impairment) is applicable for long-term interests in associates and joint arrangements that are part of the existing net investment in an associate or joint venture, but to which the equity method is not applied in their measurement.

There were no material impacts on the application of this amendment in the Group's financial statements.

Improvements to international financial reporting standards (cycle 2015-2017)

These improvements involve the clarification of some aspects related to: IFRS 3 – Concentration of business activities: it requires re-measurement of interests previously held when an entity obtains control over a subsidiary on which previously had joint control; IFRS 11 – Joint ventures: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint transaction; IAS 12 – Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss, regardless of how the tax arises; IAS 23 – Borrowing costs: clarifies that the part of the loan directly related to the acquisition/construction of an asset, outstanding after the corresponding asset has gotten ready for the intended use, is, for the purpose of determining the capitalization rate, considered an integral part of the entity's general financing.

There were no material impacts on the application of this improvements in the Group's financial statements.

Amendment to IAS 19: Plan amendment, curtailment or settlement

This amendment defines that, if an amendment, curtailment or settlement of the defined benefit plan occurs, it is mandatory to use the assumptions assumed on the moment of the remeasurement to determine the current service cost and the net interest for the remaining period after the remeasurement. In addition, this amendment includes
changes to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

There were no material impacts on the application of this amendment in the Group's financial statements.

Amendment to IFRS 4: Application of IFRS 9 – Financial instruments with IFRS 4 – Insurance contracts

This amendment provides guidance on the application of IFRS 4 together with IFRS 9. IFRS 4 will be replaced with the entry into force of IFRS 17.

The Group does not anticipate material impact on the application of this amendment in its 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:

Amendments to references to the conceptual framework in IFRS standards (applicable for years beginning on or after 1 January 2020)

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.

Amendments to IAS 1 and IAS 8: Definition of material (applicable for years beginning on or after 1 January 2020)

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.

These standards, although endorsed by the European Union, were not adopted by the Group in 2019, as their application is not mandatory yet.

3 - Standards, interpretations, amendments and revisions not adopted by the European Union yet

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and, therefore, have not been applied by the Group:

IFRS 17 – Insurance contracts (applicable for years beginning on or after 1 January 2021)

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.

Amendment to IFRS 3: Definition of a business (applicable for years beginning on or after 1 January 2020)

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 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).

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform (applicable for years beginning on or after 1 January 2020)

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.

Regarding these standards and interpretations, issued by the IASB but not endorsed by the European Union yet, it is not estimated that their adoption will result in significant impacts on the Group's financial statements.

58. Application of IFRS 9 - Financial Instruments

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 has replaced IAS 39 - Financial Instruments: Recognition and Measurement and provides new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason, it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts and the changes in processes, governance and business strategy that may involve.

The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance at the date of initial application (1 January 2018).

Financial Instruments IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. In October 2017, the IASB issued the document "Prepayment features with negative compensation (amendments to IFRS 9). The changes are effective for annual periods beginning on 1 January 2019, with early adoption allowed.

The Group applied IFRS 9 and adopted in advance the modifications made to IFRS 9 in the period beginning as at 1 January 2018. The impact of the adoption of IFRS 9 on the Group's equity attributable to shareholders of the Bank, with reference to 1 January 2018 was negative of Euros 373,656,000 (negative impact of Euros 403,767,000 Group's total equity, including non-controlling interests).

The accounting policies in force in the Group at the level of financial instruments after adoption of IFRS 9 as at 1 January 2018 are described in note 1C.

I. Classification of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model used in asset management, as well as the characteristics of the respective contractual cash flows.

The standard will have an impact at the level of the classification of the financial assets held as at 1 January 2018, as follows:

- Held for trading and derivatives held for risk management, which were classified as "Held-for-trading" and measured at FVTPL under IAS 39, are measured at FVTPL under IFRS 9;
- Loans and advances to customers and to Financial Institutions measured at amortised cost under IAS 39 are generally measured at amortised cost under IFRS 9;
- Investments in held-to-maturity securities, measured at amortised cost under IAS 39, are measured, generally, at amortised cost under IFRS 9;
- Investments in debt securities that were classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on certain circumstances;
- Loans to customers and investment securities that were measured at fair value option under IAS 39 are measured at FVTPL under IFRS 9;
- Most of the equity instruments that were classified as available for sale under IAS 39 are measured at FVTPL under IFRS 9. However, some of these equity instruments are held under a long-term strategic investment and are designated at FVOCI, under IFRS 9.

Based on this analysis and in the strategy defined, no material changes occurred at the level of the measurement associated with financial assets of the Group (financial assets measured at amortised cost versus financial assets measured at fair value) with the impact on the transition to IFRS 9.

II. Impairment - Financial Assets, Commitments and Financial Guarantees

IFRS 9 replaces the "loss incurred" model in IAS 39 by a forward-looking model of "expected credit losses (ECL)", which considers expected losses over the life of financial instruments. Thus, in the determination of ECL, macroeconomic factors are considered as well as other forward looking information, whose changes impact expected losses.

The impact of the adoption of IFRS 9 in the Group's equity related to impairment losses on financial assets, guarantees and other commitments was negative of Euros 262,624,000.

III. Classification - Financial Liabilities

IFRS 9 generally maintains the requirements in IAS 39 regarding the classification of Financial Liabilities. However, under IAS 39 all fair value changes of financial liabilities designated to FVTPL (Fair Value Option) were recognised in the income statement, while under IFRS 9 these fair value changes are presented as follows: the amount related to the variation in the fair value attributable to changes in the credit risk of the liability is presented in OCI and the remaining value of the change in fair value is presented in profit or loss.

The Group has adopted the Fair Value Option for some of its own issues which contain embedded derivatives or associated hedging derivatives, or when this designation eliminates or significantly reduces the accounting mismatch of the operations. The fair value variations attributable to changes in the credit risk of these liabilities were recognised in profit or loss in 2017 under IAS 39. In adopting IFRS 9, these changes in fair value were recognised in OCI and the amount recognised in OCI in each year is variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity at the nominal value.

IV. Derecognition and modification of contracts

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and liabilities without significant changes.

V. Hedge accounting

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

VI. Transition

Changes in accounting policies resulting from the application of IFRS 9 will generally be applied retrospectively, with the exception of the following:

- The Group applies the exception that allows the non-restatement of prior period comparative information regarding classification and measurement changes (including impairment). Differences in the balance sheet values of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in Reserves and retained earnings, as at 1 January 2018.

- The following assessment was made based on the facts and circumstances that existed at the time of the initial application:
a) the determination of the business model in which the financial asset is held;
b) the designation and revocation of prior designations of certain financial assets and liabilities designated at FVTPL;
c) the designation of certain equity instruments that are not held for trading as FVOCI; and
d) for financial liabilities designated at FVTPL (Fair Value Option), to assess whether the presentation of the effects in the credit risk variations of the financial liabilities in OCI would create or increase an accounting mismatch in profit or loss.

The impact of the adoption of IFRS 9 in the Group's financial statements is described below.

A) Impact of the adoption of IFRS 9 on the Group's equity

The impacts on the Group's equity arising from the implementation of IFRS 9 with reference to 1 January 2018 are as detailed below:

(Thousands of euros)

	Other equity items	Fair value changes	Reserves and retained earnings	Total equity attributable to bank's shareholders	Non-controlling interests	Total equity
Equity as at 31 December 2017 - Before IFRS 9	5,932,554	82,090	66,171	6,080,815	1,098,921	7,179,736
Impairment						
Loans and advances to credit institutions	-	-	(703)	(703)	-	(703)
Loans and advances to customers	-	-	(194,385)	(194,385)	(41,163)	(235,548)
Debt securities	-	-	(5,163)	(5,163)	-	(5,163)
	-	-	(200,251)	(200,251)	(41,163)	(241,414)
Provisions	-	-	(14,714)	(14,714)	-	(14,714)
Changes in securities classification	-	(91,234)	90,522	(712)	4,164	3,452
Own credit risk	-	1,958	(1,958)	-	-	-
Investments in associates	-	(843)	(1,664)	(2,507)	-	(2,507)
	-	(90,119)	(128,065)	(218,184)	(36,999)	(255,183)
Current and deferred tax assets	-	26,150	(181,622)	(155,472)	6,888	(148,584)
Total impact	-	(63,969)	(309,687)	(373,656)	(30,111)	(403,767)
Equity as at 1 January 2018 - After IFRS 9	5,932,554	18,121	(243,516)	5,707,159	1,068,810	6,775,969

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the general rules application of the IRC Code.

B) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The impacts on the Group's balance sheet arising from the implementation of IFRS 9 with reference to 1 January 2018 are detailed as follows:

(Thousands of euros)

	IAS 39 31 Dec 2017	Reclassifications	Remeasurement	IFRS 9 1 Jan 2018
ASSETS				
Cash and deposits at Central Banks	2,167,934	-	-	2,167,934
Loans and advances to credit institutions repayable on demand	295,532	-	-	295,532
Financial assets at amortised cost				-
Loans and advances to credit institutions	1,065,568	-	(703)	1,064,865
Loans and advances to customers	45,625,972	(263,397)	(235,548)	45,127,027
Debt securities	2,007,520	939,889	(7,341)	2,940,068
Financial assets at fair value through profit or loss				-
Financial assets held for trading	897,734	(6,623)	-	891,111
Financial assets not held for trading				-
mandatorily at fair value through profit or loss	n.a.	1,382,151	-	1,382,151
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336
Financial assets at fair value through other comprehensive income	n.a.	9,831,626	5,630	9,837,256
Financial assets available for sale	11,471,847	(11,471,847)	-	-
Financial assets held to maturity	411,799	(411,799)	-	-
Hedging derivatives	234,345	-	-	234,345
Investments in associated companies	571,362	-	(2,507)	568,855
Non-current assets held for sale	2,164,567	-	-	2,164,567
Investment property	12,400	-	-	12,400
Other tangible assets	490,423	-	-	490,423
Goodwill and intangible assets	164,406	-	-	164,406
Current tax assets	25,914	-	1,047	26,961
Deferred tax assets	3,137,767	-	(149,631)	2,988,136
Other assets	1,052,024	-	-	1,052,024
TOTAL ASSETS	71,939,450	-	(389,053)	71,550,397
LIABILITIES				
Financial liabilities at amortised cost				
Resources from credit institutions	7,487,357	-	-	7,487,357
Resources from customers	48,285,425	-	-	48,285,425
Non subordinated debt securities issued	2,066,538	-	-	2,066,538
Subordinated debt	1,169,062	-	-	1,169,062
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	399,101	-	-	399,101
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645
Hedging derivatives	177,337	-	-	177,337
Provisions	324,158	-	14,714	338,872
Current tax liabilities	12,568	-	-	12,568
Deferred tax liabilities	6,030	-	-	6,030
Other liabilities	988,493	-	-	988,493
TOTAL LIABILITIES	64,759,714	-	14,714	64,774,428
EQUITY				
Share capital	5,600,738	-	-	5,600,738
Share premium	16,471	-	-	16,471
Preference shares	59,910	-	-	59,910
Other equity instruments	2,922	-	-	2,922
Legal and statutory reserves	252,806	-	-	252,806
Treasury shares	(293)	-	-	(293)
Reserves and retained earnings	(38,130)	186,391	(373,656)	(225,395)
Net income for the year attributable to Bank's Shareholders	186,391	(186,391)	-	-
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,080,815	-	(373,656)	5,707,159
Non-controlling interests	1,098,921	-	(30,111)	1,068,810
TOTAL EQUITY	7,179,736	-	(403,767)	6,775,969
TOTAL LIABILITIES AND EQUITY	71,939,450	-	(389,053)	71,550,397

The impacts of the implementation of IFRS 9 on the classification and measurement of financial instruments and the determination of impairment losses on financial assets are explained in more detail in the following notes.

C) Classification and measurement of financial instruments

The table below shows the measurement category and the book value of financial assets, in accordance with IAS 39 and IFRS 9, as at 1 January 2018:

(Thousands of euros)

IAS 39			IFRS 9		
Category	**Measurement**	**Book value**	**Category**	**Measurement**	**Book value**
Cash and deposits at Central Banks	Amortised cost	2,167,934	Cash and deposits at Central Banks	Amortised cost	2,167,934
Loans and advances to credit institutions repayable on demand	Amortised cost	295,532	Loans and advances to credit institutions repayable on demand	Amortised cost	295,532
Loans and advances to credit institutions	Amortised cost	1,065,568	Loans and advances to credit institutions	Amortised cost	1,064,865
Financial assets at amortised cost - Loans and advances to customers	Amortised cost	45,625,972	Financial assets at amortised cost - Loans and advances to customers	Amortised cost	45,127,027
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	263,397
Financial assets at amortised cost - Debt securities	Amortised cost	2,007,520	Financial assets at amortised cost - Debt securities	Amortised cost	2,004,574
Financial assets held to maturity	Amortised cost	411,799	Financial assets at amortised cost - Debt securities	Amortised cost	415,695
Financial assets available for sale	FVOCI (available for sale)	11,471,847	Financial assets at fair value through other comprehensive income	FVOCI	9,830,633
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	1,118,754
			Financial assets at amortised cost - Debt securities	Amortised cost	519,799
Financial assets held for trading	FVTPL	897,734	Financial assets at fair value through other comprehensive income	FVOCI	6,623
			Financial assets held for trading	FVTPL	891,111
Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336	Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336
Hedging derivatives	FVTPL	234,345	Hedging derivatives	FVTPL	234,345

Notes:

FVOCI - Measured at fair value through other comprehensive income

FVTPL - Measured at fair value through profit or loss

There were no material changes regarding the measurement criteria associated with the Group's financial liabilities with impact on the transition to IFRS 9, except for changes in the fair value of financial liabilities at fair value through profit or loss that are attributable to changes in the credit risk of the instrument, which were included in other comprehensive income as from 1 January 2018.

D) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The following table shows the reconciliation between the book values of financial assets according to the measurement categories of IAS 39 and IFRS 9, as at 1 January 2018 (transition date).

(Thousands of euros)

		Financial assets at amortised cost (Amortised Cost)			
	Notes	IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Cash and deposits at Central Banks					
Opening balance in IAS 39 and final balance in IFRS 9		2,167,934	-	-	2,167,934
Loans and advances to credit institutions repayable on demand					
Opening balance in IAS 39 and final balance in IFRS 9		295,532	-	-	295,532
Loans and advances to credit institutions					
Opening balance in IAS 39		1,065,568	-	-	1,065,568
Remeasurement: impairment losses	(A)	-	-	(703)	(703)
Final balance in IFRS 9		1,065,568	-	(703)	1,064,865
Loans and advances to customers					
Opening balance in IAS 39		45,625,972	-	-	45,625,972
Transfer					
to fair value through profit or loss (IFRS 9) - Gross Value	(G)	-	(283,463)	-	(283,463)
to fair value through profit or loss (IFRS 9) - Impairment	(G)	-	20,066	-	20,066
Remeasurement: impairment losses	(A)	-	-	(235,548)	(235,548)
Final balance in IFRS 9		45,625,972	(263,397)	(235,548)	45,127,027
Debt instruments					
Opening balance in IAS 39		2,007,520	-	-	2,007,520
Transfer of available financial assets for sale (IAS 39)	(E)	-	528,090	-	528,090
Transfer from held-to-maturity financial assets to maturity date (IAS 39)	(F)	-	411,799	-	411,799
Remeasurement: impairment losses	(A)	-	-	(5,163)	(5,163)
Remeasurement: fair value to amortised cost	(E)	-	-	(2,178)	(2,178)
Final balance in IFRS 9		2,007,520	939,889	(7,341)	2,940,068
Financial assets held to maturity					
Opening balance in IAS 39		411,799	-	-	411,799
Transfer for financial assets at amortised cost - debt securities (IFRS 9)	(F)	-	(411,799)	-	(411,799)
Final balance in IFRS 9		411,799	(411,799)	-	-
Total of financial assets at amortised cost		51,574,325	264,693	(243,592)	51,595,426

(Thousands of euros)

		Financial assets at fair value through other comprehensive income (FVOCI)			
	Notes	IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets at fair value through other comprehensive income - debt instruments					
Opening balance in IAS 39					
Transfer of available financial assets for sale (IAS 39)	(F)	-	9,793,650	-	9,793,650
Transfer of financial assets held for trading	(D)	-	6,623	-	6,623
Final balance in IFRS 9		-	9,800,273	-	9,800,273
Financial assets at fair value through other comprehensive income - equity instruments					
Opening balance in IAS 39					
Transfer of available financial assets for sale (IAS 39)	(B)		31,353	5,630	36,983
Final balance in IFRS 9		-	31,353	5,630	36,983
		-	9,831,626	5,630	9,837,256
Financial assets available for sale					
Opening balance in IAS 39		11,471,847	-	-	11,471,847
Transfer Financial assets not held for trading mandatorily at fair value through profit or loss (IFRS 9)	(C)	-	(1,118,754)	-	(1,118,754)
Transfer for financial assets at amortised cost (IFRS 9)	(E)	-	(528,090)	-	(528,090)
Transfer to financial assets at fair value through other comprehensive income - debt instruments (IFRS 9)	(F)	-	(9,793,650)	-	(9,793,650)
Transfer to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	(B)	-	(31,353)	-	(31,353)
Final balance in IFRS 9		11,471,847	(11,471,847)	-	-
Total financial assets at fair value through other comprehensive income		11,471,847	(1,640,221)	5,630	9,837,256

(Thousands of euros)

	Notes	Financial assets at fair value through profit or loss (FVTPL) IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets held for trading					
Opening balance in IAS 39		897,734	-	-	897,734
Transfer to financial assets at fair value through other comprehensive income	(D)	-	(6,623)	-	(6,623)
Final balance in IFRS 9		897,734	(6,623)	-	891,111
Financial assets not held for trading mandatorily at fair value through profit or loss					
Opening balance in IAS 39					
Transfer of available financial assets for sale (IAS 39)	(C)	-	1,118,754	-	1,118,754
Transfer from financial assets at amortised cost - Loans to customers (IAS 39) - Gross value	(G)	-	283,463	-	283,463
Transfer from financial assets at amortised cost - Loans to customers (IAS 39) - Impairment	(G)	-	(20,066)	-	(20,066)
Final balance in IFRS 9		-	1,382,151	-	1,382,151
Financial assets designated at fair value through profit or loss					
Opening balance in IAS 39 and final balance in IFRS 9		142,336	-	-	142,336
Hedging derivatives					
Opening balance in IAS 39 and final balance in IFRS 9		234,345	-	-	234,345
Total financial assets at fair value through profit or loss		1,274,415	1,375,528	-	2,649,943

Notes:

(A) Under the IFRS 9 criteria, additional impairments were calculated resulting from the application of the concept of expected loss and registered in Other reserves and retained earnings, for:

- financial assets at amortised cost (Loans and advances to credit institutions);
- financial assets at amortised cost (Loans and advances to customers);
- and debt instruments at fair value through other comprehensive income and at amortised cost.

(B) Designation of equity instruments at fair value through other comprehensive income: The Group opted for the irrevocable designation of equity instruments that are neither held for trading nor contingent retribution recognised by a buyer in a business combination to which it applies IFRS 3 as at fair value through other comprehensive income, as allowed by IFRS 9. These instruments were previously classified as "Financial assets available for sale". Changes in the fair value of these instruments will not be reclassified to profit or loss when derecognised.

(C) Classification of debt securities previously classified as "Financial assets available for sale ", which do not fall within the definition of SPPI and participation units in funds that do not fall within the definition of equity instruments: The portfolio of debt instruments that do not fall within the scope of SPPI definition was classified under " Financial assets not held for trading mandatorily at fair value through profit or loss " on the date of the initial application.

(D) Classification of debt securities previously classified under "Financial assets held for trading", whose business model is "held to collect and sell" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(E) Classification of debt securities previously under "Financial assets available for sale ", whose business model is "held-to-collect" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(F) Changes occurred in the categories provided for in IAS 39, without changing the measurement basis: In addition to the aforementioned, the following debt instruments were reclassified to new categories in accordance with IFRS 9, following the elimination of previous categories of IAS 39 , without changes in its measurement basis: (i) Instruments previously classified as available for sale, currently classified as financial assets at fair value through other comprehensive income; (ii) Instruments previously classified as held to maturity, currently classified as financial assets at amortised cost.

(G) The new classification and measurement model is mainly based on principles and requires the Bank to consider not only its business model for the management of financial assets but also the characteristics of the contractual cash flows of these assets (particularly if they represent solely payments of principal and interest ('SPPI')). Thus, a set of loans from customers previously classified as financial assets at amortised cost were transferred to financial assets not held for trading mandatorily at fair value through profit or loss.

The table below presents the reconciliation between the book values of impairment / provisions in balance sheet according with the measurement categories of IAS 39 and IFRS 9 as at 1 January 2018 (initial application date):

(Thousands of euros)

Measurement category	Impairment for credit IAS 39 / Provision IAS 37	Reclassifications (A)	Revaluation	Impairment loss / Provision in accordance with IFRS 9
Loans and accounts receivable (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Cash and deposits at Central Banks	-	-	-	-
Loans and advances to credit institutions repayable on demand	-	-	-	-
Loans and advances to credit institutions	-	-	703	703
Loans and advances to customers	3,279,046	8,508	235,548	3,523,102
Debt securities	42,886	-	5,163	48,049
Total	3,321,932	8,508	241,414	3,571,854
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Debt securities	-	-	-	-
Available-for-sale financial instruments (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)				
Debt securities	88,796	(83,646)	6,496	11,646
Commitments and financial guarantees issued	324,158	-	14,714	338,872
Total	3,734,886	(75,138)	262,624	3,922,372

(A) The reclassification recorded in impairment for financial assets at fair value through other comprehensive income (Debt securities) in the negative amount of Euros 83,646,000, refers to the write-off of impairment for securities that were transferred to FVTPL (fall within the scope of SPPI).

59. Application of IFRS 16 – Leases

As described in note 1 A. Basis of presentation and accounting policy 1 H, the Group adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2018. IFRS 16 was approved by EU in October 2017. The Group did not adopt any of the requirements of IFRS 16 in prior periods.

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

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

Transition

On 1 January 2019, the Group carried out a review of the existing contracts at this date and applied the practical expedient provided in IFRS 16, i.e., the standard was only applied to contracts previously identified as leases in accordance with IAS 17 – Leases and IFRIC 4.

As proposed in IFRS 16, the Group applied this standard retrospectively, with its transition impacts recognised on 1 January 2019. This way, comparative information has not been restated.

By applying the practical expedient provided on the transition to IFRS 16, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and the underlying assets' right-to-use by the lease liability amount.

For contracts in which a sublease is identified, the Group recognised a lease liability at the present value of the remaining lease payments, discounted at an incremental interest rate at the date of initial application and a financial asset related to the sublease.

The following assumptions considered in the implementation of this standard were:
- lease term: this component was evaluated by categories of contracts, being each contract enforceable. In the evaluation of the enforceability, the particular clauses of the contracts as well as the current legislation regarding the urban lease are taken into consideration;
- discount rate: it was used the lessee's incremental rate, which incorporates the risk-free yield curve (swap curve), plus Group's risk spread, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way;
- non-application of the standard to lease contracts with a term under 12 months, neither to leases of low value assets (up to Euros 5,000).

Given the conditions mentioned above, the Group identified that the main lease contracts covered by this standard are contracts on real estate (branches and central buildings) and on a residual number of vehicles.

The adoption of the standard implies changes in the Group's financial statements, namely:
- in the consolidated income statement:
(i) in Net interest income, the record of interest expenses related to lease liabilities, as referred to in note 2. Net interest income, balance Interest and similar charges - Interest on leases;
(ii) in Other Administrative Expenses, the record of the amounts relating to short-term lease contracts and low value assets lease contracts, as referred to in note 8. Other administrative expenses, balance Rents and leases; and
(iii) in Amortisations, the record of depreciation costs of right-of-use assets, as referred in note 9. Amortisations and depreciations, balance item Right-of-use.
- in the consolidated balance sheet:
(i) in Financial assets at amortised cost - Loans and advances to customers, the recognition of financial assets related to sublease operations measured in accordance with IFRS 9, as referred to in note 21. Loans and advances to customers, balance Finance leases;
(ii) in Other tangible assets, the recognition of right-of-use assets, as referred in note 28. Other tangible assets, balance Right of use; and
(iii) in Other liabilities, the record of the amount of recognised lease liabilities, as referred in note 39. Other liabilities, balance Rents to pay.
- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to suppliers and employees includes amounts related to short-term leases and to leases of low-value assets. The balance Decrease in other sundry liabilities and non-controlling interests includes amounts relating to payments of capital portions of lease liabilities, as detailed in the Consolidated statement of cash flows.

Until 31 December 2018, and according to IAS 17, every payment of operating leases was presented as Cash flows arising from operating activities. Following the IFRS 16's adoption, Cash flows arising from operating activities changed to Cash flows arising from financing activities in the amount of Euros 25,733,000. IFRS 16's adoption didn't cause an impact in the Group's net cash flows.

The reconciliation between the balance sheets of 31 December 2018 and 1 January 2019, according to IFRS 16, is detailed as following:

(Thousands of euros)

	IAS 17 31 Dec 2018	Impact of IFRS 16	IFRS 16 1 Jan 2019
ASSETS			
Cash and deposits at Central Banks	2,753,839	-	2,753,839
Loans and advances to credit institutions repayable on demand	326,707	-	326,707
Financial assets at amortised cost			
Loans and advances to credit institutions	890,033	-	890,033
Loans and advances to customers	45,560,926	9,835	45,570,761
Debt securities	3,375,014	-	3,375,014
Financial assets at fair value through profit or loss			
Financial assets held for trading	870,454	-	870,454
Financial assets not held for trading mandatorily at fair value through profit or loss	1,404,684	-	1,404,684
Financial assets designated at fair value through profit or loss	33,034	-	33,034
Financial assets at fair value through other comprehensive income	13,845,625	-	13,845,625
Assets with repurchase agreement	58,252	-	58,252
Hedging derivatives	123,054	-	123,054
Investments in associated companies	405,082	-	405,082
Non-current assets held for sale	1,868,458	-	1,868,458
Investment property	11,058	-	11,058
Other tangible assets	461,276	249,416	710,692
Goodwill and intangible assets	174,395	-	174,395
Current tax assets	32,712	-	32,712
Deferred tax assets	2,916,630	-	2,916,630
Other assets	811,816	-	811,816
TOTAL ASSETS	75,923,049	259,251	76,182,300
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	7,752,796	-	7,752,796
Resources from customers	52,664,687	-	52,664,687
Non subordinated debt securities issued	1,686,087	-	1,686,087
Subordinated debt	1,072,105	-	1,072,105
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	327,008	-	327,008
Financial liabilities at fair value through profit or loss	3,603,647	-	3,603,647
Hedging derivatives	177,900	-	177,900
Provisions	350,832	-	350,832
Current tax liabilities	18,547	-	18,547
Deferred tax liabilities	5,460	-	5,460
Other liabilities	1,300,074	259,251	1,559,325
TOTAL LIABILITIES	68,959,143	259,251	69,218,394
EQUITY			
Share capital	4,725,000	-	4,725,000
Share premium	16,471	-	16,471
Other equity instruments	2,922	-	2,922
Legal and statutory reserves	264,608	-	264,608
Treasury shares	(74)	-	(74)
Reserves and retained earnings	470,481	-	470,481
Net income for the year attributable to Bank's Shareholders	301,065	-	301,065
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,780,473	-	5,780,473
Non-controlling interests	1,183,433	-	1,183,433
TOTAL EQUITY	6,963,906	-	6,963,906
TOTAL LIABILITIES AND EQUITY	75,923,049	259,251	76,182,300

60. Acquisition/Merger of Euro Bank, S.A.

Description of the transaction

On 5 November 2018, Bank Millennium (acquiring entity) announced and signed the preliminary agreement related to the acquisition of 99.787% shares of Euro Bank S.A. (acquired entity) from SG Financial Services Holdings ("Seller"), a wholly owned subsidiary of Societe Generale S.A. The transaction specified in the agreement is the direct acquisition of the shares by Bank Millennium.

The strategic rationale for the transaction

As a result of the transaction related to the acquisition of Euro Bank shares, Bank Millennium strengthened its important position in the Polish banking sector. The transaction increased the number of the Bank's clients by 1.4 million (of which more around 494 thousand fulfil the classification of active client as per Bank's internal definition) and therefore allowed the Bank to become one of the largest Polish bank in terms of the number of retail clients.
The acquisition of Euro Bank allowed the Bank to increase the segment of consumer loans, as well as the importance of this segment for the entire Group.

The acquisition of Euro Bank enabled Millennium Bank to acquire competences in the franchise model and strengthen its presence in smaller cities, where Euro Bank was strongly located, and contributed to increase of the geographical coverage of the Bank's distribution network.

Price

The parties to the contract have determined the price for the purchase of Euro Bank SA shares in the amount of PLN 1,833,000,000 (Euros 428,151,000), which is subject to the adjustment mechanism after closing the transaction (i.e. after transferring the legal title to the shares to Millennium Bank). At the date of preparation of the financial statements as at 31 December 2019 the preliminary price after adjustments amounted to PLN 1,816,545,000 (Euros 424,307,000) and was calculated on the basis of audited net asset value of Euro Bank as at 31 May 2019. The final price to be paid by Millennium Bank for the shares may differ from the price indicated above.

Bank Millennium did not increase the share capital in order to finance the Transaction.

Financing

The acquisition (price in the amount of PLN 1,833,000,000 (Euros 428,151,000)), according to the agreement, was paid with cash and was financed from the internal means of the Bank. Additionally, the Agreement specified that the financing for Euro Bank from Societe Generale (including subordinated debt to SG), would be paid or refinanced by Euro Bank or Bank Millennium.

Completion of the acquisition

On 3 January 2019, the Bank received information on issuing by the President of the Office of Competition and Consumer Protection the decision on the consent for the concentration consisting in the Bank's acquisition of control over Euro Bank S.A. The consent was issued on 28 December 2018.

On 28 May 2019 the Polish Financial Supervision Authority issued the consent specifying that there is no basis for the objection raising, and therefore Bank Millennium together with its parent entity, Banco Comercial Português, S.A., were allowed to acquire the shares of Euro Bank S.A. in the number resulting in exceeding 50% of the total number of votes on the general meeting of Euro Bank and of the share in the share capital. The number of acquired shares exceeding 50% results also in becoming a parent entity of Euro Bank.

On 31 May 2019, by executing the share purchase agreement between the Bank and SG Financial Services Holdings of 5 November 2018, the Bank has acquired the majority of shares, constituting 99.787% of Euro Bank S.A. share capital from the seller.

Additionally, on 31 May 2019, the Bank has repaid the unsubordinated financing granted to Euro Bank by Societe Generale S.A. ("SG") in the amount of ca. PLN 3.800.000.000 (Euros 887,602,000). It was preceded by Euro Bank's repayment of a part of subordinated debt from SG in the amount of PLN 250.000.000 (Euros 58,395,000), after obtaining appropriate agreements from the PFSA in this particular area. In October 2019, a final repayment of a subordinated loan of SG taken out by Euro Bank in the amount of PLN 100 million (Euros 23 million) (fully collateralised by a cash deposit since 31 May 2019) took place.

In order to limit the risk associated with the Euro Bank's portfolio of mortgage loans denominated in CHF or denominated in PLN, but indexed to CHF, Euro Bank and SG signed on 31 May 2019 an "CHF Portfolio Indemnity and Guarantee Agreement" as it was planned in the Share Purchase Agreement. Euro Bank, Bank Millennium and SG also concluded an agreement related to the provision of certain limited transitional services by SG for Euro Bank.

Merger plan

On 6 June 2019, the Management Board of Bank Millennium and the Management Board of Euro Bank agreed and signed the merger plan of Bank Millennium and Euro Bank (the "Merger"). The merger was performed in accordance with art. 492 § 1 point 1 of the Commercial Companies Code (KSH) by transferring all assets and liabilities of Euro Bank (the acquired bank) to Bank Millennium (the acquiring bank), without increasing the share capital of Bank Millennium.

In accordance with the Merger, existing, dematerialized shares of Bank Millennium ("Merger Shares") were allocated to the minority shareholders of Euro Bank. The shares were purchased on Warsaw Stock Exchange S.A. in the secondary trading, by Millennium Dom Maklerski S.A. [Millennium Brokerage House], by the order of Bank Millennium, pursuant to art. 515 § 2 of the Commercial Companies Code.

The following share exchange parity has been determined in the Merger Plan: in exchange for 1 (one) share of Euro Bank, a minority shareholder of Euro Bank received 4.1 Merger Shares.

As a result of the Legal Merger performed 1st October 2019, Bank Millennium assumed all the rights and obligations of Euro Bank, and Euro Bank was dissolved without liquidation proceedings and its entire assets were transferred to Bank Millennium. The merger took place on the day of its entry into the register of entrepreneurs of the National Court Register of Bank Millennium.

The merged Bank operates under the name Bank Millennium S.A. based on the provisions of the Act of 15 September 2000 - Code of Commercial Companies ("KSH").

The merger was performed based on already obtained appropriate consents and permits required by law, i.e.:
(i) - permission of the Polish Financial Supervision Authority ("PFSA") for the Merger, pursuant to art. 124 paragraph 1 of the Act of 29 August 1997 - Banking Law ("Banking Law");
(ii) - permission of the PFSA to amend the Statute of Millennium Bank pursuant to art. 34 paragraph 2 of the Banking Law.

Provisional Transaction settlement

Transaction settlement was performed applying the acquisition method, in accordance with the International Financial Reporting Standard 3 "Business combinations" ("IFRS"), which requires, among others, recognition and measurement of identifiable assets acquired, and liabilities assumed measured at fair value as at the acquisition date, and any non-controlling interest in the acquired entity (if any) and separate recognition and measurement of goodwill or gain on bargain purchase.

Considering that acquiring control over Euro Bank S.A. occurred on 31 May 2019, the provisional settlement of the Transaction was based on the data from the acquired company as at that date, considering the adjustments required by IFRS 3. The zloty to euros conversion rate used was the reference rate as at 31 May 2019, i.e. 4.2812.

As part of the transaction, the Group identified non-controlling interests amounting to 0.2% of the total value of Euro Bank shares. Bank Millennium acquired 26,240 shares of the Bank, constituting 0.00216302% of its share capital, which were then offered as merging shares to authorized shareholders of Euro Bank other than the Bank. The average purchase price of one merger share was PLN 5.939842, and the total price, representing the total cost of purchasing the merger shares, was PLN 156.000.

During the settlement of merger, in which the Group acts as the acquirer, the acquisition method of acquisition is applied, according to IFRS 3 "Business Combinations".

In case of each acquisition, the acquirer and the acquisition date are determined. Acquisition date is the date when the entity acquired control over the entity being acquired. In addition, the acquisition method requires recognition and measurement of identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquired entity, as well as recognition and measurement of goodwill or bargain purchase gain. The acquirer measures the identifiable assets acquired and liabilities assumed at their fair values as at the acquisition date.

If the net amount of fair values of identifiable assets acquired and liabilities assumed exceeds the fair value of the consideration transferred, the Group, as the acquirer, recognizes the gain on bargain purchase in profit or loss. Before recognizing the gain from a bargain purchase, the Group reassesses whether all the acquired assets and liabilities assumed have been correctly identified and all additional assets and liabilities have been recognized.

If the value of the consideration transferred, measured at fair value as at the acquisition date, exceeds the net value of fair values of identifiable acquired assets and liabilities assumed as at the acquisition date, the goodwill is recognized. The determined value of goodwill is not subject to amortization, but at the end of each financial year and whenever there are impairment triggers identified, it is tested for impairment.

The profit and loss account of the Group includes the result generated by Euro Bank since the purchase of shares, i.e. from 31 May 2019 until the legal merger on 1 October 2019.

Payment transferred in the acquired entity

	Identifiable assets acquired and liabilities assumed measured at fair value	
	thousands of zloty	thousands of euros
Price transferred in accordance with the Agreement	1,833,000	428,151
Preliminary price adjustment	(16,455)	(3,844)
Price after adjustment	1,816,545	424,307

Payments for shares was a cash payment.

The preliminary price adjustment results from the changes and detailed arrangements made in accordance with the provisions of the Transaction Agreement and has not been settled yet as at 31 December 2019.

The Group made a provisional settlement of the merger and calculation of goodwill in connection with the purchase of Euro Bank S.A. shares. In accordance with the requirements of IFRS 3, The Group will perform the final settlement of the acquisition within a maximum period of one year from the date of acquiring the control (31 May de 2019). During this time, the acquirer may adjust retrospectively the provisional fair values of assets and liabilities recognized as at the acquisition date to reflect any new information obtained in relation to facts and circumstances that existed as at the acquisition date and, if known, would affect the measurement of those assets and liabilities. Such adjustments refer to the recognized goodwill or gain on bargain purchase.

This provisional purchase price allocation has been prepared by the Bank's Management Board based on calculations resulting from the concluded Transaction Agreement. The final settlement in accordance with the terms of the Transaction Agreement will, however, be subject to final arrangements between Bank Millennium and SG Financial Services Holdings, disposing the shares of Euro Bank S.A.

Recognition and measurement of identifiable assets acquired liabilities assumed measured in accordance with IFRS

The following data regarding the fair value measurement of the acquired assets and assumed liabilities were based on the identification from the point of view of Bank Millennium and the adopted assumptions regarding the materiality threshold.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	million of zloty	million of euros
Assets		
Cash and deposits at Central Banks	242	57
Loans and advances to credit institutions repayable on demand	85	20
Financial assets at amortised cost		
Loans and advances to customers	12,594	2,942
Financial assets at fair value through profit or loss		
Financial assets not held for trading mandatorily at fair value through profit or loss	18	4
Financial assets at fair value through other comprehensive income	1,385	324
Other tangible assets	113	26
Goodwill and intangible assets	49	11
Deferred tax assets	135	32
Other assets	72	16
Total Assets	14,693	3,432
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	4,087	955
Resources from customers	7,975	1,863
Non subordinated debt securities issued	506	118
Subordinated debt	100	23
Hedging derivatives	6	1
Provisions	1	-
Other liabilities	364	85
Total Liabilities	13,039	3,045
Total Equity	1,654	386

Both the balance sheet amounts of Euro Bank S.A. as at 31 May 2019, as well as the amount of fair value adjustment of these items may change in the course of final transaction settlement what may affect the value of goodwill recognised within the Transaction.

The adjustments to the fair value for temporary differences constituted the basis for the calculation of deferred tax (recognised in the amount of PLN 33,800,000 (Euros 7,895,000)).

The portfolio of loans and advances to customers acquired as part of the Transaction related to the purchase of shares of Euro Bank S.A. as at the acquisition date, measured at fair value, was presented in the financial statements in net value.

Fair value measurement methods

Performing loans and advances to customers

The portfolio of loans and advances to customers acquired as part of the Transaction related to the purchase of shares of Euro Bank S.A. was measured at fair value as at the acquisition date in accordance with the requirements of IFRS 3 and IFRS 13. The fair value was determined using the present value technique of discounting future cash flows resulting from the acquired assets, considering expectations on possible fluctuations in the amount and timing of cash flows, the time value of cash flows and other factors that market participants would consider in similar circumstances.

The measurement of portfolio components was based on the following assumptions:

1. For each asset, the parameterization of the valuation model was determined based on its individual characteristics. For assets included in stage 1, contractual future cash flows were subject to provision for the effect of prepayments. In the absence of contractual cash flows, future capital flows were estimated based on the pace of debt repayment resulting from the statistical-behavioural model. For the exposures in stage 1, the real capital and interest flows were subject to adjustment for the impact of credit risk parameters.

2. Future interest flows for performing loans were determined based on the curve of forward rates for components related to the variable rate. Future values of the variable rate were determined on the basis of a yield curve constructed from financial instruments indexed to a given reference rate.

3. For performing loans with a payment schedule in the valuation model, contractual cash flows were subject to adjustment for prepayment factors.

4. For performing loans without contractual maturity date, future cash flows were estimated in the behavioural life cycle of the product. This concerned the portfolio of credit cards and the portfolio of current account limits.

5. For performing loans, capital-interest cash flows determined in previous steps were subject to adjustment for the PD and LGD parameter vectors throughout the lifetime of the exposure. In this way, the impact of credit risk on fair value was taken into account in the valuation model for exposures included in stage 1.

6. The fair value of the exposure was determined by discounting the expected future cash flows. The discount rate components were the following: zero-coupon rate derived from the right yield curve, capital cost overhead and margin component, representing all cost-revenue elements for given product groups, not included under other parameters of the valuation model, e.g.: liquidity margin, administrative costs, residual profit margin required on the market.

7. The zero-coupon rate, being an element of the discount rate, was based on the swap curve appropriate for the currency of the contract.

8. The market cost of capital was determined using the CAPM model and the risk weights assigned to individual asset components.

9. The margin component was determined based on newly granted loans with similar characteristics on the market. The margin was determined numerically for each exposure group, homogeneous in terms of factors identified as affecting the valuation.

IT systems

Fair value of IT systems acquired as part of the Transaction related to the purchase of Euro Bank S.A. shares was determined as follows:

1. Assuming market depreciation rates (5 years for main systems and 3 years for other systems), the net value of systems was calculated. The calculation was based on the assumption that the market rates would be effective from the moment of acquisition of a particular IT system for use.

2. For the 20 systems that are the largest in terms of net values as at the acquisition date, an individual valuation was performed from the perspective of the average market participant.

3. IT systems that were classified as intangible assets under construction as at the acquisition date were measured from the market participant's perspective and their value was determined depending on the decision whether to continue individual projects. For projects that the market participant would have continued in similar circumstances, the capitalized cost was assumed as it accurately reflects the current value and progress of the work. In case of IT systems, which usage will not be continued and additionally due to the specificity of the systems there is no possibility of their sale, the fair value is considered to be null value.

Property, plant and equipment

For all fixed assets containing Euro Bank trademarks and logo the fair value was considered to be null. Fair value of assets classified as leasehold improvements related to adaptation and modernization of space in premises aimed at adapting them to Euro Bank standards (logo etc.) was considered an amortization of 10-month in accordance with market depreciation rates. The remaining fixed assets were measured at the net value, assuming market depreciation rates from the moment these assets are available for use.

Relations with clients in the area of deposits and loans

Relationships with clients holding a CDI (core deposit intangible) have been determined using the favourable source of funds method, as the current value of the difference between the lower cost of financing the acquired savings accounts and the higher alternative cost of financing operations (including interest costs and costs administrative burden) that the Bank would have to incur if it did not have a portfolio of such accounts. For each year of the cash flow forecast, considering the estimated rate of customer outflow, the difference between the alternative financing cost and the cost of the acquired accounts is calculated, and is discounted using an adequate discount rate.

Relations with customers who have credit accounts have been estimated using the Multi-Period Excess Earning Method (MEEM). The value of the relationship is determined based on the current value of discounted future cash flows resulting from additional income generated for the Bank having a given intangible asset, after taking into account the rate of departure customers, costs and encumbrances on capital assets.

The discount rate applied to value customer relationships takes into account the time value of money, the cost of equity and bonuses for specific risks identified in the relationship. The cost of the Bank's equity is determined in accordance with the CAMP model (Capital Asset Pricing Model).

The estimated value of CDI was considered irrelevant, mainly due to the relatively high interest rate on the acquired savings accounts and the possibility of alternative financing of the Bank at a relatively low margin. Due to the above, CDI did not meet the disclosure criterion as a separate asset related to the acquisition. With exception of cash loans there were also no significant relationships with customers having credit products, mainly due to the relatively low level of additional revenues generated by these products, in relation to the corresponding costs of risk, administrative costs and capital charges.

Lease/rental agreements

The conditions included in signed agreements regarding the rental of office space for the needs of branches and headquarters were compared to the conditions of the agreements currently concluded in the market with relation to office areas of a similar area and location. The difference between the rental rate of the acquired branches and headquarters and rental rate of similar areas available on the market was calculated. The amount of the difference was discounted by the discount rate of Millennium Bank, applied for the models of assets measurement under IFRS 16 for the period remaining until the completion of individual contracts. The value of unfavourable agreements adjusted the book value of lease assets' right of use.

Guarantee agreement regarding CHF Mortgage loans portfolio

Fair value of the guarantee determined using income method was estimated as present value of future cash flows expected to be received from Societe Generale S.A. to cover losses related to acquired CHF Mortgage loans portfolio resulting from the future defaults or from the cost of risk of already defaulted loans. In the valuation the value of market spread paid for the similar financial instruments was considered.

Other adjustments

Other adjustments to fair value and the so-called adjustments of net assets resulting from the adjustments to accounting principles concerned, among others, unification of bonds and derivatives measurement, as well as write-off of some other assets items. The determination of the fair value of the assets and liabilities acquired and the identification and recognition of intangible assets resulting from the acquisition were based on the available information and the best estimates as at the date of preparation of the financial statements.

Calculation of goodwill

As at the date of the present report, the Bank did not complete the process of calculating goodwill as at 31 May 2019.

The purchase price allocation performed as at 31 May 2019 shall be considered as provisional and may be subject to changes if the Bank acquires new information as at 31 May 2019, which are not known at the date of preparation of the annual consolidated financial statements for 2019. In accordance with IFRS 3.45, the maximum period for making changes to the purchase price allocation expires after 12 months from the date of the acquisition, i.e. on 31 May 2020. Any changes will be made retrospectively (i.e. they will be recognized in other comprehensive income). The currently determined difference of the fair value of acquired assets and assumed liabilities at the acquisition date over the purchase price is recognized by the Group in accordance with the provisions of IFRS 3.32 as goodwill in intangible assets, which resulted in a significant increase in this item in the consolidated balance sheet.

	Identifiable assets acquired and liabilities assumed measured at fair value	
	thousands zloty	thousands euros
Price transferred in accordance with the Agreement	1,833,000	428,151
Preliminary price adjustment	(16,455)	(3,844)
Price after adjustment	1,816,545	424,307
Fair value of acquired net assets	1,653,788	386,291
Exchange differences	-	263
Goodwill	162,757	38,280

As at the balance sheet date, no impairment allowances for goodwill were recognised in intangible assets.

The difference between the book value of the acquired assets and liabilities of Euro Bank S.A. and their fair value measurement will be subject to settlement through the profit or loss account - in the economic life of the individual components of the assets and liabilities acquired.

Additional disclosures

The Capital Group's profit or loss account, presented as if the acquisition date was the beginning of the reporting period, i.e. on 1 January 2019 is presented below. This data is for reference purposes only, in fact the Group's profit and loss account includes the Euro Bank's result from the date of the merger made on consolidation level (31 May 2019) to Legal Merger performed 1 October 2019.

	2019	
	thousands zloty	thousands euros (*)
Interest and similar income	3,747,541	875,081
Interest expense and similar charges	(1,024,294)	(239,181)
NET INTEREST INCOME	2,723,247	635,900
Dividends from equity instruments	3,240	757
Net fees and commissions income	718,043	167,669
Net gains / (losses) from financial operations at fair value through profit or loss	136,855	31,957
Net gains / (losses) from foreign exchange	165,942	38,749
Net gains / (losses) from hedge accounting operations	(20,008)	(4,672)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(2,378)	(555)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	40,952	9,563
Other operating income / (losses)	(422,737)	(98,712)
TOTAL OPERATING INCOME	3,343,156	780,656
Staff costs	938,688	219,191
Other administrative costs	630,687	147,270
Amortisations and depreciations	209,467	48,912
TOTAL OPERATING EXPENSES	1,778,842	415,373
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,564,314	365,283
Impairment for financial assets at amortised cost	(462,561)	(108,012)
Impairment for other assets	(1,163)	(272)
Other provisions	(224,071)	(52,322)
NET OPERATING INCOME	876,519	204,674
Gains / (losses) arising from sales of subsidiaries and other assets	(9,047)	(2,113)
NET INCOME BEFORE INCOME TAXES	867,472	202,561
Income taxes		
Current	(342,921)	(80,075)
Deferred	56,723	13,245
NET INCOME FOR THE YEAR	581,274	135,731

(*) exchange rate PLN /EUR = 4,28250833

61. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 December 2019, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco ActivoBank, S.A.	Lisbon	64,500,000	EUR	Banking	100.0	100.0	100.0
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0	100.0	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	1,000,000	EUR	Venture capital	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	5,000	EUR	Holding company	100.0	100.0	100.0
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	31,000,785	EUR	Financial	100.0	100.0	–
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	56,762,559	BRL	Financial Services	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	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	100.0	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	96.4	96.0	88.2
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100.0	100.0	100.0
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	50.1	–
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100.0	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	50.1	–
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	50.1	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–
Piast Expert Sp. z o.o (in liquidation)	Tychy	100,000	PLN	Marketing services	100.0	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	44,919,000	EUR	Real-estate management	100.0	100.0	100.0

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Setelote - Aldeamentos Turísticos S.A.	Oeiras	400,000	EUR	Real-estate company	90.0	90.0	–
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100.0	100.0	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100.0	100.0	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–

During 2019, the Group sold the Planfipsa Group and settled Imabida - Imobiliaria da Arrabida, S.A., Servitrust - Trust Management Services S.A., Irgossai - Urbanizacao e Construcao, S.A. Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A. and MB Finance. As referred in note 48, Euro Bank was merdeg with Bank Millennium (Poland) and Banco de Investimento Imobiliario, S.A. with Banco Comercial Português, S.A. .

As at 31 December 2019, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B), were as follows:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	2,732,623	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	90,295,185	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	3,336,555,200	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,320,959	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	780,089	EUR	Real estate investment fund	100.0	100.0	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	18,307,000	EUR	Venture capital fund	100.0	100.0	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,834,000	EUR	Real estate investment fund	100.0	100.0	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	67,691,000	EUR	Real estate investment fund	100.0	100.0	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,404,600	EUR	Real estate investment fund	100.0	100.0	100.0

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0	100.0	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	8,860,000	EUR	Real estate investment fund	54.0	54.0	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real estate investment fund	100.0	100.0	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,200,000	EUR	Real estate investment fund	63.3	63.3	63.3
Predicapital – Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	83,615,061	EUR	Real estate investment fund	60.0	60.0	60.0

(*) - Company classified as non-current assets held for sale.

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 B), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 31 December 2019, the Special Purpose Entities included in the consolidated accounts under the full consolidation method are as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4	82.4	82.4

In October of 2019, the Special Purpose Entity - Magellan Mortgages No.2 Limited, was reimbursed.

As at 31 December 2019, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	295,000,000	MZN	Insurance	92.0	61.4	–

As at 31 December 2019, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	155,054,747	EUR	Banking	19.8	19.8	19.8
Beiranave Estaleiros Navais Beira SARL	Beira	2,850,000	MZN	Naval shipyards	22.8	14.0	–
Cold River's Homestead, S.A.	Lisbon	36,838,000	EUR	Agricultural and livestock products, services, animation and rural tourism	50.0	50.0	50.0
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.3	–
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	Setúbal	744,231	EUR	Trade and industry of sea products	35.0	35.0	–
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3	33.3	33.3
Projepolska, S.A.	Cascais	9.424.643	EUR	Real-estate company	23.9	23.9	23.9
Science4you S.A.	Oporto	517,296	EUR	Production and trade of scientific toys	28.2	28.2	–
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3	21.9	–
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	0.5
Webspectator Corporation	Delaware	950	USD	Digital advertising service	25.1	25.1	25.1

The Group sold in 2019, the investments held in the associated companies Mundotêxtil - Indústrias Têxteis, S.A and Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A. The company Science4you S.A. was included in the consolidated accounts.

As at 31 December 2019, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Holding company	49.0	49.0	49.0
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

62. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 AA), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

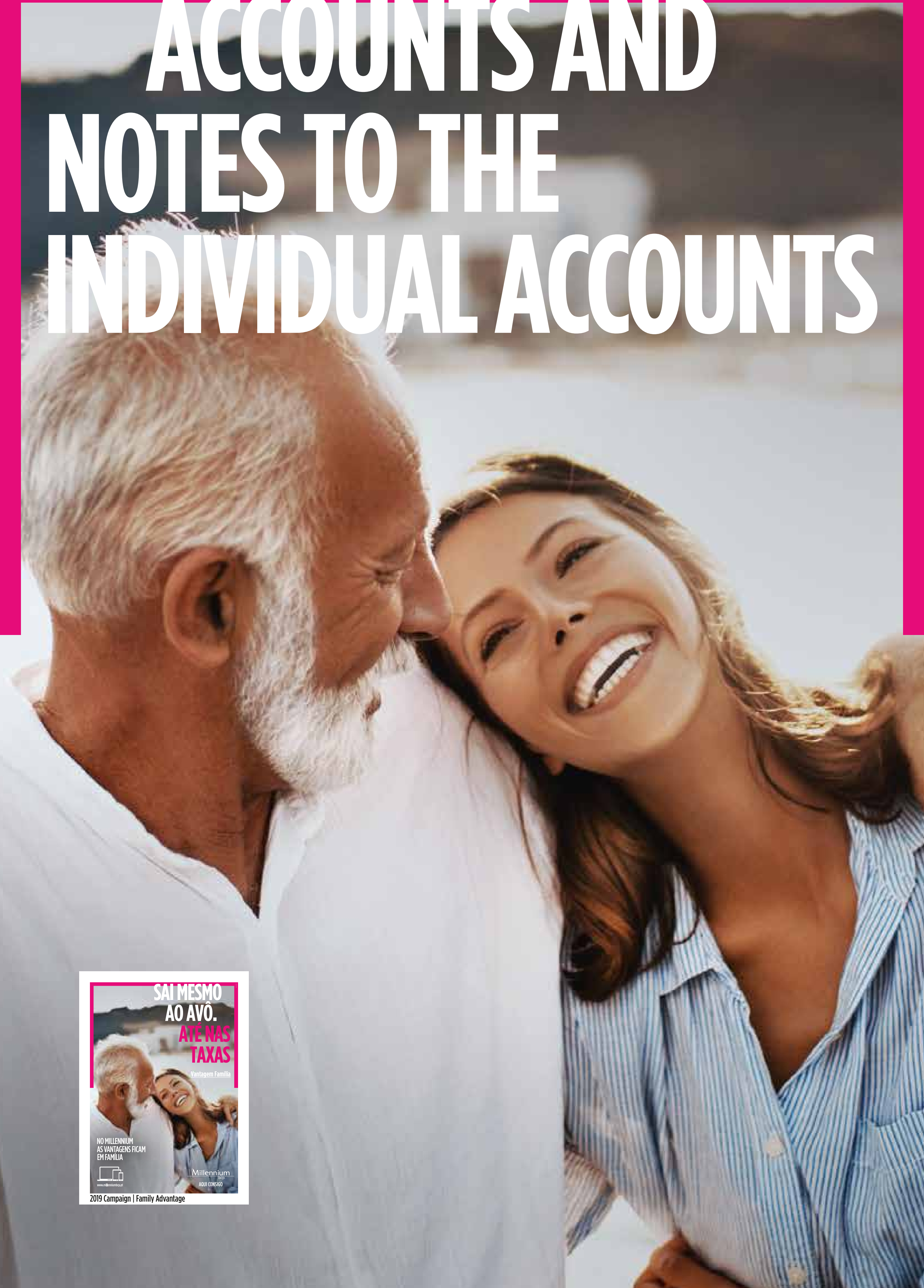
Covid - 19

Covid-19 has affected a large number of countries, infecting thousands of people worldwide. Available data suggests their numbers will continue to rise. Given the trend and pace of developments globally, and particularly in some Euro-zone economies, it is too early to make a reliable projection of the total impacts that could materialise. However, international and multilateral organisations, as well as rating agencies, have revised down their projections for the growth of the European and World economies in 2020.

In this context, the Bank has 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.

Depending on how long these disruptive impacts persist, and on their intensity, the Group´s activity and profitability will suffer to a greater or a lesser extent. Based on all available data, including the capital and liquidity situation, as well as the value of the assets, in management´s opinion, the going concern basis which underlies these financial statements continues to apply.

ACCOUNTS AND NOTES TO THE INDIVIDUAL ACCOUNTS



2019 Campaign | Family Advantage

SEPARATE INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Notes	2019	2018 (*)
Interest and similar income	2	944,520	950,530
Interest expense and similar charges	2	(152,522)	(171,625)
NET INTEREST INCOME		791,998	778,905
Dividends from equity instruments	3	19,677	223,351
Net fees and commissions income	4	467,552	448,473
Net gains / (losses) from foreign exchange	5	13,626	24,512
Net gains / (losses) from hedge accounting operations	5	(968)	1,364
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(9,447)	(48,921)
Net gains / (losses) from financial operations at fair value through profit or loss	5	(42,540)	(38,750)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	94,578	12,895
Other operating income / (losses)	6	(42,255)	(36,673)
TOTAL OPERATING INCOME		1,292,221	1,365,156
Staff costs	7	401,052	376,879
Other administrative costs	8	196,526	229,887
Amortisations and depreciations	9	70,528	32,441
TOTAL OPERATING EXPENSES		668,106	639,207
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		624,115	725,949
Impairment for financial assets at amortised cost	10	(277,097)	(387,155)
Impairment for financial assets at fair value through other comprehensive income	11	2,180	788
Impairment for other assets	12	(90,383)	(214,591)
Other provisions	13	994	(60,544)
NET OPERATING INCOME		259,809	64,447
Gains / (losses) arising from sales of subsidiaries and other assets	14	27,201	30,929
NET INCOME BEFORE INCOME TAXES		287,010	95,376
Income taxes			
Current	27	11,393	(3,199)
Deferred	27	(159,107)	(32,910)
NET INCOME FOR THE YEAR		139,296	59,267
Earnings per share (in Euros)			
Basic	15	0.007	0.004
Diluted	15	0.007	0.004

(*) The balances for the year ended 31 December 2018 are presented for comparative purposes only, and the respective restatement has not been carried out following the merger by incorporation of Banco de Investimento Imobiliário S.A. into Banco Comercial Português, S.A., with reference to 1 January 2019, as note 53.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Notes	2019	2018 (*)
NET INCOME FOR THE YEAR		139,296	59,267
ITEMS THAT MAY BE RECLASSIFIED TO THE			
INCOME STATEMENT	39		
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the year		188,298	2,514
Reclassification of (gains) / losses to profit or loss		(94,578)	(12,895)
Cash flows hedging			
Gains / (losses) for the year		42,929	87,464
Fiscal impact		(44,959)	(24,127)
		91,690	52,956
ITEMS THAT WILL NOT BE RECLASSIFIED TO			
THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the ye	39	(19,387)	(959)
Changes in credit risk of financial liabilities at			
fair value through profit or loss	39	(4,019)	2,193
Actuarial gains / (losses) for the year (note 45)	45	(281,760)	(97,406)
Fiscal impact		(43,781)	(8,286)
		(348,947)	(104,458)
Other comprehensive income / (loss) for the year		(257,257)	(51,502)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(117,961)	7,765

(*) The balances for the year ended 31 December 2018 are presented for comparative purposes only, and the respective restatement has not been carried out following the merger by incorporation of Banco de Investimento Imobiliário S.A. into Banco Comercial Português, S.A., with reference to 1 January 2019, as note 53.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Notes	2019	2018 (*)
ASSETS			
Cash and deposits at Central Banks	16	4,049,676	1,682,922
Loans and advances to credit institutions repayable on demand	17	126,050	186,477
Financial assets at amortised cost			
Loans and advances to credit institutions	18	514,309	2,044,730
Loans and advances to customers	19	32,386,351	30,988,338
Debt securities	20	2,448,401	2,641,291
Financial assets at fair value through profit or loss			
Financial assets held for trading	21	642,358	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	21	1,444,772	1,589,899
Financial assets designated at fair value through profit or loss	21	31,496	33,034
Financial assets at fair value through other comprehensive income	21	8,078,870	6,996,892
Hedging derivatives	22	34,990	92,891
Investments in subsidiaries and associated companies	23	3,135,649	3,147,973
Non-current assets held for sale	24	929,066	1,252,654
Other tangible assets	25	395,770	220,171
Intangible assets	26	40,822	29,683
Current tax assets		8,984	18,375
Deferred tax assets	27	2,584,903	2,782,536
Other assets	28	1,094,337	946,549
TOTAL ASSETS		57,946,804	55,350,167
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	29	8,181,865	8,372,537
Resources from customers	30	36,492,065	34,217,917
Non subordinated debt securities issued	31	1,496,508	1,198,767
Subordinated debt	32	1,125,053	825,624
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	33	269,166	295,695
Financial liabilities at fair value through profit or loss	34	3,201,310	3,603,647
Hedging derivatives	22	121,474	68,486
Provisions	35	260,446	313,868
Current tax liabilities		1,480	1,620
Other liabilities	36	904,997	860,843
TOTAL LIABILITIES		52,054,364	49,759,004
EQUITY			
Share capital	37	4,725,000	4,725,000
Share premium	37	16,471	16,471
Other equity instruments	37	400,000	2,922
Legal and statutory reserves	38	240,535	264,608
Reserves and retained earnings	39	371,138	522,895
Net income for the year		139,296	59,267
TOTAL EQUITY		5,892,440	5,591,163
TOTAL LIABILITIES AND EQUITY		57,946,804	55,350,167

(*) The balances for the year ended 31 December 2018 are presented for comparative purposes only, and the respective restatement has not been carried out following the merger by incorporation of Banco de Investimento Imobiliário S.A. into Banco Comercial Português, S.A., with reference to 1 January 2019, as note 53.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	2019	2018 (*)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	862,967	879,972
Commissions received	619,570	601,125
Fees received from services rendered	66,109	57,851
Interests paid	(140,801)	(183,261)
Commissions paid	(103,311)	(102,213)
Recoveries on loans previously written off	8,691	9,371
Payments (cash) to suppliers and employees (**)	(693,597)	(699,393)
Income taxes (paid) / received	20,980	(1,014)
	640,608	562,438
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(9,637)	(792,579)
Loans and advances to customers receivable / (granted)	(394,595)	(433,205)
Short term trading account securities	140,370	25,050
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(171,359)	58,957
Deposits from credit institutions with agreed maturity date	(1,237,613)	511,420
Loans and advances to customers repayable on demand	2,986,683	2,637,611
Deposits from customers with agreed maturity date	(1,591,066)	(848,892)
	363,391	1,720,800
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies	13	99,000
Acquisition of shares in subsidiaries and associated companies	(1,017)	(47,000)
Dividends received	16,670	223,351
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	69,634	63,314
Sale of financial assets at fair value through other comprehensive income and at amortised cost	17,420,488	5,043,584
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(17,438,490)	(8,744,413)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	1,115,291	1,609,212
Acquisition of tangible and intangible assets	(51,137)	(46,750)
Sale of tangible and intangible assets	1,293	97
Decrease / (increase) in other sundry assets	(320,702)	520,059
	812,043	(1,279,546)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	450,000	-
Reimbursement of subordinated debt	(129,086)	(91,460)
Issuance of debt securities	833,225	379,962
Reimbursement of debt securities	(151,878)	(437,711)
Issuance of commercial paper and other securities	238,839	23,204
Reimbursement of commercial paper and other securities	(171,641)	(108,930)
Issuance of perpetual subordinated bonds (Additional Tier 1) (note 43)	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)	(149)
Dividends paid of perpetual subordinated bonds (Additional Tier 1)	(27,750)	-
Increase / (decrease) in other sundry liabilities (***)	(273,843)	215,106
	1,130,893	(19,978)
Net changes in cash and equivalents	2,306,327	421,276
Cash (note 16)	355,745	337,534
Deposits at Central Banks (note 16)	1,327,177	954,129
Loans and advances to credit institutions repayable on demand (note 17)	186,477	156,460
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,869,399	1,448,123
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 END OF THE YEAR	4,175,726	1,869,399

(*) The balances for the year ended 31 December 2018 are presented for comparative purposes only, and the respective restatement has not been carried out following the merger by incorporation of Banco de Investimento Imobiliário S.A. into Banco Comercial Português, S.A., with reference to 1 January 2019, as note 53.
(**) In 2019, this balance includes the amount of Euros 541,000 related to short-term lease contracts and the amount of Euros 1,540,000 related to lease contracts of low value assets.
(***) In 2019, this balance includes the amount of 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 STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(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 2017	5,600,738	16,471	2,922	252,806	(61,691)	118,021	5,929,267
Transition adjustments IFRS 9							
Gross value	-	-	-	-	(174,559)	-	(174,559)
Taxes	-	-	-	-	(170,648)	-	(170,648)
	-	-	-	-	(345,207)	-	(345,207)
BALANCE AS AT 1 JANUARY 2018	5,600,738	16,471	2,922	252,806	(406,898)	118,021	5,584,060
Net income for the year	-	-	-	-	-	59,267	59,267
Other comprehensive income	-	-	-	-	(51,502)	-	(51,502)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	(51,502)	59,267	7,765
Results aplications:							
Legal reserve (note 38)	-	-	-	11,802	-	(11,802)	-
Transfers for Reserves and retained earnings	-	-	-	-	106,219	(106,219)	-
Share capital reduction (note 37)	(875,738)	-	-	-	875,738	-	-
Costs related to the share capital decrease	-	-	-	-	(41)	-	(41)
Dividends from other equity instruments	-	-	-	-	(149)	-	(149)
Merger reserve (Enerparcela and Sadamora)	-	-	-	-	(472)	-	(472)
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 aplications (note 43):							
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 (note 43)	-	-	-	-	(30,228)	-	(30,228)
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)
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	(3,675)	-	(3,675)
Taxes on interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	19	-	19
Reimbursed of perpetual subordinated debt securities (note 37)	-	-	(2,922)	-	-	-	(2,922)
Reversal of deferred tax assets related with expenses with the capital increase	-	-	-	-	(3,652)	-	(3,652)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	2	-	2
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

(*) The balances for the year ended 31 December 2017 consider the alignment with the new presentation requirements established by IFRS 9. These balances are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2018, as allowed by IFRS 9 (note 51).

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 2019 and 2018.

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 26 March 2020 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 2019 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 2019. The accounting policies are consistent with those used in the preparation of the financial statements of the previous period, except for the changes resulting from the adoption of the following standard with reference to 1 January 2019: IFRS 16 – Leases. This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases.

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 being recognised on 1 January 2019. This way, comparative information will not be 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.

The impacts arising from the implementation of IFRS 16 with reference to 1 January 2019, as well as the reconciliation between the balance sheet at 31 December 2018 and the balance sheet at 1 January 2019, in accordance with IFRS 16, are detailed in note 52. Application of IFRS 16 – Leases. The balances included in the financial statements as at 31 December 2018 are presented for comparative purposes only.

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 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:

i) "Financial assets at amortised cost";
ii) "Financial assets at fair value through other comprehensive income"; or,
iii) "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 off-balance 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

	Stage 1	Stage 2	Stage 3
	Changes in credit risk since the initial recognition		
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

Customers who meet at least one of the following criteria are 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).

It is 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.

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

As at 31 December 2019, 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 2018, the Bank had three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.2, 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)

As described in note 1.A, 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 it is assessed the date in which the contract is enforceable. 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, as referred in note 52, 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 agreement entered with the two collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group.

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, banks' 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.

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 2019, 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 2019, 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 key management members, approved by the Nomination and Remuneration Committee and, in the case of members of the Executive Committee, by the Remuneration and Welfare Board, for 2018 and for the following years, with the changes that may be approved in each financial year.

As defined in the referred remuneration policy, 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, which is proposed for the Remuneration and Welfare Board's approval by the Nomination and Remuneration Committee. The payment of the amount of the variable remuneration attributed is subject to a deferral period for 50% of its value, being the amounts paid in 2019 and following years, relating to the deferred portion, 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 on the date of the respective payment.

For employees considered key management members, and in accordance with accounting policy S4, the payment of the value of the variable remuneration attributed, approved by the Nomination and Remuneration Committee as proposed by the Executive Committee, is subject to a deferral period for 50% of its value, being the amounts paid in 2019 made 100% in cash and in the following years, regarding the deferred part, paid 100% in BCP shares. The number of BCP shares to be attributed results from their valuation at a price defined in accordance with the approved remuneration policy.

Employees considered key management members are not covered by commercial incentive 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 key management members 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, for 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 total variable remuneration to be attributed, each year, to each member of the Executive Committee and to the employees considered key management members, 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 resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that these taxes will be paid or recovered in the future.

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

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

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

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

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

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

The 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 2019 and 2018, 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 non-occurrence 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. 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.

For 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.

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 2019, 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.

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 valuations carried out by independent experts, which incorporate several assumptions, namely on the evolution of the real estate market, better use of the real estate, and when applicable, expectations regarding the development of real estate projects, and also considers the Bank's intentions 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.

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.

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. The probability of default 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.

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.

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)

	2019	2018
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	(2,864)	(1,213)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	25,583	18,568
Loans and advances to customers	768,404	772,993
Debt instruments	42,492	46,593
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,524	1,611
Derivatives associated to financial instruments at fair value through profit or loss	7,322	14,149
Financial assets not held for trading mandatorily at fair value through profit or loss	5,000	5,900
Financial assets designated at fair value through profit or loss	1,115	2,191
Interest on financial assets at fair value through other comprehensive income	55,575	47,540
Interest on hedging derivatives	34,827	34,532
Interest on other assets	5,542	7,666
	944,520	950,530
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(24,192)	(18,713)
Resources from customers	(48,518)	(58,908)
Non subordinated debt securities issued	(19,427)	(19,163)
Subordinated debt	(30,015)	(39,775)
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	(3,628)	(3,242)
Financial liabilities at fair value through profit or loss		
Resources from customers	(3,512)	(13,175)
Non subordinated debt securities issued	(3,783)	(5,963)
Interest on hedging derivatives	(14,410)	(11,017)
Interest on leasing	(3,556)	-
Interest on other liabilities	(1,481)	(1,669)
	(152,522)	(171,625)
	791,998	778,905

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 34,387,000 (2018: Euros 36,122,000) 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 3,195,000 and Euros 7,921,000 respectively (2018: Euros 10,722,000 and Euros 7,919,000 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 55,582,000 (31 December 2018: Euros 75,635,000) 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 29,308,000 (31 December 2018: Euros 31,026,000), as referred in note 19 and Euros 120,000 (31 December 2018: Euros 211,000), 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.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Dividends from financial assets through other comprehensive income	130	86
Dividends from subsidiaries and associated companies	19,547	223,265
	19,677	223,351

The balances Dividends from financial assets through other comprehensive income in 2019 and 2018 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 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. The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2018, the amounts of Euros 133,300,000, Euros 45,080,000, and Euros 22,945,000 related to the distribution of dividends from company BCP Investment B.V., the Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group) and the company Banco de Investimento Imobiliário, S.A., respectively.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Fees and commissions received		
From guarantees	43,961	47,263
From commitments	4,334	4,352
From banking services	258,900	244,301
From bancassurance	86,173	80,793
From securities operations	51,236	62,486
From management and maintenance of accounts	105,221	94,830
From other commissions	27,244	27,936
	577,069	561,961
Fees and commissions paid		
From guarantees received provided by third parties	(6,132)	(8,006)
From banking services	(84,568)	(77,615)
From securities operations	(6,585)	(6,117)
From other commissions	(12,232)	(21,750)
	(109,517)	(113,488)
	467,552	448,473

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	158,518	(117,889)
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(33,610)	(29,532)
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	(167,448)	108,671
	(42,540)	(38,750)
Net gains / (losses) from foreign exchange	13,626	24,512
Net gains / (losses) from hedge accounting	(968)	1,364
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(9,447)	(48,921)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	94,578	12,895
	55,249	(48,900)

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

(Thousands of euros)

	2019	2018
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	1,591	10,141
Equity instruments	170	947
Derivative financial instruments	389,530	231,942
Other operations	1,016	1,313
	392,307	244,343
Losses		
Debt securities portfolio	(1,219)	(6,408)
Equity instruments	(135)	(1,436)
Derivative financial instruments	(232,136)	(353,593)
Other operations	(299)	(795)
	(233,789)	(362,232)
	158,518	(117,889)
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Debt securities portfolio	38,572	45,799
Losses		
Debt securities portfolio	(72,182)	(75,331)
	(33,610)	(29,532)

(continues)

(continuation)

(Thousands of euros)

	2019	2018
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	46	5,324
Debt securities issued		
Certificates and structured securities issued	37,749	127,029
Other debt securities issued	1,802	23,725
	39,597	156,078
Losses		
Debt securities portfolio	(1,897)	(6,404)
Resources from customers	(1,456)	-
Debt securities issued		
Certificates and structured securities issued	(197,518)	(40,265)
Other debt securities issued	(6,174)	(738)
	(207,045)	(47,407)
	(167,448)	108,671
	(42,540)	(38,750)

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)

	2019	2018
Net gains / (losses) from foreign exchange		
Gains	43,204	77,453
Losses	(29,578)	(52,941)
	13,626	24,512
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	26,985	66,430
Hedged items	116,950	21,338
	143,935	87,768
Losses		
Hedging derivatives	(135,503)	(81,917)
Hedged items	(9,400)	(4,487)
	(144,903)	(86,404)
	(968)	1,364
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	7,499	5,289
Debt securities portfolio	996	-
Debt securities issued	33	25
Others	19,303	23
	27,831	5,337
Losses		
Credit sales	(36,424)	(53,696)
Debt securities issued	(405)	-
Others	(449)	(562)
	(37,278)	(54,258)
	(9,447)	(48,921)

(continues)

(continuation)

(Thousands of euros)

	2019	2018
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	95,647	23,250
Losses		
Debt securities portfolio	(1,069)	(10,355)
	94,578	12,895
	97,789	(10,150)

In 2019, the balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 70,169,000 (31 December 2018: Euros 11,670,000) related to gains resulting from the sale of Portuguese Treasury bonds.

In 2019, the balance Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost – Gains – Others includes the amount of Euros 15,118,000 related to the sale of a series of credits to the Planfipsa Group, as referred in note 28.

In 2019, the balance Net gains / (losses) from hedge accounting includes a net gain of Euros 89,174,000 (31 December 2018: net gain of Euros 3,255,000) 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)

	2019	2018
Operating income		
Income from services	25,967	25,506
Cheques and others	8,708	9,021
Gains on leasing operations	3,949	3,406
Rents	1,697	1,702
Other operating income	15,097	13,559
	55,418	53,194
Operating costs		
Taxes	(14,248)	(11,905)
Donations and contributions	(3,616)	(2,971)
Contribution over the banking sector	(31,675)	(30,422)
Resolution Funds Contribution	(15,893)	(11,151)
Contribution for the Single Resolution Fund	(18,697)	(19,926)
Contributions to Deposit Guarantee Fund	(94)	(95)
Losses on financial leasing operations	(80)	-
Other operating costs	(13,370)	(13,397)
	(97,673)	(89,867)
	(42,255)	(36,673)

The balance Contribution over the Portuguese 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 2019, the Bank delivered the amount of Euros 18,697,000 (2018: Euros 19,926,000) to the Single Resolution Fund. The total value of the contribution attributable to the Bank amounted to Euros 21,868,000 (2018: Euros 23,442,000) and the Bank opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,731,000 (2018: Euros 3,516,000), 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 2019 the total amount of irrevocable commitments constituted was Euros 13,860,000 (2018: Euros 10,129,000), 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)

	2019	2018
Remunerations	297,636	276,395
Mandatory social security charges		
Post-employment benefits (note 45)		
Service cost	(15,068)	(15,472)
Cost / (income) in the liability coverage balance	4,515	3,046
Cost with early retirement programs	18,537	19,302
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(684)	(380)
	7,300	6,496
Other mandatory social security charges	75,979	75,510
	83,279	82,006
Voluntary social security charges	10,283	9,046
Other staff costs	9,854	9,432
	401,052	376,879

The balance Remuneration includes the amount of Eurso 12,587,000 related to the distribution of profits to Bank's employees, as described in note 43.

As described in the policy accounting 1 S2, 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 Group recorded the impact of Euros 3,910,000 (of which Euros 1,619,000 refer to retroactive payments of 2018) in Personnel costs.

In 2019, the balance Other staff costs includes severance payments in the amount of Euros 9,650,000 (2018: Euros 9,001,000), of which the highest amounts to Euros 1,313,000 (2018: Euros 500,000).

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

	2019	2018
Top Management	970	968
Intermediary Management	1,609	1,620
Specific/Technical functions	2,918	2,859
Other functions	1,552	1,525
	7,049	6,972

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Outsourcing and independent labour	75,318	91,186
Rents and leases	6,134	27,717
Other specialised services	19,290	20,397
Communications	10,202	11,307
Information technology services	15,776	14,650
Maintenance and related services	8,225	7,528
Water, electricity and fuel	8,799	9,178
Advertising	7,887	9,487
Advisory services	15,170	6,775
Transportation	6,863	7,175
Legal expenses	4,215	5,326
Travel, hotel and representation costs	4,972	4,977
Insurance	2,518	2,685
Consumables	1,905	2,076
Credit cards and mortgage	1,160	1,247
Training costs	2,099	1,915
Other supplies and services	5,993	6,261
	196,526	229,887

The balance Rents and leases includes, in 2019, the amount of Euros 541.000 related to short-term lease contracts and the amount of Euros 1.540.000 related to lease contracts of low value assets, as described in the accounting policy 1 H and note 52. In 2018, the balance Rents and lease included the amount of Euros 25,741,000 related to rents paid regarding buildings used by the Bank as lessee, as described in accounting policy 1I.

Until 31 December 2018, in accordance with accounting policy 1H), under IAS 17, the Bank had various operating leases for properties and vehicles. The payments under these leases were recognised in the profit and loss during the life of the contract. As of 31 December 2018 the minimum future payments relating to operating leases not revocable, by maturity, were as follows:

(Thousands of euros)

	2018		
	Properties	Vehicles	Total
Until 1 year	16,484	95	16,579
1 to 5 years	11,102	76	11,178
Over 5 years	6,129	-	6,129
	33,715	171	33,886

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

(Thousands of euros)

	2019	2018
Auditing services		
Legal certification	2,363	1,920
Other assurance services	1,034	1,254
Other services	122	416
	3,519	3,590

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Intangible assets amortisations (note 26):		
Software	13,565	9,274
Other tangible assets depreciations (note 25):		
Properties	9,012	9,689
Equipment		
Computers	8,966	6,960
Security equipment	872	1,106
Installations	1,525	1,353
Machinery	339	293
Furniture	1,585	1,407
Motor vehicles	2,240	2,354
Other equipment	7	5
Right-of-use		
Real estate	32,380	-
Vehicles and equipment	37	-
	56,963	23,167
	70,528	32,441

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Loans and advances to credit institutions (note 18):		
Charge for the year	55	1,383
Reversals for the year	(863)	(128)
	(808)	1,255
Loans and advances to customers (note 19):		
Charge for the year	454,520	460,589
Reversals for the year	(169,181)	(57,643)
Recoveries of loans and interest charged-off	(8,691)	(9,371)
	276,648	393,575
Debt securities (note 20)		
Associated to credit operations		
Charge for the year	1,717	-
Reversals for the year	(907)	(6,121)
	810	(6,121)
Not associated to credit operations		
Charge for the year	447	-
Reversals for the year	-	(1,554)
	447	(1,554)
	1,257	(7,675)
	277,097	387,155

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

The detail of these balances is comprised of:

(Thousands of euros)

	2019	2018
Impairment for financial assets at fair value through other comprehensive income (note 21)		
Charge for the year	538	2,991
Reversals for the year	(2,718)	(3,779)
	(2,180)	(788)

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Impairment for investments in associated companies (nota 23)		
Charge for the year	11,944	177,104
Reversals for the year	(4,540)	-
	7,404	177,104
Impairment for non-current assets held for sale (note 24)		
Charge for the year	75,510	32,375
	75,510	32,375
Impairment for other assets (note 28)		
Charge for the year	7,469	6,544
Reversals for the year	-	(1,432)
	7,469	5,112
	90,383	214,591

13. Other provisions

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Provision for guarantees and other commitments (note 35)		
Charge for the year	5	41,462
Write-back for the year	(4,382)	(36)
	(4,377)	41,426
Other provisions for liabilities and charges (note 35)		
Charge for the year	3,395	19,142
Write-back for the year	(12)	(24)
	3,383	19,118
	(994)	60,544

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

The amount of this account is comprised of:

(Thousands of euros)

	2019	2018
Sale of subsidiaries	(165)	1,733
Sale of other assets	27,366	29,196
	27,201	30,929

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)

	2019	2018
Net income / (loss) for the year	139,296	59,267
Dividends from other equity instruments	(148)	(149)
Interests of the perpetual subordinated bonds (Additional Tier 1)	(27,750)	-
Adjusted net income / (loss)	111,398	59,118
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros)	0.007	0.004
Diluted earnings per share (Euros)	0.007	0.004

The Bank's share capital, as at 31 December 2019, 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 2018 e 2019.

16. Cash and deposits at Central banks

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Cash	381,202	355,745
Central Banks	3,668,474	1,327,177
	4,049,676	1,682,922

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)

	2019	2018
Credit institutions in Portugal	1,401	273
Credit institutions abroad	34,543	100,536
Amounts due for collection	90,106	85,668
	126,050	186,477

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)

	2019	2018
Loans and advances to credit institutions in Portugal		
Loans	36,655	47,911
Term applications to collateralise CIRS and IRS operations (*)	-	430
Purchase transactions with resale agreement	-	1,506,092
Subordinated applications	-	35,010
Other	6,028	1,229
	42,683	1,590,672
Loans and advances to credit institutions abroad		
Very short-term deposits	283,322	-
Short-term deposits	2,999	242,109
Term deposits to collateralise CIRS and IRS operations (*)	171,428	194,100
Other	14,245	19,030
	471,994	455,239
	514,677	2,045,911
Overdue loans - over 90 days	-	669
	514,677	2,046,580
Impairment for loans and advances to credit institutions	(368)	(1,850)
	514,309	2,044,730

(*) 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.

As at 31 December 2018, the caption Other loans and advances to credit institutions - Purchase transactions with resale agreement refers in its entirety to operations with Banco de Investimento Imobiliário, S.A.

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

(Thousands of euros)

	2019	2018
Up to 3 months	504,117	499,597
3 to 6 months	-	13,000
6 to 12 months	560	26,587
1 to 5 years	10,000	1,506,727
Undetermined	-	669
	514,677	2,046,580

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

(Thousands of euros)

	2019	2018
Balance on 1 January	1,850	-
Adjustments due to the implementation of IFRS 9 (note 51)	-	703
Impairment charge for the year (note 10)	55	1,383
Reversals for the year (note 10)	(863)	(128)
Loans charged-off	(674)	(108)
Balance at the end of the year	368	1,850

19. Loans and advances to customers

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

(Thousands of euros)

	2019	2018
Discounted bills	259,281	249,139
Current account credits	1,343,276	1,366,648
Overdrafts	319,750	388,603
Loans	9,614,819	9,729,298
Mortgage loans	17,320,899	15,833,481
Factoring operations	1,945,732	1,863,179
Finance leases	2,336,499	2,271,961
	33,140,256	31,702,309
Overdue loans - less than 90 days	28,305	48,665
Overdue loans - Over 90 days	1,079,684	1,530,850
	34,248,245	33,281,824
Impairment for credit risk	(1,861,894)	(2,293,486)
	32,386,351	30,988,338

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

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 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 Loans and advances to customers, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	598,007	1	598,008	(1,336)	596,672
Asset-backed loans	18,953,094	962,864	19,915,958	(1,491,170)	18,424,788
Other guaranteed loans	3,055,244	165,922	3,221,166	(250,860)	2,970,306
Unsecured loans	3,277,917	294,994	3,572,911	(257,351)	3,315,560
Foreign loans	1,682,907	113,660	1,796,567	(174,066)	1,622,501
Factoring operations	1,863,179	7,740	1,870,919	(27,771)	1,843,148
Finance leases	2,271,961	34,334	2,306,295	(90,932)	2,215,363
	31,702,309	1,579,515	33,281,824	(2,293,486)	30,988,338

As at 31 December 2019, the balance Loans and advances to customers includes the amount of Euros 11,778,334,000 (31 December 2018: Euros 11,415,253,000) regarding credits related to mortgage loans issued by the Bank.

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 2019, the Bank granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 99,774,000 (31 December 2018: Euros 101,350,000), as referred in note 46 A). The amount of impairment recognised for these contracts amounts to Euros 210,000 (31 December 2018: Euros 650,000).

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)

	2019	2018
Amount of future minimum payments	2,738,951	2,637,129
Interest not yet due	(402,452)	(365,168)
Present value	2,336,499	2,271,961

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

(Thousands of euros)

	2019	2018
Up to 1 year	469,949	363,406
1 to 5 years	995,541	1,010,400
Over 5 years	1,273,461	1,263,323
	2,738,951	2,637,129

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

(Thousands of euros)

	2019	2018
Individuals		
Home	56,084	49,774
Consumer	30,585	30,937
Others	92,309	105,922
	178,978	186,633
Companies		
Equipment	438,944	420,825
Real estate	1,718,577	1,664,503
	2,157,521	2,085,328
	2,336,499	2,271,961

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

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, as at 31 December 2018, by sector of activity, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	263,971	7,348	271,319	(6,190)	265,129	0.82%
Fisheries	19,765	40	19,805	(644)	19,161	0.06%
Mining	36,101	2,463	38,564	(9,036)	29,528	0.12%
Food, beverage and tobacco	447,825	12,716	460,541	(10,900)	449,641	1.38%
Textiles	335,913	13,603	349,516	(21,390)	328,126	1.05%
Wood and cork	118,183	4,800	122,983	(4,513)	118,470	0.37%
Paper, printing and publishing	154,853	4,778	159,631	(17,608)	142,023	0.48%
Chemicals	410,247	37,358	447,605	(39,825)	407,780	1.34%
Machinery, equipment and basic metallurgical	612,441	37,621	650,062	(30,192)	619,870	1.95%
Electricity and gas	262,276	336	262,612	(755)	261,857	0.79%
Water	150,204	603	150,807	(10,371)	140,436	0.45%
Construction	1,319,627	313,319	1,632,946	(380,825)	1,252,121	4.91%
Retail business	862,113	71,138	933,251	(76,110)	857,141	2.80%
Wholesale business	1,104,710	58,427	1,163,137	(68,233)	1,094,904	3.49%
Restaurants and hotels	1,097,001	31,680	1,128,681	(77,426)	1,051,255	3.39%
Transports	706,814	11,049	717,863	(17,191)	700,672	2.16%
Post offices	2,290	135	2,425	(351)	2,074	0.01%
Telecommunications	177,598	5,590	183,188	(14,168)	169,020	0.55%
Services						
Financial intermediation	1,491,652	106,707	1,598,359	(373,751)	1,224,608	4.80%
Real estate activities	1,148,673	203,228	1,351,901	(146,857)	1,205,044	4.06%
Consulting, scientific and technical activities	1,218,963	22,696	1,241,659	(350,959)	890,700	3.73%
Administrative and support services activities	387,244	29,102	416,346	(71,293)	345,053	1.25%
Public sector	829,986	1	829,987	(1,336)	828,651	2.49%
Education	109,784	1,267	111,051	(7,007)	104,044	0.33%
Health and collective service activities	243,729	1,722	245,451	(3,220)	242,231	0.74%
Artistic, sports and recreational activities	282,078	5,915	287,993	(75,887)	212,106	0.87%
Other services	96,972	245,811	342,783	(175,649)	167,134	1.03%
Consumer loans	1,735,949	162,566	1,898,515	(137,229)	1,761,286	5.70%
Mortgage credit	15,602,096	97,900	15,699,996	(82,731)	15,617,265	47.19%
Other domestic activities	984	378	1,362	(302)	1,060	0.00%
Other international activities	472,267	89,218	561,485	(81,537)	479,948	1.69%
	31,702,309	1,579,515	33,281,824	(2,293,486)	30,988,338	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 maturity and by sector of activity as at 31 December, 2018 is as follows:

(Thousands of euros)

	2018						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	90,219	75,213	98,539	263,971	7,348	271,319	0.82%
Fisheries	7,097	4,077	8,591	19,765	40	19,805	0.06%
Mining	21,981	7,823	6,297	36,101	2,463	38,564	0.12%
Food, beverage and tobacco	288,071	94,332	65,422	447,825	12,716	460,541	1.38%
Textiles	160,712	88,220	86,981	335,913	13,603	349,516	1.05%
Wood and cork	62,438	34,430	21,315	118,183	4,800	122,983	0.37%
Paper, printing and publishing	86,169	20,306	48,378	154,853	4,778	159,631	0.48%
Chemicals	197,311	109,696	103,239	410,246	37,359	447,605	1.34%
Machinery, equipment and basic metallurgical	280,242	188,506	143,693	612,441	37,621	650,062	1.95%
Electricity and gas	24,026	48,959	189,291	262,276	336	262,612	0.79%
Water	18,300	11,538	120,366	150,204	603	150,807	0.45%
Construction	378,358	349,358	591,911	1,319,627	313,319	1,632,946	4.91%
Retail business	428,866	211,238	222,009	862,113	71,138	933,251	2.80%
Wholesale business	605,468	263,609	235,633	1,104,710	58,427	1,163,137	3.49%
Restaurants and hotels	61,391	278,602	757,008	1,097,001	31,680	1,128,681	3.39%
Transports	223,848	140,200	342,767	706,815	11,048	717,863	2.16%
Post offices	1,365	815	110	2,290	135	2,425	0.01%
Telecommunications	87,968	42,566	47,064	177,598	5,590	183,188	0.55%
Services							
Financial intermediation intermediation	195,140	312,179	984,332	1,491,651	106,708	1,598,359	4.80%
Real estate activities	249,140	249,874	649,659	1,148,673	203,228	1,351,901	4.06%
Consulting, scientific and technical activities	274,209	379,196	565,558	1,218,963	22,696	1,241,659	3.73%
Administrative and support services activities	167,335	112,752	107,157	387,244	29,102	416,346	1.25%
Public sector	120,850	409,470	299,666	829,986	1	829,987	2.49%
Education	34,590	18,377	56,817	109,784	1,267	111,051	0.33%
Health and collective service activities	96,659	62,042	85,028	243,729	1,722	245,451	0.74%
Artistic, sports and recreational activities	40,857	28,284	212,937	282,078	5,915	287,993	0.87%
Other services	25,582	33,286	38,104	96,972	245,811	342,783	1.03%
Consumer credit	493,443	559,301	683,206	1,735,950	162,565	1,898,515	5.70%
Mortgage credit	7,828	211,047	15,383,221	15,602,096	97,900	15,699,996	47.19%
Other domestic activities	152	409	423	984	378	1,362	0.00%
Other international activities	185,593	111,596	175,078	472,267	89,218	561,485	1.69%
	4,915,208	4,457,301	22,329,800	31,702,309	1,579,515	33,281,824	100.00%

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 analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	80,731	34,940	482,336	598,007	1	598,008
Asset-backed loans	760,794	1,305,397	16,886,903	18,953,094	962,864	19,915,958
Other guaranteed loans	1,233,524	1,045,739	775,981	3,055,244	165,922	3,221,166
Unsecured loans	1,133,553	698,832	1,445,532	3,277,917	294,994	3,572,911
Foreign loans	155,737	408,732	1,118,438	1,682,907	113,660	1,796,567
Factoring operations	1,475,160	388,019	-	1,863,179	7,740	1,870,919
Finance leases	75,709	575,642	1,620,610	2,271,961	34,334	2,306,295
	4,915,208	4,457,301	22,329,800	31,702,309	1,579,515	33,281,824

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

(Thousands of euros)

	2019	2018
Total credit	38,252,575	37,103,767
Stage 1		
Gross amount	27,748,411	24,822,341
Impairment	(24,036)	(25,649)
	27,724,375	24,796,692
Stage 2		
Gross amount	6,869,096	7,106,433
Impairment	(139,432)	(126,007)
	6,729,664	6,980,426
Stage 3		
Gross amount	3,635,068	5,174,993
Impairment	(1,792,847)	(2,297,325)
	1,842,221	2,877,668
	36,296,260	34,654,786

The total credit portfolio includes, as at 31 December 2019, loans and advances to customers in the amount of Euros 34,248,245,000 (31 December 2018: Euros: 33,281,824,000) and guarantees granted and commitments to third parties balance (note 40), in the amount of Euros 4,004,330,000 (31 December 2018: Euros 3,821,943,000).

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 102,068,000 (31 December 2018: Euros 155,495,000).

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)

	2019	2018
Stage 1		
Securities and other financial assets	1,448,903	1,457,913
Residential real estate	14,164,780	12,534,313
Other real estate	2,357,206	1,943,930
Other guarantees	4,496,322	3,458,849
	22,467,211	19,395,005
Stage 2		
Securities and other financial assets	289,904	286,281
Residential real estate	2,582,831	2,485,674
Other real estate	1,195,427	1,080,481
Other guarantees	864,638	657,722
	4,932,800	4,510,158
Stage 3		
Securities and other financial assets	301,578	377,235
Residential real estate	634,662	962,400
Other real estate	607,618	985,848
Other guarantees	578,057	458,333
	2,121,915	2,783,816
	29,521,926	26,688,979

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.

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)

	2019			2018		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	10,706	(548)	10,158	23,168	(1,604)	21,564
Fisheries	6,134	(454)	5,680	6,141	(543)	5,598
Mining	5,485	(3,275)	2,210	9,337	(5,751)	3,586
Food, beverage and tobacco	13,361	(3,706)	9,655	14,616	(4,402)	10,214
Textiles	13,898	(4,225)	9,673	15,512	(6,008)	9,504
Wood and cork	5,207	(324)	4,883	9,470	(1,676)	7,794
Paper, printing and publishing	16,218	(12,185)	4,033	19,010	(12,552)	6,458
Chemicals	19,007	(4,577)	14,430	25,624	(11,907)	13,717
Machinery, equipment and basic metallurgical	26,109	(8,325)	17,784	39,206	(10,660)	28,546
Electricity and gas	379	(5)	374	389	(8)	381
Water	51,469	(7,046)	44,423	16,654	(2,510)	14,144
Construction	224,953	(134,169)	90,784	390,721	(209,104)	181,617
Retail business	47,711	(17,150)	30,561	84,963	(45,495)	39,468
Wholesale business	36,213	(7,903)	28,310	45,487	(13,232)	32,255
Restaurants and hotels	87,261	(14,527)	72,734	107,543	(18,650)	88,893
Transports	4,015	(1,490)	2,525	52,957	(3,812)	49,145
Post offices	126	(9)	117	63	(8)	55
Telecommunications	17,971	(1,184)	16,787	11,522	(1,144)	10,378
Services						
Financial intermediation	532,983	(340,890)	192,093	396,917	(242,292)	154,625
Real estate activities	157,517	(42,968)	114,549	245,365	(46,738)	198,627
Consulting, scientific and technical activities	162,833	(92,367)	70,466	226,308	(154,872)	71,436
Administrative and support services activities	77,634	(56,618)	21,016	82,356	(58,456)	23,900
Public sector	5,811	(746)	5,065	7,023	(56)	6,967
Education	19,739	(4,605)	15,134	20,148	(5,513)	14,635
Health and collective service activities	10,021	(948)	9,073	4,125	(920)	3,205
Artistic, sports and recreational activities	89,969	(40,498)	49,471	116,230	(46,221)	70,009
Other services	243,589	(176,395)	67,194	245,119	(172,306)	72,813
Consumer credit	115,214	(19,554)	95,660	168,454	(51,672)	116,782
Mortgage credit	485,933	(10,455)	475,478	566,855	(18,199)	548,656
Other domestic activities	22	(1)	21	6	-	6
Other international activities	28,005	(22,546)	5,459	28,033	(22,828)	5,205
	2,515,493	(1,029,693)	1,485,800	2,979,322	(1,169,139)	1,810,183

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

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as 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 2019, the amount calculated is Euros 1,678,232,000 (31 December 2018: Euros 2,451,122,000).

Every client or operation that meet the following conditions is marked and identified as Non Performing Exposures (NPE):

a) total exposure of defaulted customers;
b) total exposure of customers with signs of impairment;
c) total exposure of customers whose overdue value for more than 90 days represents more than 20% of their total on-balance sheet exposure;
d) total exposure of non-retail customers with at least one overdue operation for more than 90 days;
e) retail operations overdue for more than 90 days;
f) operations restructured due to financial difficulties overdue for more than 30 days.

As at 31 December 2019, the NPE amounts to Euros 3,234,081,000 (31 December 2018: Euros 4,607,653,000).

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

(Thousands of euros)

	2019	2018
Balance on 1 January	2,293,486	2,742,244
Adjustments due to the implementation of IFRS 9		
Remeasurement under IFRS 9 (note 51)	-	153,917
Transfer resulting from the merger of BII on BCP	49,179	-
Charge for the year in net income interest (note 2)	29,308	31,026
Other transfers	67,579	(56,880)
Impairment charge for the year (note 10)	454,520	460,589
Reversals for the year (note 10)	(169,181)	(57,643)
Loans charged-off	(863,099)	(979,967)
Exchange rate differences	102	200
Balance at the end of the year	1,861,894	2,293,486

As at 31 December 2019, the balance Other transfers includes the amount of 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.

In 2018, the balance Other transfers refered to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2018, the associated credits were liquidated, and the Bank received a set of assets in kind and the related impairment of these assets.

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

(Thousands of euros)

	2019	2018
Agriculture and forestry	3,751	4,797
Fisheries	4	152
Mining	3,844	3,295
Food, beverage and tobacco	6,013	1,792
Textiles	7,172	15,498
Wood and cork	2,710	16,757
Paper, printing and publishing	6,160	1,911
Chemicals	28,607	5,137
Machinery, equipment and basic metallurgical	23,343	22,558
Water	230	4,856
Construction	265,909	235,786
Retail business	74,013	28,393
Wholesale business	29,068	41,974
Restaurants and hotels	11,939	27,272
Transports	5,916	4,791
Post offices	6	14
Telecommunications	17,402	1,715
Services		
Financial intermediation	20,608	244,339
Real estate activities	61,841	77,095
Consulting, scientific and technical activities	167,111	88,173
Administrative and support services activities	5,781	10,609
Education	373	755
Health and collective service activities	551	452
Artistic, sports and recreational activities	3,448	787
Other services	1,496	2,439
Consumer credit	109,207	132,126
Mortgage credit	4,035	5,328
Other domestic activities	2,561	1,132
Other international activities	-	34
	863,099	979,967

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)

	2019	2018
Unsecured loans	853,957	958,835
Factoring operations	2,926	5,093
Finance leases	6,216	16,039
	863,099	979,967

The analysis of recovered loans and interest occurred during the 2019 and 2018 by sector of activity, is as follows:

(Thousands of euros)

	2019	2018
Agriculture and forestry	61	13
Fisheries	-	24
Mining	-	1
Food, beverage and tobacco	198	128
Textiles	384	121
Wood and cork	41	112
Paper, printing and publishing	292	170
Chemicals	484	206
Machinery, equipment and basic metallurgical	127	154
Construction	1,514	1,614
Retail business	1,322	426
Wholesale business	628	724
Restaurants and hotels	19	25
Transports	60	61
Telecommunications	5	27
Services		
Financial intermediation	749	2,236
Real estate activities	1,217	179
Consulting, scientific and technical activities	2	58
Administrative and support services activities	169	438
Health and collective service activities	2	15
Artistic, sports and recreational activities	257	3
Other services	6	41
Consumer credit	953	2,520
Mortgage credit	1	-
Other domestic activities	200	55
Other international activities	-	20
	8,691	9,371

The analysis of recovered loans and interest occurred during 2019 and 2018, by type of credit, is as follows:

(Thousands of euros)

	2019	2018
Unsecured loans	8,521	8,566
Foreign loans	9	691
Finance leases	161	114
	8,691	9,371

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 800,801,000 as at 31 December 2019. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 203,646,000 and the registered cost in 2019 amounts to Euros 5,169,000.

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 2019, the operation amounts to Euros 884,659,000. The fair value of the relative CDS is recorded as a positive amount of Euros 64,101,000 and their registered cost in 2019 amounts to Euros 906,000.

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)

	2019	2018
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	155,567	176,751
Commercial paper	1,871,985	2,024,762
Foreign issuers		
Bonds	32,356	34,671
Commercial paper	25,233	19,704
	2,085,141	2,255,888
Overdue securities - over 90 days	1,799	55,353
	2,086,940	2,311,241
Impairment	(12,431)	(39,921)
	2,074,509	2,271,320
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	137,330	47,377
Foreign issuers	8,173	4,891
Bonds issued by other entities		
Portuguese issuers	178,067	254,662
Foreign issuers	50,854	63,325
	374,424	370,255
Impairment	(532)	(284)
	373,892	369,971
	2,448,401	2,641,291

(*) Includes the amount of Euros 856,000 related to adjustments resulting from the application of fair value hedge accounting.

As at 31 December 2019, the balance Debt securities held not associated with credit operations - Bonds issued by other entities includes the amount of Euros 138,752,000 (31 December 2018: Euros 213,772,000) related to public sector companies.

The analysis of the balance Debt securities (balances 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 the balance Debt securities (balances before impairment), by maturity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	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	-	-	-	176,751	-	176,751
Commercial paper	1,430,666	594,096	-	-	55,353	2,080,115
Foreign issuers						
Bonds	-	-	11,659	23,012	-	34,671
Commercial paper	19,704	-	-	-	-	19,704
	1,450,370	594,096	11,659	199,763	55,353	2,311,241
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	-	-	-	47,377	-	47,377
Foreign issuers	-	-	4,891	-	-	4,891
Other entities						
Portuguese issuers	-	90,615	124,809	39,238	-	254,662
Foreign issuers	-	-	-	63,325	-	63,325
	-	90,615	129,700	149,940	-	370,255
	1,450,370	684,711	141,359	349,703	55,353	2,681,496

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

(Thousands of euros)

	2019	2018
Debt securities held associated with credit operations		
Mining	17,493	24,996
Food, beverage and tobacco	83,063	80,074
Textiles	67,201	69,346
Wood and cork	8,017	10,820
Paper, printing and publishing	10,305	17,163
Chemicals	151,612	222,101
Machinery, equipment and basic metallurgical	76,345	56,775
Electricity and gas	184,911	190,338
Water	14,956	9,957
Construction	12,135	6,937
Retail business	73,243	86,042
Wholesale business	70,554	73,388
Restaurants and hotels	7,506	8,518
Transports	35,948	49,144
Telecommunications	6,444	8,932
Services		
Financial intermediation	222,846	249,231
Real estate activities	23,919	39,115
Consulting, scientific and technical activities	923,513	991,948
Administrative and support services activities	16,924	13,653
Health and collective service activities	4,999	4,999
Other services	5,084	3,596
Other international activities	57,491	54,247
	2,074,509	2,271,320
Debt securities held not associated with credit operations		
Chemicals	25,609	25,562
Water	39,324	39,229
Transports (*)	99,402	174,480
Services		
Financial intermediation	50,854	63,325
Consulting, scientific and technical activities	13,550	15,149
	228,739	317,745
Government and Public securities	145,153	52,226
	373,892	369,971
	2,448,401	2,641,291

(*) corresponds to securities of public sector companies

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

(Thousands of euros)

	2019	2018
Debt securities held associated with credit operations		
Balance on 1 January	39,921	42,886
Adjustments due to the implementation of IFRS 9	-	2,946
Charge for the year in net income interest (note 2)	120	211
Impairment charge for the year (note 10)	1,717	-
Reversals for the year (note 10)	(907)	(6,121)
Loans charged-off	(28,420)	-
Exchange rate differences	-	(1)
Balance at the end of the year	12,431	39,921
Debt securities held not associated with credit operations		
Balance on 1 January	284	n.a.
Adjustments due to the implementation of IFRS 9	-	1,838
Impairment charge for the year (note 10)	447	-
Reversals for the year (note 10)	-	(1,554)
Loans charged-off	(202)	-
Exchange rate differences	3	-
Balance at the end of the year	532	284

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)

	2019	2018
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	51,452	57,942
Equity instruments	545	805
Trading derivatives	590,361	637,005
	642,358	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,444,772	1,589,899
Financial assets designated at fair value through profit or loss		
Debt instruments	31,496	33,034
Financial assets at fair value through other comprehensive income		
Debt instruments	8,006,771	6,900,301
Equity instruments	72,099	96,591
	8,078,870	6,996,892
	10,197,496	9,315,577

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 (31 December 2018: Euros 916,000).

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 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	-	-	-	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, and as detailed in note 51, 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.

(b) Under IFRS 9, and as detailed in note 51, these shares were considered as debt instruments because they not fall within the definition of SPPI.

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 and Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions, referred in note 1 C in the amount of Euros 78,594,000 and Euros 4,854,000, respectively.

As at 31 December 2019, the balance Finantial 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 profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018				
	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	3,666	-	33,034	4,096,913	4,133,613
Foreign issuers	-	-	-	151,153	151,153
Bonds issued by other entities					
Portuguese issuers	3,790	16,778	-	955,000	975,568
Foreign issuers	50,486	22,468	-	171,542	244,496
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	-	-	-	853,492	853,492
Foreign issuers	-	-	-	675,923	675,923
Investment fund units (a)	-	1,541,619	-	-	1,541,619
Shares of foreign companies (b)	-	9,034	-	-	9,034
	57,942	1,589,899	33,034	6,904,023	8,584,898
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	57,942	1,589,899	33,034	6,900,301	8,581,176
Equity instruments					
Shares					
Portuguese companies	372	-	-	24,307	24,679
Foreign companies	-	-	-	15,863	15,863
Investment fund units	-	-	-	56,421	56,421
Other securities	433	-	-	-	433
	805	-	-	96,591	97,396
Trading derivatives	637,005	-	-	-	637,005
	695,752	1,589,899	33,034	6,996,892	9,315,577
Level 1	52,280	-	33,034	6,368,563	6,453,877
Level 2	349,504	-	-	474,361	823,865
Level 3	293,968	1,589,899	-	153,968	2,037,835

(a) Under IFRS 9, and as detailed in note 51, 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 2018 this balance include Euros 452,090 related to units of real estate investment funds mainly owned by the Bank.

(b) Under IFRS 9, and as detailed in note 51, these shares were considered as debt instruments because they not fall within the definition of SPPI.

As at 31 December 2018, 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 2018, the balances Financial assets at fair value through other comprehensive income and Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions, referred in note 1 C in the amount of Euros 103,909,000 and Euros 5,418,000, respectively.

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
Debt instruments				
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
Equity instruments				
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

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2018, is analysed as follows:

(Thousands of euros)

	2018			
	Amortised cost (a)	Fair value hedge adjustments (note 39)	Fair value adjustments (note 39)	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,995,157	149,359	(47,603)	4,096,913
Foreign issuers	151,909	981	(1,737)	151,153
Bonds issued by other entities				
Portuguese issuers	952,775	4,942	(6,439)	951,278
Foreign issuers	134,676	1,491	35,375	171,542
Treasury bills				
(Public Issuers and Central Banks)				
Portuguese issuers	853,339	-	153	853,492
Foreign issuers	675,643	-	280	675,923
	6,763,499	156,773	(19,971)	6,900,301
Variable income:				
Shares				
Portuguese companies	57,330	-	(33,023)	24,307
Foreign companies	15,590	-	273	15,863
Investment fund units	56,421	-	-	56,421
Other securities	1,357	-	(1,357)	-
	130,698	-	(34,107)	96,591
	6,894,197	156,773	(54,078)	6,996,892

(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 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

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 2018 is as follows:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,952,735	180,878	-	4,133,613
Foreign issuers	151,153	-	-	151,153
Bonds issued by other entities				
Portuguese issuers	679,125	275,893	16,828	971,846
Foreign issuers	136,722	2,757	105,017	244,496
Treasury bills and other Government bonds				
Portuguese issuers	853,492	-	-	853,492
Foreign issuers	675,923	-	-	675,923
Investment fund units	-	-	1,541,619	1,541,619
Shares of foreign companies	-	-	9,034	9,034
	6,449,150	459,528	1,672,498	8,581,176
Variable income:				
Shares				
Portuguese companies	4,727	-	19,952	24,679
foreign companies	-	15,563	300	15,863
Investment fund units	-	-	56,421	56,421
Other securities	-	-	433	433
	4,727	15,563	77,106	97,396
Trading derivatives	-	348,774	288,231	637,005
	6,453,877	823,865	2,037,835	9,315,577

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

The item Investment fund units classified as level 3 includes units in restructuring funds (note 42) in the amount of Euros 924.489.000 (31 December 2018: Euros 1,006,988,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, as at 31 December 2019, 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 2019, the Bank holds mainly investment fund units in Real Estate Investment Funds that are classified in level 3.

As at 31 December 2019, the amount recorded under the balance Financial assets at fair value through other comprehensive income, amounts to Euros 42,424,000 (31 December 2018: Euros 56,421,000), with unrealised net losses in the amount of Euros 6,930,000 (31 December 2018: Euros net losses 1,357,000), and in the balance Financial assets not held for trading mandatorily at fair value through profit or loss, amounts to Euros 424,808,000 (31 December 2018: Euros 476,614,000).

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 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:						
Companies' 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 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 2018 is as follows:

(Thousands of euros)

	2018					
	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	-	860	2,543,948	1,588,805	-	4,133,613
Foreign issuers	-	-	102,572	48,581	-	151,153
Bonds issued by other entities						
Portuguese issuers	264,471	13,010	366,519	327,846	3,722	975,568
Foreign issuers	-	-	48,680	195,816	-	244,496
Treasury bills and other Government bonds						
Portuguese issuers	38,726	814,766	-	-	-	853,492
Foreign issuers	174,348	501,575	-	-	-	675,923
Investment fund units	-	9,185	240,916	1,283,267	8,251	1,541,619
Shares of foreign companies	-	-	-	-	9,034	9,034
	477,545	1,339,396	3,302,635	3,444,315	21,007	8,584,898
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	477,545	1,339,396	3,302,635	3,444,315	17,285	8,581,176
Variable income						
Companies' shares						
Portuguese companies	-	-	-	-	24,679	24,679
Foreign companies	-	-	-	-	15,863	15,863
Investment fund units	-	-	-	-	56,421	56,421
Other securities	-	-	-	-	433	433
	-	-	-	-	97,396	97,396
	477,545	1,339,396	3,302,635	3,444,315	114,681	8,678,572

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

(Thousands of euros)

	2019	2018
Balance on 31 December 2017	-	689,742
Transition adjustments IFRS 9 (note 51)	-	(686,020)
Balance on 1 January	3,722	3,722
Transfers	(1,194)	788
Reversals	(2,522)	(788)
Amounts charged-off	(6)	-
Balance at the end of the year	-	3,722

As at 31 December 2019, the accumulated impairment associated with the financial assets at fair value through other comprehensive income amounts to Euros 3,154,000 and is recorded against Fair value reserves (31 December 2018: Euros 5,364,000).

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 2019 is as follows:

(Thousands of euros)

	2019				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	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 924,487,000 which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as 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 2018 is as follows:

(Thousands of euros)

	2018				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	47,066	-	-	-	47,066
Construction	-	371	30,118	2,395	32,884
Wholesale business	62,762	655	-	126	63,543
Restaurants and hotels	-	15,585	-	-	15,585
Transports	427,451	-	-	-	427,451
Telecommunications	-	7,782	-	-	7,782
Services					
Financial intermediation (*)	335,565	15,678	1,540,547	-	1,891,790
Real estate activities	-	-	27,374	-	27,374
Consulting, scientific and technical activities	158,735	95	-	-	158,830
Administrative and support services activities	9,720	9,372	-	-	19,092
Public sector	158,360	-	434	-	158,794
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	-	22
	1,216,342	49,576	1,598,473	3,722	2,868,113
Government and Public securities	4,284,766	-	1,529,415	-	5,814,181
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	5,501,108	49,576	3,127,888	-	8,678,572

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,006,988,000 which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 42.

The Bank, as part of the management process of the liquidity risk (note 48), holds 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 includes Euros 38,380,000 (31 December 2018: Euros 39,612,000) of securities included in the ECB's monetary policy pool.

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

The analysis of trading derivatives by maturity as at 31 December 2018, is as follows:

(Thousands of euros)

	2018					
	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	366,157	1,297,318	8,394,118	10,057,593	340,546	267,815
Interest rate options (purchase)	-	84,927	136,129	221,056	9	-
Interest rate options (sale)	-	1,510	136,129	137,639	-	21
Other interest rate contracts	-	19,174	121,588	140,762	2,031	1,147
	366,157	1,402,929	8,787,964	10,557,050	342,586	268,983
Stock Exchange transactions:						
Interest rate futures	104,693	-	-	104,693	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	71,121	131,745	-	202,866	942	644
Currency swaps	1,858,660	552,788	-	2,411,448	5,111	8,748
Currency options (purchase)	34,075	25,126	27,253	86,454	3,357	-
Currency options (sale)	34,075	25,126	27,253	86,454	-	3,349
	1,997,931	734,785	54,506	2,787,222	9,410	12,741
Currency and interest rate derivatives:						
OTC Market:						
Currency and interest rate swaps	58,059	76,034	462,072	596,165	664	4,809
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	411,029	950,649	1,604,819	2,966,497	666	8,816
Shares/indexes options (sale)	-	-	19,730	19,730	-	-
Others shares/indexes options (purchase)	-	-	16,864	16,864	15,622	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	411,029	950,649	1,658,277	3,019,955	16,288	8,816
Stock exchange transactions:						
Shares futures	686,519	-	-	686,519	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	35	-	-	35	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	123,531	-	294,137	417,668	267,141	287
Other credit derivatives (sale)	-	-	80,553	80,553	-	-
	123,531	-	374,690	498,221	267,141	287
Total derivatives traded in:						
OTC Market	2,956,707	3,164,397	11,337,509	17,458,613	636,089	295,636
Stock Exchange	791,247	-	-	791,247	-	-
Embedded derivatives					916	59
	3,747,954	3,164,397	11,337,509	18,249,860	637,005	295,695

22.Hedging derivatives

This balance is analysed as follows:

(Thousands of euros)

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Swaps	34,990	121,474	92,891	68,486

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 2019, the relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 2,151,000 (31 December 2018: positive amount of Euros 2,870,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2019, reclassifications were made from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 44,882,000 (31 December 2018: positive amount of Euros 23,004,000).

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 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
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

The analysis of hedging derivatives portfolio by maturity as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	24,500	2,738,774	2,763,274	12,372	60,882
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	-	-	11,880,000	11,880,000	80,519	7,604
Total derivatives traded by:						
OTC Market	-	24,500	14,618,774	14,643,274	92,891	68,486

23. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Portuguese credit institutions	128,205	388,440
Foreign credit institutions	805,385	792,877
Other Portuguese companies	1,963,132	1,760,363
Other foreign companies	2,757,657	2,756,639
	5,654,379	5,698,319
Impairment for investments in:		
Subsidiary companies	(2,484,269)	(2,532,289)
Associated and other companies	(34,461)	(18,057)
	(2,518,730)	(2,550,346)
	3,135,649	3,147,973

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

(Thousands of euros)

	2019	2018
Banco ActivoBank, S.A.	128,205	128,205
Banco de Investimento Imobiliário, S.A.	-	260,235
Bank Millennium S.A.	651,959	645,678
Banque BCP, S.A.S.	33,210	30,203
Banque Privée BCP (Suisse) S.A.	120,216	116,996
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	20,210
Interfundos Gestão de Fundos de Investimento Imobiliários, 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.	19,553	18,535
Millennium bcp Imobiliária, S.A.	359,683	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	493,940	327,653
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	885	885
Millennium bcp - Prestação de Serviços, A.C.E.	18,000	-
Planfipsa S.G.P.S., S.A.	-	1
Projepolska, S.A.	633	633
Servitrust - Trust Management Services S.A.	-	100
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	13
	5,654,379	5,698,319
Impairment for investments in subsidiary and associated companies		
Banco de Investimento Imobiliário, S.A.	-	(50,704)
BCP África, S.G.P.S., Lda.	(92,726)	(92,726)
BCP Capital - Sociedade de Capital de Risco, S.A.	(26,161)	(26,117)
BCP International B.V.	(145,988)	(145,988)
BCP Investment, B.V.	(1,530,314)	(1,529,200)
Cold River's Homestead, S.A.	(4,689)	-
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	(19,553)	(18,535)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	(22,537)	(18,057)
Millennium bcp Imobiliária, S.A.	(348,321)	(341,088)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	(327,049)	(327,049)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	(782)	(782)
Projepolska, S.A.	(610)	-
Servitrust - Trust Management Services S.A.	-	(100)
	(2,518,730)	(2,550,346)
	3,135,649	3,147,973

During 2019, the Bank sold 51% of Planfipsa S.G.P.S (as referred in note 5) and 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).

During 2018, were included the subsidiaries Planfipsa S.G.P.S., S.A. and Cold River's Homestead, S.A., and also included the associated companies PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E and Projepolska, S.A.

During 2018, the Bank also liquidated S & P Reinsurance Limited and closed ACT-C-Indústria de Cortiças, S.A.

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

(Thousands of euros)

	2019	2018
Impairment for investments in subsidiary and associated companies:		
Balance on 1 January	2,550,346	2,389,051
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)	11,944	177,104
Write-back for the year (note 12)	(4,540)	-
Loans charged-off	(750)	(15,809)
Exchange rate differences	9	-
Balance at the end of the year	2,518,730	2,550,346

As at 31 December 2019, 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. As at 31 December 2018, the caption Impairment for investments in subsidiaries and associated companies - Loans charged-off results from the liquidation/dissolution of ACT - C - Indústria de Cortiças, S.A. and S&P Reinsurance Limited.

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 54.

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 period from 2019 to 2022 and (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

	2019			2018		
	Discount rate	Discount rate	Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	9.065%	9.250%	0.000%	5,500% a 10,000%	10.561%	0.000%
Poland	8.565%	8.750%	2.800%	9.250%	9.250%	2.600%
Angola	19.000%	19.000%	n.a.	19.000%	19.000%	n.a.
Mozambique	21.000%	21.000%	4.750%	20.500%	20.500%	3.940%
Switzerland	9.065%	9.250%	0.000%	9.250%	9.811%	0.000%

Based on the analysis made, the Bank recognised in 2019 impairment for a group of companies, as follows:

(Thousands of euros)

	Balance on 1 January	Impairment charge (note 12)	Loans charged-off (1)	Transfers	Exchange rate differences	Balance on 31 December
Banco de Investimento Imobiliário, S.A.	50,704	-	(50,704)	-	-	-
BCP África, S.G.P.S., Lda.	92,726	-	-	-	-	92,726
BCP Capital - Sociedade de Capital de Risco, S.A.	26,117	44	-	-	-	26,161
BCP International B.V.	145,988	-	-	-	-	145,988
BCP Investment B.V.	1,529,200	1,114	-	-	-	1,530,314
Cold River's Homestead, S.A.	-	4,689	-	-	-	4,689
Millennium bcp - Escritório de representações e Serviços, S/C Lda.	18,535	1,009	-	-	9	19,553
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	18,057	4,480	-	-	-	22,537
Millennium bcp Imobiliária, S.A.	341,088	(4,540)	(650)	12,423	-	348,321
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	327,049	-	-	-	-	327,049
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	782	-	-	-	-	782
Projepolska, S.A.	-	610	-	-	-	610
Servitrust - Trust Management Services S.A.	100	-	(100)	-	-	-
	2,550,346	7,406	(51,454)	12,423	9	2,518,730

(1) Includes transfer to the BII merger reserve

24. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2019			2018		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans (note 48)	1,015,937	(182,646)	833,291	1,322,473	(179,009)	1,143,464
Assets for own use (closed branches)	3,584	(597)	2,987	3,431	(757)	2,674
Equipment and other	9,769	(6,329)	3,440	9,537	(5,067)	4,470
Subsidiaries acquired exclusively with the purpose of short-term sale	86,826	(21,511)	65,315	122,388	(46,247)	76,141
Other assets	24,033	-	24,033	25,905	-	25,905
	1,140,149	(211,083)	929,066	1,483,734	(231,080)	1,252,654

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 entered into a contract for the sale of a portfolio of real estate assets in the total amount of Euros 122,029,000, having generated a gain of Euros 2,000,000.

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 33,846,000 (31 December 2018: Euros 35,149,000), which impairment associated is Euros 10,006,000 (31 December 2018: Euros 3,361,000), 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)

	2019	2018
Balance on 31 December	231,080	237,330
Transfer resulting from the merger of BII on BCP	24,413	-
Transfers	-	15,272
Impairment for the year (note 12)	75,510	32,375
Loans charged-off	(120,233)	(54,697)
Exchange rate differences	313	800
Balance at the end of the year	211,083	231,080

In 2018, the balance Transfers refers to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2018, the associated credits were liquidated, and the Group received a set of real estate assets in kind.

25. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Land and buildings	479,172	494,685
Equipment		
Computer equipment	190,756	180,692
Security equipment	62,838	63,391
Interior installations	102,087	100,312
Machinery	17,864	17,157
Farniture	74,065	70,360
Motor vehicles	15,686	14,337
Other equipment	2,787	2,829
Right of use		
Real estate	219,624	-
Vehicles and equipment	81	-
Work in progress	2,297	7,908
Other tangible assets	30	29
	1,167,287	951,700
Accumulated depreciation		
Relative to the year (note 9)	(56,963)	(23,167)
Relative to the previous years	(714,554)	(708,362)
	(771,517)	(731,529)
	395,770	220,171

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 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

The changes occurred in Other tangible assets, during 2018, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	508,440	207	(20,327)	6,341	24	494,685
Equipment:						
Computer equipment	175,627	9,168	(4,106)	(3)	6	180,692
Security equipment	62,907	1,156	(689)	16	1	63,391
Interior installations	98,876	1,112	(3,135)	3,459	-	100,312
Machinery	16,648	563	(66)	9	3	17,157
Furniture	69,631	1,506	(745)	(36)	4	70,360
Motor vehicles	13,032	3,750	(2,448)	-	3	14,337
Other equipment	2,868	17	(56)	-	-	2,829
Work in progress	10,143	11,698	(67)	(13,866)	-	7,908
Other tangible assets	32	-	-	(3)	-	29
	958,204	29,177	(31,639)	(4,083)	41	951,700
Accumulated depreciation:						
Real estate	(340,684)	(9,689)	19,916	1,924	(12)	(328,545)
Equipment:						
Computer equipment	(161,221)	(6,960)	4,101	3	(3)	(164,080)
Security equipment	(58,819)	(1,106)	689	82	-	(59,154)
Interior installations	(92,029)	(1,353)	3,133	99	-	(90,150)
Machinery	(15,274)	(293)	66	-	(3)	(15,504)
Furniture	(63,575)	(1,407)	742	41	(4)	(64,203)
Motor vehicles	(6,642)	(2,354)	1,914	-	(3)	(7,085)
Other equipment	(2,830)	(5)	56	-	-	(2,779)
Other tangible assets	(29)	-	-	-	-	(29)
	(741,103)	(23,167)	30,617	2,149	(25)	(731,529)
	217,101	6,010	(1,022)	(1,934)	16	220,171

26. Intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Intangible assets		
Software	73,763	49,054
Other intangible assets	154	153
	73,917	49,207
Accumulated amortisation		
Relative to the year (note 9)	(13,565)	(9,274)
Relative to the previous years	(19,530)	(10,250)
	(33,095)	(19,524)
	40,822	29,683

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	Transfers	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

The changes occurred in Intangible assets balance, during 2018, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	35,849	17,573	(4,384)	-	16	49,054
Other intangible assets	177	-	-	(28)	4	153
	36,026	17,573	(4,384)	(28)	20	49,207
Accumulated amortisation						
Software	(14,534)	(9,274)	4,378	-	(7)	(19,437)
Other intangible assets	(83)	-	-	-	(4)	(87)
	(14,617)	(9,274)	4,378	-	(11)	(19,524)
	21,409	8,299	(6)	(28)	9	29,683

27. Income tax

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

(Thousands of euros)

	2019			2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a) (b)						
Impairment losses (c)	983,177	-	983,177	925,420	-	925,420
Employee benefits	836,876	-	836,876	835,234	-	835,234
	1,820,053	-	1,820,053	1,760,654	-	1,760,654
Deferred taxes depending on the future profits						
Intangible assets	49	-	49	-	-	-
Other tangible assets	1,926	(3,118)	(1,192)	1,977	(3,184)	(1,207)
Impairment losses (c)	707,536	(50,303)	657,233	709,541	(50,303)	659,238
Employee benefits	41,552	(811)	40,741	39,757	(205)	39,552
Financial assets at fair value through other comprehensive income	47,111	(121,751)	(74,640)	139,254	(165,893)	(26,639)
Tax losses carried forward	109,964	-	109,964	319,768	-	319,768
Others	64,339	(31,644)	32,695	57,646	(26,476)	31,170
	972,477	(207,627)	764,850	1,267,943	(246,061)	1,021,882
Total deferred taxes	2,792,530	(207,627)	2,584,903	3,028,597	(246,061)	2,782,536
Offset between deferred tax assets and deferred tax liabilities	(207,627)	207,627	-	(246,061)	246,061	-
Net deferred taxes	2,584,903	-	2,584,903	2,782,536	-	2,782,536

(a) Special Regime applicable to deferred tax assets
(b) The increase in deferred tax assets not dependent on future profitability results from the merger by incorporation of Banco de Investimento Imobiliário, S.A.
(c) 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 January 1, 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 1,391,072,000 (31 December 2018: Euros 1,202,963,000).

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

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

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing bank 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	2019	2018
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 2018: 21%).

The average deferred tax rate associated with temporary differences of the Bank is 31.3% (31 December 2018: 31.3%).

The reporting period of tax losses in Portugal is 12 years for the losses of 2014, 2015 and 2016 and 5 years for the losses of 2017 and following years.

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

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

The deffered income tax assets associated to tax losses, by expire date, are presented as follows:

(Thousands of euros)

Expire date	2019	2018
2026	-	10,297
2028	109,964	309,471
	109,964	319,768

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.

For the estimation of taxable income for the year 2019, it was considered the maintenance of the tax rules in force until 2018, resulting from not exercising earlier the option of applying the new regime

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the Bank's interpretation of the application of IRC Code's general rules.

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 2020 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 2020 to 2028, 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 Bank 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 2020 to 2023 were estimated based on the average percentage of non-deducted amounts for tax purposes in the last accounting years between 2016 to 2019, compared to the amounts of net impairment increases recorded in these years;

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

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

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;
- 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 consider the Group's strategic priorities, essentially reflecting the projection of the Bank's medium-term business in Portugal in terms of results generation, and are globally consistent with the Reduction Plan of Non-Performing Assets 2019-2021, submitted to the supervisory authority in March 2019, emphasising:

- improvement in the net margin, reflecting an effort to increase credit, favoring 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.

- following the analysis of the recoverability of deferred tax assets carried out in 2019, the Bank unrecognized an amount net of deferred tax assets in the amount of Euros 116,347,000, proceeding to the derecognized of deferred tax assets relating to reportable tax losses of Euros 198,565,000 and the recognition of deferred tax assets relating to impairment losses of Euros 82,218,000. From the referred net amount, Euros 69,584,000 were recorded against results and Euros 46,763,000 were recorded against reserves. The allocation of deferred taxes to results and reserves was made in accordance with the accounting principle used for the recognition of the deferred tax assets in question, due to the decomposition of the realities that originated the tax losses to which they refer.

The performed analyse allow the conclusion of total recoverability of the deferred tax assets recognised as at 31 December 2019.

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	2019	2018
2023	140,216	140,962
2024	35,391	-
2026	212,833	202,537
2028	407,380	207,874
	795,820	551,373

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

(Thousands of euros)

	2019			2018		
					Reserves and retained earnings	
	Net income for the year	Reserves	Merge BII	Net income for the year	Impact of adoption of IFRS 9	Movement of the year
Deferred taxes						
not depending on the future profits (a)						
Impairment losses	9,860	-	47,897	(253)	-	-
Employee benefits	102	232	1,308	(2,188)	-	-
	9,962	232	49,205	(2,441)	-	-
Deferred taxes						
depending on the future profits						
Intangible assets	10	-	39	-	-	-
Other tangible assets	15	-	-	18	-	-
Impairment losses	(12,030)	-	10,025	(23,801)	(197,277)	-
Employee benefits	5,694	(4,534)	29	9,702	-	3,474
Financial assets at fair value						
through other comprehensive income	-	(41,235)	(6,766)	(10,076)	20,322	(36,885)
Financial assets available for sale	n.a.	n.a.	n.a.	n.a.	6,917	n.a.
Tax losses carried forward (b)	(161,693)	(48,111)	-	(1,685)	-	1,685
Others	(1,065)	1,277	1,313	(4,627)	(613)	(685)
	(169,069)	(92,603)	4,640	(30,469)	(170,651)	(32,411)
	(159,107)	(92,371)	53,845	(32,910)	(170,651)	(32,411)
Current taxes						
Actual year	(3,097)	-	-	(3,989)	-	-
Correction of previous years	14,490	-	-	790	-	-
	11,393	-	-	(3,199)	-	-
	(147,714)	(92,371)	53,845	(36,109)	(170,651)	(32,411)

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

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

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

(Thousands of euros)

	2019	2018
Net income / (loss) before income taxes	287,010	95,376
Current tax rate (%)	31.30%	31.30%
Expected tax	(89,834)	(29,853)
Elimination of double economic taxation of dividends received	6,118	69,882
Non deductible impairment	(6,932)	(50,505)
Contribution to the banking sector	(9,914)	(9,522)
Fiscal gains and losses	6,591	1,636
Effect of tax rate difference and other corrections (a)	14,878	(1,884)
Effect of recognition / derecognition net of deferred taxes (b)	(79,474)	(14,336)
Correction of previous years	12,448	790
Autonomous tax	(1,595)	(2,317)
Total	(147,714)	(36,109)
Effective rate (%)	51.47%	37.86%

(a) Includes the amount of Euros 15,486,000 related to the effect of updating the rate of deferred tax assets on temporary differences transferred by merger of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A.
(b) Includes the effect of the de-recognition of deferred tax assets related to tax losses resulting from the merger of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A., in the negative amount of Euros 9,889,000.

28. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Debtors	76,355	132,558
Capital supplies	238,449	233,195
Capital supplementary contributions	165	236,232
Other financial investments	292	449
Gold and other precious metals	3,767	3,615
Deposit account applications	468,084	74,220
Debtors for futures and options transactions	98,965	109,445
Artistic patrimony	28,816	28,622
Amounts due for collection	74,451	45,475
Other recoverable tax	18,972	20,024
Subsidies receivables	9,416	8,146
Associated companies	5,671	43,829
Interest and other amounts receivable	28,110	29,179
Prepaid expenses	20,373	22,330
Amounts receivable on trading activity	5,732	11,851
Amounts due from customers	225,073	217,483
Obligations with post-employment benefits (note 45)	10,163	9,941
Sundry assets	27,223	32,728
	1,340,077	1,259,322
Impairment for other assets	(245,740)	(312,773)
	1,094,337	946,549

As at 31 December 2018, the balance "Debtors" includes a balance with Planfipsa Group in the amount of Euros 42,124,000. 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, as at 31 December 2019, the balances Capital supplies include the amount of Euros 231,136,000 (31 December 2018: Euros 226,049,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

As at 31 December 2019, the balance Deposit account applications includes the amount of Euros 431,226,000 (31 December 2018: Euros 16,307,000) 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)

	2019	2018
Millennium bcp Imobiliária, S.A.	-	51,295
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	166,287
Millennium bcp - Prestação de Serviços, A.C.E.	-	18,000
Servitrust - Trust Management Services S.A.	-	650
Others	165	-
	165	236,232

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

(Thousands of euros)

	2019	2018
Balance on 1 January	312,773	291,828
Transfer resulting from the merger of BII on BCP	1	-
Transfers	(8,721)	57,120
Impairment for the year (note 12)	7,469	6,544
Write back for the year (note 12)	-	(1,432)
Amounts charged-off	(65,782)	(41,287)
Balance at the end of the year	245,740	312,773

In 2018, the balance Transfers refers to impairments that, as at 31 December 2017, were accounted in loans to customers. In the context of the financial restructuring of a group of customers occurred in 2018, the associated credits were liquidated, and the Group received a set of assets in kind.

29. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2019			2018		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	-	3,940,496	3,940,496	-	3,950,657	3,950,657
Central Banks abroad	-	106,715	106,715	-	803,986	803,986
	-	4,047,211	4,047,211	-	4,754,643	4,754,643
Resources from credit institutions in Portugal						
Very short-term deposits	-	-	-	-	8,134	8,134
Sight deposits	218,975	-	218,975	453,795	-	453,795
Term Deposits	-	1,207,589	1,207,589	-	417,911	417,911
CIRS and IRS operations collateralised by deposits (*)	-	1,060	1,060	-	19,820	19,820
	218,975	1,208,649	1,427,624	453,795	445,865	899,660
Resources from credit institutions abroad						
Very short-term deposits	-	28,756	28,756	-	700	700
Sight deposits	127,979	-	127,979	197,673	-	197,673
Term Deposits	-	1,032,182	1,032,182	-	555,195	555,195
Loans obtained	-	1,504,052	1,504,052	-	1,522,631	1,522,631
CIRS and IRS operations collateralised by deposits (*)	-	8,200	8,200	-	1,880	1,880
Sales operations with repurchase agreement	-	-	-	-	439,999	439,999
Other resources	-	5,861	5,861	-	156	156
	127,979	2,579,051	2,707,030	197,673	2,520,561	2,718,234
	346,954	7,834,911	8,181,865	651,468	7,721,069	8,372,537

(*) 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)

	2019	2018
Up to 3 months	1,861,569	2,311,072
3 to 6 months	3,524,850	39,693
6 to 12 months	1,044,411	219,821
1 to 5 years	1,145,164	4,679,943
Over 5 years	605,871	1,122,008
	8,181,865	8,372,537

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

30. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2019			2018		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	21,860,155	425,247	22,285,402	18,849,565	449,154	19,298,719
Term deposits	-	9,529,571	9,529,571	-	11,142,718	11,142,718
Saving accounts	-	4,270,512	4,270,512	-	3,473,141	3,473,141
Cheques and orders to pay	346,394	-	346,394	303,339	-	303,339
Other	-	60,186	60,186	-	-	-
	22,206,549	14,285,516	36,492,065	19,152,904	15,065,013	34,217,917

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)

	2019	2018
Deposits repayable on demand	22,285,402	19,298,719
Term deposits and saving accounts		
Up to 3 months	6,645,037	6,379,989
3 to 6 months	4,285,470	4,362,232
6 to 12 months	2,762,628	3,573,937
1 to 5 years	106,705	285,501
Over 5 years	243	14,200
	13,800,083	14,615,859
Cheques and orders to pay		
Up to 3 months	346,394	303,339
Other		
Up to 3 months	186	-
Over 5 years	60,000	-
	60,186	-
	36,492,065	34,217,917

31. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Debt securities at amortised cost		
Bonds	392,190	122,301
Covered bonds	995,977	994,347
MTNs	98,814	77,182
	1,486,981	1,193,830
Accruals	9,527	4,937
	1,496,508	1,198,767

The characteristics of the bonds issued by the Bank, as at 31 December 2019 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Debt securities at amortised cost					
BCP 4.75 % set 20 -Vm Sr 279	September, 2012	September, 2020	Fixed rate of 4.750%	27,100	27,641
BCP Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	1,995
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	2,554
Covered Bonds Sr 9	May, 2017	May, 2022	Fixed rate of 0.75%	1,000,000	995,977
Bcp Div Cabaz 3 Acoes-Smtn 3	December, 2017	December, 2020	Indexed to a portfolio of 3 shares	6,362	6,319
Bcp Mill Cabaz 3 Acoes Fev 2021-Smtn Sr 6	February, 2018	February, 2021	Indexed to a portfolio of 3 shares	10,958	10,958
Tit Div Mill Cabaz 3 Acoes Mar 2021-Smtn Sr 7	March, 2018	March, 2021	Indexed to a portfolio of 3 shares	24,336	24,336
Bcp Part Euro Acoes Valor Iii/18 - Smtn Sr. 8	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,370
Bcp Tit Div Mill Cabaz 3 Acoes Mai 2021-Smtn Sr10	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	32,361	32,361
Bcp Perfor Cabaz Ponder 18/17.05.21-Smtn Sr14	May, 2018	May, 2021	Indexed to a portfolio of 3 shares	790	790
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	2,270	2,270
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
					1,486,981
Accruals					9,527
					1,496,508

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

This balance, as at 31 December 2018, excluding accruals, is analysed by the remaining period, as follows:

(Thousands of euros)

	2018					
	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	60,740	-	28,618	32,943	-	122,301
Covered bonds	-	-	-	994,347	-	994,347
MTNs	-	-	-	77,182	-	77,182
	60,740	-	28,618	1,104,472	-	1,193,830

32. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Bonds		
Non Perpetual	1,094,087	793,490
Perpetual	22,035	27,021
	1,116,122	820,511
Accruals	8,931	5,113
	1,125,053	825,624

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

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
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 7.01%	14,000	14,042	101
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,210	741
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	51,611	2,635
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,325	1,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,668	2,654
Bcp Fix Rate Reset Sub Notes-EMTN 854	December, 2017	December, 2027	See ref. (ii)	300,000	298,742	300,000
Bcp Subord Fix. Rate Note Proj. Tagus Mtn 855	September, 2019	March, 2030	See 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 - The 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).

As at 31 December 2018, 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	51,173
BCP Ob Sub abr 2021-EMTN 809	April, 2011	April, 2021	Euribor 3M+3,75%	64,100	64,100	28,881
BCP Ob Sub 3S abr 2021-EMTN 812	April, 2011	April, 2021	Euribor 3M+3,75%	35,000	35,000	16,158
BCP Sub 11/25.08.2019-EMTN 823	August, 2011	August, 2019	Fixed rate 6,383%	7,500	7,637	979
BCP Subord set 2019-EMTN 826	October, 2011	September, 2019	Fixed rate 9,31%	50,000	53,541	7,444
BCP Subord nov 2019-EMTN 830	November, 2011	November, 2019	Fixed rate 8,519%	40,000	43,234	6,844
MBCP Subord dez 2019-EMTN 833	December, 2011	December, 2019	Fixed rate 7,15%	26,600	29,297	5,010
MBCP Subord jan 2020-EMTN 834	January, 2012	January, 2020	Fixed rate 7,01%	14,000	15,334	2,901
MBCP Subord fev 2020-Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,543	5,341
BCP Subord abr 2020-Vm Sr 187	April, 2012	April, 2020	Fixed rate 9,15%	51,000	54,102	12,835
BCP Subord 2 Ser abr 2020-Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,522	6,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,560	7,904
Bcp Fix Rate Reset Sub Notes-EMTN 854	December, 2017	December, 2027	Ver ref. (iii)	300,000	298,620	300,000
					793,490	451,887
Perpetual Bonds						
TOPS BPSM 1997	December, 1997	See ref. (i)	Euribor 6M+0.9%	22,035	22,035	8,814
BCP Leasing 2001	December, 2001	See ref. (ii)	Euribor 3M+2.25%	4,986	4,986	1,994
					27,021	10,808
Accruals					5,113	-
					825,624	462,695

(*) 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 - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.
(i) June 2019; (ii) March 2019.

Interest rate
(iii) 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%.

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

(Thousands of euros)

	2019	2018
Up to 3 months	37,252	-
3 to 6 months	76,936	-
Up to 1 year	26,668	133,709
1 to 5 years	213,100	361,161
Over 5 years	740,131	298,620
Undetermined	22,035	27,021
	1,116,122	820,511
Accruals	8,931	5,113
	1,125,053	825,624

33. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of euros)

	2019	2018
Trading derivatives (note 22):		
Swaps	267,213	290,475
Options	672	3,370
Embedded derivatives	347	59
Forwards	934	644
Others	-	1,147
	269,166	295,695
Level 2	269,166	295,677
Level 3	-	18

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 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 346,000 (31 December 2018: Euros 59,000). 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)

	2019	2018
Deposits from customers	1,720,135	2,583,549
Debt securities at fair value through profit and loss		
Bonds	262	826
Medium term notes (MTNs)	734,722	340,274
	734,984	341,100
Accruals	801	806
	735,785	341,906
Certificates	745,390	678,192
	3,201,310	3,603,647

As at 31 December 2019, 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 Eur Cln Port 10/15.06.20- Emtn 766	November, 2010	June, 2020	Fixed rate 4.8% underlying asset OT - 2020/06	30,000	30,549
Bcp Reemb Parc Eur Acoes Iii-Epvm 49	March, 2017	March, 2020	1st quarter=1,624%; 2 nd quarter =3,9%; 2 nd semester=6,5%; 2 nd year =3,25%; 3rd year=3,25%	268	262
Bcp Euro Divid Cup Mem Vi 17-Smtn 1	June, 2017	June, 2020	Indexed to EuroStoxx Select Dividend 30	1,240	1,248
Bcp Reemb Parc Ener Eur Viii-Smtn 2	August, 2017	August, 2020	Indexed to EuroStoxx Oil & Gas Index	598	604
Bcp Inv. Euro Acoes Cupao Extra Xi/17 Eur-Smtn Sr 4	November, 2017	November, 2020	Indexed to EuroStoxx 50	1,370	1,255
Bcp Rend.Eur Div Autoccalable Xii 17Dec20 Smtn Sr5	December, 2017	December, 2020	Indexed to EuroStoxx Select Dividend 30	1,930	1,917
Bcp Euro Dividendos Cupao Memoria Iii18-Smtn Sr.9	March, 2018	March, 2021	Indexed to EuroStoxx Select Dividend 30	2,060	2,174
Bcp Rend Multi Set Eur Autocallable Abr21-Smtn11	April, 2018	April, 2021	Indexed to 3 shares portfolio	1,230	1,239
Mill Cabaz 3 Acoes Junho 2023 - Smtn Sr 13	June, 2018	June, 2023	Indexed to 3 shares portfolio	87,831	87,274
Bcp Rend Cabaz Sect Autocall 28Jun2021-Smtn Sr15	June, 2018	June, 2021	Indexed to 3 shares portfolio	1,580	1,582
Bcp Inv. Eur Acoes Cupao Lock 28Jun21-Smtn Sr16	June, 2018	June, 2021	Indexed to EuroStoxx 50	2,240	2,290
Bcp Tit Div Mill Cabaz 3 Acoes 25Jul2023-Smtn Sr 17	July, 2018	July, 2023	Indexed to 3 shares portfolio	15,572	15,664
Bcp Ret Sect Europa Autcall Vii18 26Jul21-Smtn Sr18	July, 2018	July, 2021	Indexed to 3 indexes	1,270	1,273
Bcp Tit Div Mill Cabaz 3Acoes 10 Set 23- Smtn Sr 20	September, 2018	September, 2023	Indexed to 3 shares portfolio	29,937	30,161
Bcp Rend Sectores Ix 18/27092021 - Smtn 22	September, 2018	September, 2021	Indexed to 3 indexes	1,070	1,067
Cabaz Multi Sect Eur.Autocall Xi18 29Oct21-Smtn23	October, 2018	October, 2021	Indexed to 3 shares portfolio	3,910	3,954
Rembolsos Parciais Euro Telecom Xi Eur Smtn Sr 26	November, 2018	November, 2021	Indexed to EuroStoxx Telecoms	312	313
Bcp Perfor. Euro Dividendos 29Nov2021 Smtn 27	November, 2018	November, 2021	Indexed to EuroStoxx Select Dividend 30	1,370	1,596
Bcp Tit Divida Mill Cabaz 3 Acoes 3Dez2023 Smtn25	December, 2018	December, 2023	Indexed to 3 shares portfolio	97,728	97,261
Bcp Tit Div Mill Cabaz 3 Acoes 7Jan2024 Smtn Sr 28	January, 2019	January, 2024	Indexed to 3 shares portfolio	23,010	23,843
Bcp Rend Eur Sect Autoc I19 Eur 31Jan22 Smtn Sr30	January, 2019	January, 2022	Indexed to 3 indexes	900	883
Bcp Rend Acoes Eur Cupao Min Autoc Ii19 Smtn Sr32	February, 2019	February, 2022	Indexed to 3 shares portfolio	8,140	8,319
Bcp Cabaz 3 Acoes Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to 3 shares portfolio	76,526	76,818
Bcp Rend Acoes Val. Glob Aut Iii19 12Mar22 Smtn33	March, 2019	March, 2022	Indexed to Stoxx Global Sel. Dividend100	1,160	1,233
Bcp Acoes Eur Rend Min Aut Iii19 12Mar22 Smtn34	March, 2019	March, 2022	Indexed to 3 shares portfolio	5,650	5,789
Bcp Tit Div Mill Cabaz 3 Acoes 8Abr24 Smtn Sr35	April, 2019	April, 2024	Indexed to 3 shares portfolio	69,287	69,367
Bcp Tit Div Mill Cabaz 4 Acoes 5Junho24 Smtn Sr38	June, 2019	June, 2024	Indexed to 4 shares portfolio	86,570	87,880
Bcp Tit Div Mill Cabaz 5 Ac 26Julho2024 Smtn42	July, 2019	July, 2024	Indexed to 5 shares portfolio	80,182	80,281
Bcp Tit Div Millennium Cabaz 5 Ac 6Dez24 Smtn 44	December, 2019	December, 2024	Indexed to 5 shares portfolio	99,120	98,888
					734,984
Accruals					801
					735,785

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

As at 31 December 2018, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2018					
	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	409,770	532,337	424,000	1,217,442	-	2,583,549
Debt securities at fair value through profit and loss						
Bonds	-	-	566	260	-	826
Medium Term Notes (MTNs)	-	-	-	340,274	-	340,274
	-	-	566	340,534	-	341,100
Certificates	-	-	-	-	678,192	678,192
	409,770	532,337	424,566	1,557,976	678,192	3,602,841

35. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Provision for guarantees and other commitments	102,068	163,363
Other provisions for liabilities and charges	158,378	150,505
	260,446	313,868

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

(Thousands of euros)

	2019	2018
Balance on 1 January	163,363	114,981
Transfer resulting from the merger of BII on BCP	10,165	-
Adjustments due to the implementation of IFRS 9 (note 51)	-	9,078
Other transfers (note 19)	(67,083)	(2,124)
Charge for the year (note 13)	5	41,462
Reversals for the year (note 13)	(4,382)	(36)
Exchange rate differences	-	2
Balance at the end of the year	102,068	163,363

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

(Thousands of euros)

	2019	2018
Balance on 1 January	150,505	154,076
Transfer resulting from the merger of BII on BCP	7,230	-
Transfers	188	(12,915)
Charge for the year (note 13)	3,395	19,142
Reversals for the year (note 13)	(12)	(24)
Amounts charged-off	(2,928)	(9,774)
Balance at the end of the year	158,378	150,505

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 68,224,000 (31 December 2018: Euros 55,817,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

36. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Creditors:		
Suppliers	42,978	42,183
From factoring operations	35,948	26,323
Deposit account applications and others applications	58,468	73,706
Associated companies	-	10
For futures and options transactions	11,039	13,731
Obligations not covered by the Group Pension Fund - amounts payable by the Bank	11,634	12,670
Rents to pay	175,598	-
Other creditors		
Residents	40,250	41,776
Non-residents	3,136	211,059
Public sector	33,218	30,996
Interests and other amounts payable	35,640	30,157
Deferred income	7,153	7,453
Holiday pay and subsidies	44,026	43,531
Amounts payable on trading activity	81,464	4,810
Operations to be settled - foreign, transfers and deposits	230,189	214,262
Other liabilities	94,256	108,176
	904,997	860,843

As at 31 December 2018, the balance Other creditors - Non-residents includes the amount of Euros 207,531,000 related to the acquisition of securities for BCP's portfolio, which were settled in 2019.

The balance Obligations not covered by the Group Pension Fund - amounts payable by the Bank includes the amount of Euros 5,448,000 (31 December 2018: Euros 6,238,000) 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 2018: 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.

In 2019, 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)

	2019
Until 1 year	9,389
1 to 5 years	61,467
Over 5 years	116,316
	187,172
Accrued costs recognised in Net interest income	(11,574)
	175,598

37. Share capital and Other equity instruments

The Bank's share capital, as at 31 December 2019, 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 2019, 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 2019, the balance Other equity instruments, in the amount of Euros 400,000,000 (31 December 2018: Euros 2,922,000) 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.

As described in note 43, 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 2019, 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. held by Fosun International Holdings Ltd	4,118,502,618	27.25%	27.25%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,946,353,914	19.49%	19.49%
BlackRock, Inc. (*)	512,328,512	3.39%	3.39%
EDP Pension Fund (**)	311,616,144	2.06%	2.06%
Total Qualified Shareholdings	7,888,801,188	52.20%	52.20%

(*) In accordance with the announcement on 5 March 2018 (last information available).

(**) Allocation in accordance with Art. 20 (1.f) of the Portuguese Securities Code.

38. Legal and statutory reserves

Under Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10 percent 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 2018 financial year approved at the General Shareholders' Meeting held on 22 May 2019, the Bank increased its legal reserve in the amount of Euros 5,927,000. Thus as at 31 December 2019, the amount of Legal reserves amounts to Euros 240,535,000 (31 December 2018: Euros 234,608,000).

As described in note 43, under the appropriation of net income for the 2018 financial year, the Bank distributed the Statutory reserves in the amount of Euros 30,000,000.

39. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 21)		
Debt instruments (*)	104,353	(19,971)
Equity instruments	(43,616)	(34,107)
	60,737	(54,078)
Cash-flow hedge	156,629	113,700
From financial liabilities designated at fair value through profit or loss		
related to changes in own credit risk	132	4,151
	217,498	63,773
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(32,037)	6,251
Equity instruments	6,422	2,698
Cash-flow hedge	(49,025)	(35,588)
From financial liabilities designated at fair value through profit or loss		
related to changes in own credit risk	(41)	(1,299)
	(74,681)	(27,938)
	142,817	35,835
Other reserves and retained earnings	228,321	487,060
	371,138	522,895
Legal reserve (note 38)	240,535	234,608
Statutory reserves (note 38)	-	30,000
	240,535	264,608
	611,673	787,503

(*) Includes the effects arising from the application of hedge accounting in the amount of Euros 114,684,000.

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 2019, 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 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

The changes occurred, during 2018, 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 2017	Adjustments - implementation of IFRS 9	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December 2018
Financial assets at fair value through other comprehensive income							
Debt instruments							
Portuguese public debt securities	-	(65,731)	39,420	(5,337)	(3,526)	(10,459)	(45,633)
Others	-	56,141	(23,963)	(6,818)	2,738	(2,436)	25,662
	-	(9,590)	15,457	(12,155)	(788)	(12,895)	(19,971)
Equity instruments	-	(69,382)	(959)	-	-	36,234	(34,107)
Financial assets available for sale							
Debt instruments							
Portuguese public debt securities	(65,350)	65,350	-	-	-	-	-
Others	58,635	(58,635)	-	-	-	-	-
	(6,715)	6,715	-	-	-	-	-
Equity instruments							
Visa Inc.	2,112	(2,112)	-	-	-	-	-
Others	41,996	(41,996)	-	-	-	-	-
	44,108	(44,108)	-	-	-	-	-
Financial assets held to maturity	(451)	451	-	-	-	-	-
	36,942	(115,914)	14,498	(12,155)	(788)	23,339	(54,078)

The negative amount of Euros 115,914,000 of Adjustments due to the implementation of IFRS 9 corresponds, in 2018, as described in note 51, to the impact arising from the adoption of IFRS 9 in the balance Investments in associated companies and other changes due to changes in the classification of securities.

The Disposals occurred in 2018, regards to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

40. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2019	2018
Guarantees granted		
Guarantees	3,509,180	3,242,423
Stand-by letter of credit	44,982	67,103
Open documentary credits	203,623	264,222
Bails and indemnities	137,695	139,345
Other liabilities	108,850	108,850
	4,004,330	3,821,943
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	1,497,679	1,188,515
Securities subscription	83,842	97,159
Other irrevocable commitments	114,165	113,633
Revocable commitments		
Revocable credit lines	5,025,527	4,222,553
Bank overdraft facilities	551,556	542,389
Other revocable commitments	88,337	93,152
	7,361,106	6,257,401
Guarantees received	22,712,077	19,924,548
Commitments from third parties	10,254,809	9,357,320
Securities and other items held for safekeeping	55,706,145	51,939,148
Securities and other items held under custody by the Securities Depository Authority	65,410,519	61,622,103
Other off balance sheet accounts	124,162,888	120,782,241

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)

	2019	2018
Assets under deposit	51,826,908	48,235,366
Wealth management (*)	2,610,678	2,140,906
	54,437,586	50,376,272

(*) 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 based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. 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 2019 and 2018, no credits were sold to specialized funds in credit recovery. The amounts accumulated as at 31 December 2019 and 2018, 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 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
Imparirmant and other fair value ajustments	(44,698)	-	(33,280)	(77,978)
	43,704	-	-	43,704
FLIT-PTREL				
Gross value	247,354	38,154	-	285,508
Impairment and other fair value adjustments	(7,587)	(38,154)	-	(45,741)
	239,767	-	-	239,767
Fundo Recuperação FCR				
Gross value	187,741	82,947	-	270,688
Impairment and other fair value adjustments	(101,496)	(82,947)	-	(184,443)
	86,245	-	-	86,245
Fundo Aquarius FCR				
Gross value	139,147	-	-	139,147
Impairment and other fair value adjustments	(9,153)	-	-	(9,153)
	129,994	-	-	129,994
Discovery Real Estate Fund				
Gross value	155,328	-	-	155,328
Impairment and other fair value adjustments	2,149	-	-	2,149
	157,477	-	-	157,477
Fundo Vega FCR				
Gross value	48,076	77,366	-	125,442
Impairment and other fair value adjustments	(5,661)	(77,366)	-	(83,027)
	42,415	-	-	42,415
Total Gross value	1,142,295	231,136	33,280	1,406,711
Total impairment and other fair value adjustments	(217,806)	(231,136)	(33,280)	(482,222)
	924,489	-	-	924,489

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and 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.

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 2018, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2018			
	Senior securities	Junior securities		
	Participation units (note 21)	Capital supplies (note 28)	Capital supplementary contributions (note 28) (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	287,930	32,206	-	320,136
Impairment and other fair value adjustments	(49,074)	(32,206)	-	(81,280)
	238,856	-	-	238,856
Fundo Reestruturação Empresarial FCR				
Gross value	106,690	-	33,280	139,970
Impairment and other fair value adjustments	(31,336)	-	(33,280)	(64,616)
	75,354	-	-	75,354
FLIT-PTREL				
Gross value	268,645	38,154	-	306,799
Impairment and other fair value adjustments	(3,899)	(38,154)	-	(42,053)
	264,746	-	-	264,746
Vallis Construction Sector Fund				
Gross value	193,730	80,938	-	274,668
Impairment and other fair value adjustments	(89,971)	(80,938)	-	(170,909)
	103,759	-	-	103,759
Fundo Recuperação FCR				
Gross value	139,148	-	-	139,148
Impairment and other fair value adjustments	(10,974)	-	-	(10,974)
	128,174	-	-	128,174
Fundo Aquarius FCR				
Gross value	152,864	-	-	152,864
Impairment and other fair value adjustments	1,075	-	-	1,075
	153,939	-	-	153,939
Discovery Real Estate Fund				
Gross value	47,694	74,751	-	122,445
Impairment and other fair value adjustments	(5,534)	(74,751)	-	(80,285)
	42,160	-	-	42,160
Total Gross value	1,196,701	226,049	33,280	1,456,029
Total impairment and other fair value adjustments	(189,712)	(226,049)	(33,280)	(449,041)
	1,006,988	-	-	1,006,988

(*) 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.

As at 31 December 2019, the detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

Corporate restructuring funds	2019 Subscribed capital	2019 Capital realized	2019 Subscribed and unpaid capital	2018 Subscribed capital	2018 Capital realized	2018 Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	276,246	15,754	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	74,263	67,409	6,854	101,133	86,419	14,714
FLIT-PTREL	241,358	241,358	-	262,231	262,231	-
Fundo Recuperação FCR	206,805	187,742	19,063	213,635	193,729	19,906
Fundo Aquarius FCR	156,100	139,148	16,952	156,100	139,148	16,952
Discovery Real Estate Fund	156,121	156,121	-	153,243	153,243	-
Fundo Vega FCR	49,616	46,601	3,015	49,616	46,233	3,383
	1,176,263	1,114,625	61,638	1,239,641	1,168,932	70,709

In 2019, there are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of 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	2019	2018
Loans and advances to customers	232,892	282,480
Guarantees granted and irrevocable credit lines	49,327	55,089
Gross exposure	282,219	337,569
Impairment	(88,337)	(85,884)
Net exposure	193,882	251,685

43. Relevant events occurred during 2019

Issue of perpetual subordinated (Additional Tier 1) notes by Banco Comercial Português, S.A.

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 ("Additional Tier 1" or "AT1").

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.

The issuance, the first of its kind denominated in euros on the European market in 2019, was part of the Bank's strategy to strengthen and diversify the components of its capital base, contributing significantly to the strengthening of its eligible liabilities to meet the minimum requirement for eligible own funds and liabilities and to strengthen its presence in the capital market.

Issue of W-Series subordinated bonds of the Bank Millennium, S.A. (Poland)

On 30 January 2019 the Bank Millennium, S.A. (Poland) issued 1,660 series W subordinated bonds in the total amount of PLN 830 million (Euros 193 million). The maturity of the bonds is 30 January 2029 and the interest rate is variable, based on WIBOR 6M plus a margin of 2.30% per annum.

After the assent of Polish Financial Supervision Authority, the bonds were considered instruments in the Bank's Tier 2 capital in the meaning of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on May 22, 2019, with 64.59% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the individual and consolidated annual report, balance sheet and financial statements of 2018, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profits for the 2018 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 Supervision Bodies;

Item Five – Approval of the alteration of the articles of association, giving a new wording to paragraph c) of article 14 and to nr. 1 of article 10, adding two new numbers 2 and 3 to article 10 with the consequent renumbering of current nrs. 2 and 3;

Item Six – Approval of the cooptation of Mr. Fernando Costa Lima as member of the Board of Directors and of the Audit Committee for the exercise of functions in the term-of-office ending in 2021. The effects of this cooptation are subject to obtaining the authorization for the exercise of functions from the European Central Bank;

Item Seven – Appointment of Prof. Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021;

Item Eight – Election of Mr. Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board;

Item Nine - Election of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, as the Single Auditor, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the two-year term-of-office 2019/2020;

Item Ten - Selection of Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period;

Item Eleven – Approval of the acquisition and sale of own shares and bonds.

Appropriation of profits for the 2018 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 22 May 2019, that the year-end results amounting to Euros 59,266,674.99 and the reserve for the stabilization of dividends, in the amount of Euros 30,000,000.00, be applied as follows:

a) For the reinforcement of legal reserve, Euros 5,926,667.50;
b) For the attribution of dividends Euros 30,227,979.90, corresponding Euros 227,979.90 to earnings and Euros 30,000,000.00 to the reserve for the stabilization of dividends;
c) to be distributed to employees Euros 12,587,009.00;
d) Euros 40,525,018.59, that is, the remaining, to Retained Earnings.

It was also approved that:

i) The payment to each share of the unit dividend of Euros 0.002;
ii) The dividend on the shares owned by the Company on the first day of the dividend payment period shall not be paid and shall be registered in the retained earnings.

Acquisition of Euro Bank S.A. by Bank Millennium S.A.

Bank Millennium S.A., owned 50.1% by Banco Comercial Português, S.A., announced on 28 May 2019, having been informed of the non-objection by the Polish Financial Supervision Authority to its acquisition of Euro Bank S.A.. As at 31 May 2019, the Bank Millennium S.A has completed the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A.. On 1 October 2019, the legal merger of Bank Millennium S.A. with Euro Bank S.A. has been completed.

Merger of Banco de Investimento Imobiliário, S.A. with Banco Comercial Português, S.A.

Following the announcement dated 19 June 2019, Banco Comercial Português, S.A. hereby informs that its Board of Directors and the Board of Directors of Banco de Investimento Imobiliário, S.A. approved during September 2019, the merger project of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter. The process was concluded on 30 December 2019, after the signature of the merger deed.

Notification from the Competition Authority

On 9 September 2019, BCP was notified by the Portuguese Competition Authority ("AdC") of its decision of conviction under a litigation related to alleged restrictive competition practices regarding the sharing of sensitive commercial information between credit institutions in the segments of mortgage loans, consumer loans and corporate loans.

Thereby, BCP was one of the 14 banks to which AdC decided to apply the payment of fines in the global amount of Euros 225 million for alleged concerted practice of sensitive commercial information exchange, fining BCP in Euros 60 million. Under the same litigation, other 13 credit institutions were also condemned.

According to the referred decision, BCP's fine of Euros 60 million contemplated the duration of its participation in the alleged infringement (11 years, between May 2002 and March 2013) and the Bank's turnover related with the markets included in the infringement, i.e., mortgage loans, consumer loans and corporate loans.

The exchange of sensitive information for which BCP is condemned refers to: (i) information related to commercial conditions (as prices/spread rates that were not public in the moment of the information exchange or that were difficult to access or systematize); and (ii) monthly production amounts of each bank occurred during that period (disaggregated information relative to the amount of credit granted in Euros in a determined period, normally corresponding to the month before).

AdC did not constitute any evidence about the restrictive effect on competition due to the information exchange. AdC considered the information exchange as an infringement by object, hence considering there would not be need of constituting evidence of the restrictive effect on competition, which, in BCP's opinion, is not in conformity with the doctrine and relevant community jurisprudence.

On 21 October 2019, BCP filed an appeal to the Court of Competition, Regulation & Supervision ("TCRS"). The sentence, that will be given by TCRS, may be appealed to the Lisbon Court of Appeal ("TRL").

The Bank contested AdC's decision because it believes that the impugned facts and decisions are not properly supported and substantiated, considering the applied fine unjustified and unbalanced.

On 15 November 2019, BCP was notified of a ruling, by the Lisbon Court of Appeal, on an appeal that it had filed in an earlier moment, still at the pre-trial phase of these administrative proceedings, on the right by the concerned parties to attend the examination of witnesses enrolled by other parties, and such ruling was unfavourable to its claims. Because BCP did not agree with that ruling by the Lisbon Court of Appeal, on 25 November 2019 it appealed this decision to the Constitutional Court.

Issue of subordinated notes by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. fixed, as at 20 September 2019, the terms for a new issue of medium term subordinated notes qualified as Tier 2 own funds, under its Euro Note Programme.

The issue, in the amount of Euros 450 million, will have a tenor of 10.5 years, with the option of early redemption by the Bank at the end of 5.5 year, and an 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, which, for the determination of the interest rate for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

Rating assessment

Long-term issuer default rating was affirmed by Fitch Ratings and by Standard & Poor's at BB and the outlook was revised to positive from stable.

Minimum prudential requirements

Banco Comercial Português, S.A. (BCP) 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 2020, based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as "other systemically important institution" (O-SII).

The aforementioned decisions define, with regard to the minimum capital requirements to be observed as from 1 January 2020, the following ratios, determined according to the total value of risk-weighted assets (RWA):

Minimum capital requirements from 1 January 2020								
		of which:			Fully	of which:		
BCP	Phased-in	Pilar 1	Pilar 2	*Buffers*	implemented	Pilar 1	Pilar 2	*Buffers*
CET1	9,81%	4,50%	2,25%	3,06%	10,25%	4,50%	2,25%	3,50%
T1	11,31%	6,00%	2,25%	3,06%	11,75%	6,00%	2,25%	3,50%
Total	13,31%	8,00%	2,25%	3,06%	13,75%	8,00%	2,25%	3,50%

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.563%). Given the increased systemic importance of BCP for the Portuguese financial system, its future O-SII reserve requirement was revised from 0.75% to 1.00%, and BCP was granted an additional year (January 1st, 2022) to fulfill it, as communicated by the Bank of Portugal in its website.

According to ECB's decision under SREP, the Pillar 2 requirement for BCP was set at 2.25% for 2020, the same value as for 2019.

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 -0.4% as at 31 December 2019 (31 December 2018: -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	
	2019	2018	2019	2018	2019	2018	2019	2018
EUR	2.54%	-0.44%	2.23%	2.77%	0.25%	0.44%	-0.07%	0.02%
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	1.85%	1.17%	2.34%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	1.70%	2.05%	2.31%
CHF	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.35%	-0.35%
CNY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.64%	2.79%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.29%	-0.14%
GBP	n.a.	n.a.	3.88%	3.64%	n.a.	n.a.	1.01%	1.09%
HKD	n.a.	n.a.	n.a.	2.29%	n.a.	n.a.	2.99%	1.98%
MOP	n.a.	n.a.	2.29%	n.a.	n.a.	n.a.	2.35%	2.14%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.08%	1.57%
PLN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.84%	1.83%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.44%	0.17%
USD	2.10%	2.87%	2.83%	3.84%	1.91%	2.74%	2.05%	2.97%
ZAR	7.25%	n.a.	n.a.	n.a.	n.a.	7.20%	7.16%	7.38%

Financial assets and liabilities measured at fair value throuh 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 costumers 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 5.23% (31 December, 2018: 7.18%). Regarding the subordinated issues placed on the retail market it was determined a discount rate of 3.88% (31 December, 2018: 2.64%). For senior and collateralised securities placed on the retail market, the average discount rate was 0.10% (31 December 2018: 0.36%).

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 22,994,000 (31 December 2018: a positive amount of Euros 12,432,000), and includes a receivable amount of Euros 610,000 (31 December 2018: a receivable amount of Euros 857,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2019 and 2018, 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:

	2019				2018			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	-0.47%	1.73%	0.73%	1.45%	-0.43%	2.75%	0.75%	1.44%
7 days	-0.47%	1.70%	0.74%	1.45%	-0.40%	2.55%	0.78%	1.44%
1 month	-0.47%	1.75%	0.75%	1.53%	-0.41%	2.57%	0.80%	1.54%
2 month	-0.44%	1.79%	0.80%	1.57%	-0.38%	2.61%	0.85%	1.58%
3 month	-0.43%	1.81%	0.83%	1.61%	-0.36%	2.72%	0.96%	1.62%
6 month	-0.38%	1.84%	0.90%	1.69%	-0.29%	2.81%	1.08%	1.69%
9 month	-0.35%	1.86%	0.93%	1.70%	-0.23%	2.88%	1.18%	1.72%
1 year	-0.32%	1.75%	0.97%	1.70%	-0.23%	2.74%	1.29%	1.74%
2 years	-0.29%	1.67%	0.80%	1.75%	-0.18%	2.65%	1.16%	1.82%
3 years	-0.24%	1.65%	0.82%	1.75%	-0.07%	2.58%	1.22%	1.91%
5 years	-0.12%	1.70%	0.88%	1.79%	0.20%	2.57%	1.30%	2.12%
7 years	0.02%	1.76%	0.94%	1.82%	0.47%	2.62%	1.36%	2.29%
10 years	0.21%	1.86%	1.02%	1.87%	0.82%	2.70%	1.43%	2.48%
15 years	0.47%	1.97%	1.10%	1.98%	1.17%	2.79%	1.51%	2.75%
20 years	0.60%	2.02%	1.12%	2.07%	1.35%	2.82%	1.55%	2.88%
30 years	0.63%	2.05%	1.11%	2.07%	1.41%	2.81%	1.54%	2.88%

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 following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2018:

(Thousands of euros)

	2018				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	-	-	1,682,922	1,682,922	1,682,922
Loans and advances to credit institutions repayable on demand	-	-	186,477	186,477	186,477
Financial assets at amortised cost					
Loans and advances to credit institutions	-	-	2,044,730	2,044,730	2,055,465
Loans and advances to customers (i)	-	-	30,988,338	30,988,338	30,950,023
Debt instruments	-	-	2,641,291	2,641,291	2,647,759
Financial assets at fair value through profit or loss					
Financial assets held for trading	695,752	-	-	695,752	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss	1,589,899	-	-	1,589,899	1,589,899
Financial assets designated at fair value through profit or loss	33,034	-	-	33,034	33,034
Financial assets at fair value through other comprehensive income	-	6,996,892	-	6,996,892	6,996,892
Hedging derivatives (ii)	92,891	-	-	92,891	92,891
	2,411,576	6,996,892	37,543,758	46,952,226	46,931,114
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	-	-	8,372,537	8,372,537	8,375,877
Resources from customers (i)	-	-	34,217,917	34,217,917	34,230,293
Non subordinated debt securities issued (i)	-	-	1,198,767	1,198,767	1,211,199
Subordinated debt (i)	-	-	825,624	825,624	839,676
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	295,695	-	-	295,695	295,695
Financial liabilities designated at fair value through profit or loss	3,603,647	-	-	3,603,647	3,603,647
Hedging derivatives (ii)	68,486	-	-	68,486	68,486
	3,967,828	-	44,614,845	48,582,673	48,624,873

(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 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

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2018:

(Thousands of euros)

	2018			
	Level 1	Level 2	Level 3	Total
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	-	-	2,055,465	2,055,465
Loans and advances to customers	-	-	30,950,023	30,950,023
Debt instruments	122,601	226,848	2,298,310	2,647,759
Financial assets at fair value through profit or loss				
Financial assets held for trading	52,280	349,504	293,968	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	6,368,563	474,361	153,968	6,996,892
Hedging derivatives	-	92,891	-	92,891
	8,445,877	1,143,604	37,341,633	46,931,114
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	-	-	8,375,877	8,375,877
Resources from customers	-	-	34,230,293	34,230,293
Non subordinated debt securities issued	-	-	1,211,199	1,211,199
Subordinated debt	-	-	839,676	839,676
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	-	295,677	18	295,695
Financial liabilities designated at fair value through profit or loss	678,192	-	2,925,455	3,603,647
Hedging derivatives	-	68,486	-	68,486
	678,192	364,163	47,582,518	48,624,873

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 pnofit or loss	at fair value through other comprehensive income	Total	Financial liabilities held for trading
Balance on 1 January 2019	293,968	1,589,899	153,968	2,037,835	18
Gains / (losses) recognised in:					
Results on financial operations	519	(43,002)	-	(42,483)	-
Net interest income	16	-	586	602	-
Transfers between levels	(3,378)	-	83,815	80,437	(14)
Increase / (reduction) share capital	-	-	-	-	-
Purchases	1	122,874	85,640	208,515	-
Sales, repayments or amortisations	596	(224,999)	(112,316)	(336,719)	(4)
Gains / (losses) recognised in reserves	-	-	(3,743)	(3,743)	-
Exchange differences	-	-	-	-	-
Accruals of interest	-	-	176	176	-
Balance as at 31 December 2019	291,722	1,444,772	208,126	1,944,620	-

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2018 is presented as follows:

(Thousands of euros)

	2018					
	Financial assets					
	held for trading	not held for trading mandatorily at fair value through pnofit or loss	at fair value through other comprehensive income	available for sale	Total	Financial liabilities held for trading
Balance as at 31 December 2017	287,911	-	-	1,863,352	2,151,263	336
Impact of transition to IFRS 9	-	1,832,493	30,859	(1,863,352)	-	-
Balance on 1 January 2018	287,911	1,832,493	30,859	-	2,151,263	336
Gains / (losses) recognised in:						
Results on financial operations	4,637	(29,082)	-	-	(24,445)	-
Net interest income	17	-	897	-	914	-
Transfers between levels	2,735	-	79,081	-	81,816	(332)
Increase / (reduction) share capital	-	(182,497)	-	-	(182,497)	-
Purchases	-	7,117	60,694	-	67,811	14
Sales, repayments or amortisations	(1,332)	(38,508)	(19,788)	-	(59,628)	-
Gains / (losses) recognised in reserves	-	-	2,235	-	2,235	-
Exchange differences	-	376	-	-	376	-
Accruals of interest	-	-	(10)	-	(10)	-
Balance as at 31 December 2018	293,968	1,589,899	153,968	-	2,037,835	18

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 2019 and 2018, 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:

	2019	2018
Number of participants		
Pensioners	16,953	16,811
Former attendees acquired rights	3,139	3,147
Employees	7,129	7,085
	27,221	27,043

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, as at 31 December 2019 and 2018, based on the Projected Unit credit method are analysed as follows:

(Thousands of euros)

	2019	2018
Actual amount of the past services		
Pensioners	2,309,366	2,043,969
Former attendees acquired rights	220,064	189,632
Employees	935,161	806,804
	3,464,591	3,040,405
Pension Fund Value	(3,474,754)	(3,050,346)
Net (assets) in balance sheet (note 28)	(10,163)	(9,941)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,558,797	3,269,738

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 2019 amounted to Euros 289,733,000 (31 December 2018: Euros 284,282,000). 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.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2019	2018
Balance as at 1 January	3,040,405	3,025,679
Service cost	(15,068)	(15,472)
Interest cost / (income)	57,344	62,491
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	99,611	43,655
Arising from changes in actuarial assumptions	362,836	-
Payments	(111,275)	(101,829)
Early retirement programmes and terminations by mutual agreement	18,537	19,302
Contributions of employees	7,926	7,961
Transfer from / (to) other plans (a)	4,275	(1,382)
Balance at the end of the year	3,464,591	3,040,405

(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 2019, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 111,275,000 (31 December 2018: Euros 101,829,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 325,405,000 as at 31 December 2019 (31 December 2018: Euros 298,834,000).

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 2019 amounts to Euros 58,039,000 (31 December 2018: Euros 62,677,000), 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.

Changes in the Collective Labour Agreement (CLA)

The most relevant changes that occurred in the CLA and can be described as follows:

- Change in the retirement age (presumed disability) from 65 years to 66 years and 2 months in 2016. This age is not fixed and increases at the beginning of each calendar year one month. So, in 2019 the retirement age is 66 years and 5 months (66 years and 4 months in 2018). It was agreed that the retirement age in each year, fixed by the application of the above mentioned rule, cannot exceed in any case the normal retirement age in force in the General Social Security Regime. For the actuarial calculation, a progressive increase in retirement age was considered up to 67 years and 2 months;

- It was introduced a change into the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the Pensions (Euros 88 per beneficiary and Euros 37.93 in the case of pensioners). This amount will be updated by the salary table update rate. This change has no impact on participants and beneficiaries, both in terms of their contributions and in their benefits;

- A new benefit and retirement was introduced called End of Career Premium. At the retirement date the participant is entitled to a capital equal to 1.5 times the amount of the monthly remuneration earned at the retirement date. This benefit replaces the Seniority premium that was awarded during active life. This benefit, to be attributed at the retirement date or in the event of death, is a post-employment benefit by which it becomes part of retirement liabilities. This benefit is not included in the pension fund agreement in force at 2016 and as such was considered as Extra-Fund. The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

At the end of December 2016, a revision of the Collective Labour Agreement (CLA) was reached between the BCP Group and the Workers' Trade Unions, "Federação dos Sindicatos Independentes da Banca" and" Federação Nacional do Sector Financeiro". "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA only formalized the acceptance of the amendments to the CLA in April 2017 and, as such, the Bank only recognise the impact of changes from CLA to employees associates of SBN in 2017.

During the 2019 and 2018, the changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2019	2018
Balance as at 1 January	3,050,346	3,139,522
Actuarial gains / (losses)	180,687	(53,751)
Contributions to the Fund	289,250	-
Payments	(111,275)	(101,829)
Expected return on plan assets	52,829	59,445
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	684	380
Employees' contributions	7,926	7,961
Transfer from / (to) other plans (a)	4,307	(1,382)
Balance at the end of the year	3,474,754	3,050,346

(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 analyzed as follows:

(Thousands of euros)

	2019			2018		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	301,171	111,067	412,238	277,652	102,052	379,704
Bonds and other fixed income securities	1,732,315	4,372	1,736,687	1,045,016	4,154	1,049,170
Participations units in investment funds	-	546,624	546,624	-	745,762	745,762
Participation units in real estate funds	-	264,236	264,236	-	273,625	273,625
Properties	-	243,561	243,561	-	243,153	243,153
Loans and advances to credit institutions and others	-	271,408	271,408	-	358,932	358,932
	2,033,486	1,441,268	3,474,754	1,322,668	1,727,678	3,050,346

The balance Shares includes an investment of 2.73% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2019 amounts to Euros 109,635,000 (31 December 2018: Euros 100,691,000). 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 2019, amounts to Euros 243,561,000 (31 December 2018: Euros 243,153,000), mostly a set of properties called "Taguspark" whose book value of the Bank's share amounts, as at 31 December 2019, to Euros 241,932,000 (31 December 2018: Euros 241,526,000). This book value was calculated on the basis of valuations performed by independent expert evaluators performed in 2017.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2019	2018
Bonds and other fixed income securities	12,186	12,098
Loans and advances to credit institutions and others	26,336	272,916
	38,522	285,014

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

(Thousands of euros)

	2019	2018
Balance as at 1 January	(9,941)	(113,843)
Recognised in the income statement:		
Service cost	(15,068)	(15,472)
Interest cost / (income) net of the balance liabilities coverage	4,515	3,046
Cost with early retirement programs	18,537	19,302
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(684)	(380)
	7,300	6,496
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	(180,687)	53,751
Difference between expected and effective obligations	99,611	43,655
Arising from changes in actuarial assumptions	362,836	-
	281,760	97,406
Contributions to the fund	(289,250)	-
Payments	(32)	-
Balance at the end of the year	(10,163)	(9,941)

The estimated contributions to be made in 2020, by the Bank and by the employees, for the Defined Benefit Plan amount to Euros 11,868,000 and Euros 7,749,000, respectively.

In accordance with IAS 19, during 2019 and 2018, the Group accounted cost/(income) with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2019	2018
Current service cost	(15,068)	(15,472)
Net interest cost in the liability coverage balance	4,515	3,046
Cost with early retirement programs	18,537	19,302
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(684)	(380)
(Income) / Cost of the year	7,300	6,496

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 Group recognised a provision of Euros 3,733,000 (31 December 2018: 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:

	2019	2018
Salary growth rate	0,75%	0,25% until 2019 0.75% after 2019
Pensions growth rate	0,50%	0% until 2019 0.5% after 2019
Discount rate / Projected Fund's rate of return	1.4%	2.1%
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 4 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1%	1%

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2019 it is 66 years and 5 months (2018: 66 years and 4 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 in IAS 19, considering that these are defined benefit plans that share risks between entities over common control, information is obtained on the plan as a whole, which is assessed in accordance with the requirements of IAS 19 on the basis of the applicable assumptions to the plan as a whole.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined based on an analysis performed over the market yield regarding a bond issues universe – with 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. As at 31 December 2019, the Bank used a discount rate of 1.4% (31 December 2018: 2.1%) to measure its liability for defined benefit pension plans of its employees and managers.

As at 31 December 2019 and 2018, 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			
	2019		2018	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Difference between expected and actual liabilities		99,610		43,655
Changes on the assumptions:				
Discount rate		362,837		-
Difference between expected income and income from funds	8.13%	(180,687)	0.18%	53,751
		281,760		97,406

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			
	2019		2018	
	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%
Discount rate	144,668	(136,109)	124,069	(119,708)
Pensions increase rate	(153,884)	163,333	(131,118)	140,325
Increase in future compensation levels	(35,487)	44,492	(25,379)	42,795

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2019		2018	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table (*)	124,900	(124,408)	96,452	(102,840)

(*) 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 2019 and 2018, 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 2019, the Bank accounted as staff costs the amount of Euros 170,000 (31 December 2018: Euros 81,000) related to this contribution.

46. Related parties

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 54 - 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 consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2019	2018
Assets		
Financial assets at amortised cost		
Loans and advances to customers	99,564	100,700
Debt instruments	159,160	150,614
Financial assets at fair value through profit or loss		
Financial assets held for trading	5,525	6,102
Financial assets at fair value through other comprehensive income	108,361	32,968
Other Assets	53	53
	372,663	290,437
Liabilities		
Resources from customers	119,530	159,091
	119,530	159,091

Loans and advances to customers are net of impairment in the amount of Euros 210,000 (31 December 2018: Euros 650,000).

During the 2019 and 2018, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2019	2018
Income		
Interest and similar income	12,547	10,858
Commissions income	5,447	6,834
	17,994	17,692
Costs		
Interest and similar expenses	8	116
Commissions expenses	175	124
	183	240

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2019	2018
Guarantees granted	99,792	100,329
Revocable credit lines	49,750	50,851
Irrevocable credit lines	150,000	150,121
	299,542	301,301

B) Transactions with members of the board of directors and key management members

The balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers	
	2019	2018
Board of Directors		
Non-executive directors	2	7
Executive Committee	107	114
Closely related people	277	300
Key management members		
Key management members	6,047	6,141
Closely related people	916	611
Controlled entities	12	17
	7,361	7,190

In accordance with Article 85, no. 9, of RGICSF, in the year of 2019 no credits were attributed.

The balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Resources from customers	
	2019	2018
Board of Directors		
Non-executive directors	7,892	5,915
Executive Committee	631	868
Closely related people	419	322
Controlled entities	30	30
Key management members		
Key management members	8,744	6,133
Closely related people	3,272	2,353
Controlled entities	1,801	1,818
	22,789	17,439

During the 2019 and 2018, 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	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	-	-	21	16
Executive Committee	-	-	14	12
Closely related people	-	-	5	5
Key management members				
Key management members	43	43	37	46
Closely related people	10	9	35	28
Controlled entities	-	-	8	9
	53	52	120	116

During the 2019 and 2018, 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	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	172	71	1	2
Key management members				
Key management members	19	26	1	2
Closely related people	2	3	1	1
Controlled entities	1	1	2	2
	194	101	5	7

Revocable and irrevocable credit lines granted by the Bank to the following related parties are as follows:

(Thousands of euros)

	Revocable credit lines		Irrevocable credit lines	
	2019	2018	2019	2018
Board of Directors				
Non-executive directors	39	22	-	-
Executive Committee	157	70	-	-
Closely related people	27	32	-	-
Key management members				
Key management members	616	375	-	50
Closely related people	154	141	-	24
Controlled entities	20	14	-	-
	1,013	654	-	74

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	
	2019	2018	2019	2018	2019	2018
Fixed remunerations	2,961	3,634	1,804	1,209	6,675	6,406
Variable remuneration	479	-	-	-	1,019	-
Supplementary retirement pension	611	5,658	84	-	-	-
Post-employment benefits	3	(5)	-	-	(123)	(120)
Other mandatory social security charges	711	895	430	291	1,652	1,582
	4,765	10,182	2,318	1,500	9,223	7,868
Beneficiary Number	6	9	11	19	46	41

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 2019, the amount of remuneration paid to the Executive Committee includes Euros 94,000 (2018: Euros 85,000) 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 55,000 (2018: Euros 85,000).

In 2019, the Bank distributed variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for the key management members, approved for 2018, as described in accounting policies S4 and S5.

In 2019, the Executive Committee's variable remuneration incorporates shares in the amount of Euros 210,000. It was also assigned to the Executive Committee a variable remuneration deferred over a 3-year period in the amount of Euros 268,000 and 1,042,295 shares. During 2018 no severance payments were made to the Executive Committee's.

As approved in the General Shareholders' Meeting of May 2018, the balance "Supplementary retirement pension" includes, in 2018, the amount of Euros 4,920,000 relative to the payment of a single and extraordinary contribution of BCP to the pension funds of the Executive Directors in functions between 2015/2017.

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 S4 and 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 2018 no variable remuneration payment were made to key management members.

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. During 2018, no severance pay was provided to key management members.

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 2019, are as follows:

		Number of securities at					Unit Price
Shareholders/Bondholders	Security	31/12/2019	31/12/2018	Acquisitions	Disposals	Date	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	231,676	32,695	198,981 *		25-Oct-19	0.202
Jorge Manuel Baptista Magalhães Correia	BCP Shares	88,500	88,500				
	Bonds (a)	1	0	1		26-Feb-19	200000
José Manuel Elias da Costa	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	175,707	1,748	173,959 *		25-Oct-19	0
Lingjiang Xu	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos (2)	BCP Shares	169,450	*** 96,240	73,210 *		25-Oct-19	0.202
Miguel de Campos Pereira de Bragança	BCP Shares	564,949	365,968	198,981 *		25-Oct-19	0.202
Miguel Maya Dias Pinheiro	BCP Shares	581,117	361,408	219,709 *		25-Oct-19	0.202
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	1,025,388				
	Bonds (a)	2	0	2		31-Jan-19	200000
Rui Manuel da Silva Teixeira (3)	BCP Shares	212,043	36,336	175,707 *		25-Oct-19	0.202
Teófilo César Ferreira da Fonseca (4)	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	5,000	2,000	3,000		31-Jan-19	0.193
Alexandre Manuel Casimiro de Almeida	BCP Shares	0	121,440		121,440	14-May-19	0.252
Américo João Pinto Carola (5)	BCP Shares	503	503				
Ana Isabel dos Santos de Pina Cabral (6)	BCP Shares	39,040	39,040				
Ana Maria Jordão F. Torres Marques Tavares (7)	BCP Shares	82,635	82,635				
André Cardoso Meneses Navarro	BCP Shares	267,888	267,888				
António Augusto Amaral de Medeiros	BCP Shares	0	42,656		42,656	17-Apr-19	0.251
António José Lindeiro Cordeiro	BCP Shares	0	0				
António Luís Duarte Bandeira (8)	BCP Shares	113,000	113,000				
Artur Frederico Silva Luna Pais	BCP Shares	328,795	328,795				
Belmira Abreu Cabral	BCP Shares	0	0				
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	0	0				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	0	0				
Francisco António Caspa Monteiro (9)	BCP Shares	29,354	29,354				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	48	48				
Helene Xin Xia	BCP Shares	0	0				
Hugo Miguel Martins Resende	BCP Shares	11,984	11,984				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	500	500				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	1,600	1,600				
Jorge Manuel Machado de Sousa Góis	BCP Shares	0	0				
Jorge Manuel Nobre Carreteiro	BCP Shares	9,468	9,468				
José Carlos Benito Garcia de Oliveira	BCP Shares	0	0				
José Gonçalo Prior Regalado (10)	BCP Shares	0	0				

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 at 31/12/2019	Number of securities at 31/12/2018	Acquisitions	Disposals	Date	Unit Price Euros
José Guilherme Potier Raposo Pulido Valente	BCP Shares	138719	138719				
Luis Miguel Manso Correia dos Santos	BCP Shares	21,328	21,328				
Maria de Los Angeles Sanchez Sanchez (13)	BCP Shares	0	0				
Maria Helena Soledade Nunes Henriques	BCP Shares	170,974	170,974				
Maria Manuela de Araújo Mesquita Reis (10)	BCP Shares	106,656	106,656				
Maria Rita Sítima Fonseca Lourenço	BCP Shares	42,385	42,385				
Mário António Pinho Gaspar Neves	BCP Shares	30,000	30,000				
Mário Madeira Robalo Fernandes	BCP Shares	0	0				
Nelson Luís Vieira Teixeira	BCP Shares	285	285				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	1,800	1,800				
Nuno Miguel Nobre Botelho	BCP Shares	0	0				
Pedro José Mora de Paiva Beija	BCP Shares	0	0				
Pedro Manuel Francisco da Silva Dias (12)	BCP Shares	0	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	0	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	14,816	14,816				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	0	0				
Ricardo Potes Valadares	BCP Shares	10,613	10,613				
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	8,204	8,204				
Rui Emanuel Agapito Silva	BCP Shares	0	0				
Rui Fernando da Silva Teixeira	BCP Shares	91,297	91,297				
Rui Manuel Pereira Pedro	BCP Shares	149,328	149,328				
Rui Miguel Alves Costa	BCP Shares	162,881	162,881				
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	0	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	0	0				
PEOPLE CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura (1)	BCP Shares	2,184	2,184				
Álvaro Manuel Coreia Marques Tavares (7)	BCP Shares	25,118	25,118				
Américo Simões Regalado (11)	BCP Shares	880	880				
Ana Isabel Salgueiro Antunes (5)	BCP Shares	29	29				
Ana Margarida Rebelo A.M. Soares Bandeira (8)	BCP Shares	2,976	2,976				
António da Silva Bandeira (8)	BCP Shares	20,000	20,000				
Filomena Maria Brito Francisco Dias (12)	BCP Shares	4,290	4,290				
Francisco Jordão Torres Marques Tavares (7)	BCP Shares	1,016	1,016				
Guilherme Sanchez Oliveira Lima (13)	BCP Shares	300	0	300		17-Oct-19	0.187
José Francisco Conceição Monteiro (9)	BCP Shares	18,002	18,002				
José Manuel de Vasconcelos Mendes Ferreira (5)	BCP Shares	1,616	1,616				
Luís Filipe da Silva Reis (10)	BCP Shares	280,000	280,000				
Maria Avelina V C L J Teixeira Diniz (7)	BCP Shares	16,770	16,770				
Maria Eugénia Pinto Tavares da Fonseca (4)	BCP Shares	37	37				
Maria Helena Espassandim Catão (3)	BCP Shares	576	576				
Ricardo Gil Monteiro Lopes de Campos (2) **	BCP Shares	169,450	96,240 ***				
Ricardo Miranda Monteiro (9)	BCP Shares	1,639	1,639				
Rita Miranda Monteiro (9)	BCP Shares	1,639	1,639				

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".
(*) identifies the increment of shares occurred in 2019 corresponding to variable remuneration of 2018.
(**) 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 54

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	Debt instruments	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 Investimento 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 2018, 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	Debt instruments	held for trading	not held for trading mandatorily at fair value through profit or loss					
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	-	-	-	-	-	-	1	1
Banco ActivoBank, S.A.	-	-	-	-	-	-	-	-	-	21	21
Banco de Investimento Imobiliário, S.A.	-	1,541,208	-	-	17,792	-	-	-	-	21,420	1,580,420
Banco Millennium Atlântico, S.A.	-	238,027	-	-	-	-	-	-	-	-	238,027
Banque BCP, S.A.S.	5	-	-	-	-	-	-	-	-	-	5
BCP Finance Bank Ltd	-	-	-	-	-	-	2,757	-	-	-	2,757
Bichorro – Empreendimentos Turísticos e Imobiliários, S.A.	-	-	3,666	-	-	-	-	-	-	-	3,666
BIM - Banco Internacional de Moçambique, S.A.R.L.	187	310	-	-	1	-	-	-	-	2,674	3,172
Cold River's Homestead, S.A.	-	-	-	-	-	-	-	1,793	-	-	1,793
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Fiparso- Sociedade Imobiliária Lda.	-	-	40	-	-	-	-	-	-	5	45
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	2	2
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	-	-	-	400	400
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	-	-	-	218	218
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	19	-	-	-	-	-	-	1	20
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	-	-	-	-	-	-	-	-	-	4	4
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)	46	-	-	-	71	-	-	-	-	-	117
Imábida - Imobiliária da Arrábida, S.A.	-	-	-	-	-	-	-	-	21,102	26	21,128
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	-	-	-	35	35
Magellan Mortgages No. 2 PLC	-	-	-	-	-	6,400	7,543	-	-	-	13,943
Magellan Mortgages No. 3 PLC	-	-	-	-	5,303	16,068	73,373	-	-	-	94,744
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	59,423	-	107,843	-	-	257,250	-	14,509	439,025
Millennium bcp Bank & Trust	-	-	-	-	569	-	-	-	-	-	569
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	-	-	-	-	-	-	18,973	18,973
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	-	-	-	57,195	57,195
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	-	-	-	-	-	-	3	9,827
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	-	2	2
Mundotêxtil - Indústrias Têxteis, S.A.	-	-	4,450	950	-	-	-	-	-	-	5,400
Planfipsa S.G.P.S., S.A. (Grupo)	-	-	50,808	-	-	-	-	-	-	42,413	93,221
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	-	-	43,782	2	43,784
Servitrust - Trust Management Services S.A.	-	-	-	-	-	-	-	-	-	650	650
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	-	3	-	-	-	-	-	-	-	3
UNICRE - Instituição Financeira de Crédito, S.A.	-	36,453	3	-	-	-	-	-	-	-	36,456
Webspectator Corporation	-	-	-	-	-	-	-	-	16,844	-	16,844
	238	1,815,998	128,236	950	131,579	22,468	83,673	259,043	81,728	324,853	2,848,766

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	Financial liabilities held for trading	Financial liabilities 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 Investimento Imobiliário Fechado	-	546	-	-	-	-	-	546
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	104	-	-	-	-	-	104
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	1,395	-	-	-	-	-	1,395
Fundipar – Fundo Especial de Investimento 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 Sand Capital	-	1,354	-	-	-	-	-	1,354
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	1,372	-	-	-	-	-	1,372
Fundo Especial de Investimento Imobiliário Oceânico II	-	591	-	-	-	-	-	591
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	285	-	-	-	-	-	285
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	599	-	-	-	-	-	599
Group Bank Millennium (Poland)	25,119	-	-	-	-	-	-	25,119
Interfundos Gestão de Fundos de Investimento Imobiliários, 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 Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	428	-	-	-	-	-	428
MULTI24, Sociedade Especial de Investimento 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 Investimento 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 2018, 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	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Other liabilities	Total
Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	339	-	-	-	-	-	339
Banco ActivoBank, S.A.	403,753	-	-	-	-	-	16,088	419,841
Banco de Investimento Imobiliário, S.A.	174,754	-	-	-	-	-	5,660	180,414
Banco Millennium Atlântico, S.A.	52,512	-	-	-	121	-	-	52,633
Banque BCP, S.A.S.	109,911	-	-	-	-	-	-	109,911
Banque Privée BCP (Suisse) S.A.	15,168	-	-	-	-	-	-	15,168
BCP África, S.G.P.S., Lda.	-	91,180	-	-	-	-	-	91,180
BCP Capital - Sociedade de Capital de Risco, S.A.	-	3,518	-	-	-	-	2	3,520
BCP Finance Bank Ltd	110,530	-	-	-	-	-	-	110,530
BCP Finance Company, Ltd	-	117,474	-	-	-	-	-	117,474
BCP International, B.V.	-	94,929	-	-	-	-	-	94,929
BCP Investment, B.V.	-	29,083	-	-	-	-	-	29,083
BIM - Banco Internacional de Moçambique, S.A.R.L.	2,034	-	-	-	107	-	9	2,150
Cold River's Homestead, S.A.	-	1,510	-	-	-	-	-	1,510
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	-	1,031	-	-	-	-	-	1,031
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	622	-	-	-	-	-	622
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	316	-	-	-	-	-	316
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	165	-	-	-	-	-	165
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	8,831	-	-	-	-	-	8,831
Fundo de Investimento Imobiliário Fechado Gestimo	-	4,200	-	-	-	-	-	4,200
Fundo de Investimento Imobiliário Gestão Imobiliária	-	262	-	-	-	-	-	262
Fundo de Investimento Imobiliário Imorenda	-	1,947	-	-	-	-	-	1,947
Fundo de Investimento Imobiliário Imosotto Acumulação	-	3,009	-	-	-	-	-	3,009
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	1,434	-	-	-	-	-	1,434
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	669	-	-	-	-	-	669
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,062	-	-	-	-	-	1,062
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	480	-	-	-	-	-	480
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	320	-	-	-	-	-	320
Group Bank Millennium (Poland)	212	-	-	-	5	-	-	217
Imábida - Imobiliária da Arrábida, S.A.	-	152	-	-	-	-	-	152
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	5,042	-	-	-	-	24	5,066
Irgossai - Urbanização e construção, S.A.	-	262	-	-	-	-	-	262
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	533,311	132,911	474,810	27,155	31,995	(2)	1,200,180
Millennium bcp - Prestação de Serviços, A.C.E.	-	4,476	-	-	-	-	70	4,546
Millennium bcp Bank & Trust	330,550	-	-	-	-	-	-	330,550
Millennium bcp Imobiliária, S.A.	-	31,304	-	-	-	-	-	31,304
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	13,120	-	-	-	-	-	13,120
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	105	-	-	-	-	-	105
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	7,032	-	-	-	-	-	7,032
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	878	-	-	-	-	-	878
Mundotêxtil - Indústrias Têxteis, S.A.	-	86	-	-	-	-	-	86
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1,363	-	-	-	-	-	1,363
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	-	3,059	-	-	-	-	-	3,059
Planfipsa S.G.P.S., S.A. (Grupo)	-	2,204	-	-	-	-	-	2,204
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	76	-	-	-	-	-	76
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	2,476	-	-	-	-	-	2,476
Setelote-Aldeamentos Turísticos, S.A.	-	149	-	-	-	-	-	149
Servitrust - Trust Management Services S.A.	-	12	-	-	-	-	-	12
SIBS, S.G.P.S., S.A.	-	5,957	-	-	-	-	-	5,957
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	805	-	-	-	-	-	805
UNICRE - Instituição Financeira de Crédito, S.A.	30	-	-	-	-	-	-	30
	1,199,454	974,250	132,911	474,810	27,388	31,995	21,851	2,862,659

As at 31 December 2018, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares in the amount of Euros 32,727,000.

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
Group Bank Millennium (Poland)	16	3	-	48	-	67
Interfundos Gestão de Fundos de Investimento Imobiliários, 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 2018, 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.	-	1	-	-	-	1
Banco ActivoBank, S.A.	-	-	30	-	-	30
Banco de Investimento Imobiliário, S.A.	851	123	-	36,012	22,945	59,931
Banco Millennium Atlântico, S.A.	9,746	1,055	28	-	-	10,829
Banque BCP, S.A.S.	-	1	-	-	3,339	3,340
Banque Privée BCP (Suisse) S.A.	-	937	63	-	6,998	7,998
BCP Capital - Sociedade de Capital de Risco, S.A.	-	5	-	-	7,500	7,505
BCP Finance Bank Ltd	488	-	-	93	-	581
BCP Investment, B.V.	-	-	-	-	133,300	133,300
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	53	-	-	-	-	53
BIM - Banco Internacional de Moçambique, S.A.R.L.	3	215	10,937	1,898	-	13,053
Cold River's Homestead, S.A.	-	1	-	-	-	1
Domus Capital – Fundo Especial de Investimento Imobiliário Fechado	-	6	-	-	-	6
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	-	7
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	34	-	-	-	34
Fundo de Investimento Imobiliário Fechado Gestimo	-	14	-	-	-	14
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	145	-	-	-	145
Fundo de Investimento Imobiliário Imosotto Acumulação	-	223	-	-	-	223
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	-	6
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	20	34	-	-	-	54
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	20	-	-	-	20
Fundo Especial de Investimento Imobiliário Oceânico II	-	55	-	-	-	55
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	12	-	-	-	12
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	20	-	-	-	20
Grupo Bank Millennium (Polónia)	-	3	-	93	-	96
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	308	61	-	4,013	4,382
Irgossai - Urbanização e construção, S.A.	15	-	-	-	-	15
Magellan Mortgages No. 2 PLC	1,317	113	-	-	-	1,430
Magellan Mortgages No. 3 PLC	4,749	424	-	-	-	5,173
Millennium bcp Bank & Trust	-	-	-	25	-	25
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Grupo)	2,942	55,529	249	-	45,080	103,800
Millennium bcp Imobiliária, S.A.	-	2	-	-	-	2
Millennium bcp - Prestação de Serviços, A.C.E.	-	101	5,541	-	-	5,642
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	-	40	40
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	7	-	-	-	7
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	1	-	-	-	1
MR – Fundo Especial de Investimento Imobiliário Fechado	-	16	-	-	-	16
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	9	3	-	-	-	12
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	(1)	40	-	-	-	39
Mundotêxtil - Indústrias Têxteis, S.A.	91	23	-	-	-	114
Planfipsa S.G.P.S., S.A. (Grupo)	2,156	53	7	-	-	2,216
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E.	-	-	276	-	-	276
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	-	18	-	-	-	18
SIBS, S.G.P.S., S.A.	1	30	-	-	-	31
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	2	-	-	50	52
UNICRE - Instituição Financeira de Crédito, S.A.	674	1,228	2	-	86	1,990
	23,114	60,824	17,194	38,121	223,351	362,604

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 2018, 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.	105	16,416	-	-	-	16,521
Banco de Investimento Imobiliário, S.A.	409	2,645	-	-	15,693	18,747
Banco Millennium Atlântico, S.A.	1,065	1	-	-	-	1,066
Banque BCP, S.A.S.	871	-	-	-	-	871
BCP Capital - Sociedade de Capital de Risco, S.A.	153	-	-	-	-	153
BCP Finance Bank Ltd	13,508	-	-	-	182	13,690
BCP Finance Company, Ltd	1,012	-	-	-	-	1,012
BIM - Banco Internacional de Moçambique, S.A.R.L.	218	7	-	-	-	225
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	1	-	-	-	-	1
Fundo de Investimento Imobiliário Gestão Imobiliária	-	-	-	54	-	54
Fundo de Investimento Imobiliário Imorenda	-	-	-	6,561	-	6,561
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	2,042	-	2,042
Group Bank Millennium (Poland)	6	48	-	-	22	76
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	2	-	-	-	-	2
Millennium bcp Bank & Trust	4,532	-	-	-	6	4,538
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	45,823	3	-	(21)	-	45,805
Millennium bcp - Prestação de Serviços, A.C.E.	-	-	-	16,472	-	16,472
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	-	-	-	9	-	9
Planfipsa S.G.P.S., S.A. (Group)	-	-	1	-	-	1
SIBS, S.G.P.S., S.A.	2	-	-	-	-	2
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	1	-	-	-	-	1
UNICRE - Instituição Financeira de Crédito, S.A.	-	9	862	117	-	988
	67,708	19,129	863	25,285	15,903	128,888

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

As at 31 December 2018, the Guarantees granted, Revocable and Irrevocable credit lines to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco de Investimento Imobiliário, S.A.	86	-	-	-	86
Banco Millennium Atlântico, S.A.	7,200	-	13,611	-	20,811
Banque BCP, S.A.S.	-	-	-	4,906	4,906
Banque Privée BCP (Suisse) S.A.	-	200,300	-	9,965	210,265
BCP Finance Bank Ltd	108,850	-	-	-	108,850
BIM - Banco Internacional de Moçambique, S.A.R.L.	1,492	-	-	-	1,492
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	684	6	-	-	690
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	695	-	695
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	350	350
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	-	250	-	-	250
Group Bank Millennium (Poland)	90	-	-	9,551	9,641
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	221	2	-	-	223
Mundotêxtil - Indústrias Têxteis, S.A.	638	1,094	400	-	2,132
SIBS, S.G.P.S., S.A.	12,388	-	-	-	12,388
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	22	17	-	-	39
UNICRE - Instituição Financeira de Crédito, S.A.	-	8,743	-	-	8,743
	131,671	210,412	14,706	24,772	381,561

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

(Thousands of euros)

	2019	2018
Life insurance		
Saving products	35,742	33,677
Mortgage and consumer loans	19,925	19,039
Others	31	24
	55,698	52,740
Non - Life insurance		
Accidents and health	18,548	17,132
Motor	3,919	3,676
Multi-Risk Housing	6,674	6,409
Others	1,303	1,186
	30,444	28,403
	86,142	81,143

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)

	2019	2018
Funds receivable for payment of life insurance commissions	13,810	14,497
Funds receivable for payment of non-life insurance commissions	7,643	7,230
	21,453	21,727

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)

	2019	2018
Assets		
Financial assets held for trading	-	58
Liabilities		
Resources from customers	31,391	279,851
Non-subordinated debt securities issued	14,426	14,306
Subordinated debt	-	34
	45,817	294,191

In 2019, the Pension Fund holds perpetual subordinated bonds (Adt1), in the amount of Euros 1,575,000 issued by Banco Comercial Português, S.A.. During the 2019 and 2018, there were no transactions of financial assets between the Bank and the Pension Fund.

During the 2019 and 2018, the balances with the Pension Fund included in income and expense items of the separate income statement, are as follows:

(Thousands of euros)

	2019	2018
Income		
Commissions	836	564
Expenses		
Interest expense and similar charges	176	89
Other administrative costs	96	513
	272	602

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 2019, the amount of Guarantees granted by the Bank to the Pension Fund amounted to Euros 5,000 (31 December 2018: 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 and goodwill and other intangible assets. 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 additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value as well as the irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund , are also deducted.

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 January 1, 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 artº 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 followiong table:

2019 Minimum Capital Requirements								
		of which:				of which:		
BCP Solo	Phased-in	Pilar 1	Pilar 2	*Buffers*	Fully 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)

	2019	2018
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Reserves and retained earnings	699,485	816,664
Regulatory adjustments to CET1	(541,037)	(958,304)
	4,899,919	4,599,831
Tier 1		
Capital Instruments	400,000	1,169
	5,299,919	4,601,000
Tier 2		
Subordinated debt	811,140	462,696
Others	(38,365)	(31,498)
	772,775	431,198
Total own funds	6,072,694	5,032,198
RWA - Risk weighted assets		
Credit risk	29,771,502	29,874,167
Market risk	1,595,571	1,166,542
Operational risk	2,341,374	2,207,019
CVA	102,460	169,095
	33,810,907	33,416,823
Capital ratios		
CET1	14.5%	13.8%
Tier 1	15.7%	13.8%
Tier 2	2.3%	1.3%
Total	18.0%	15.1%

The 2019 and 2018 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, 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	2019	2018
Central Governments or Central Banks	8,884,919	6,545,332
Regional Governments or Local Authorities	750,240	726,228
Administrative and non-profit Organisations	174,550	105
Other Credit Institutions	2,019,120	3,973,609
Retail and Corporate customers	45,760,785	43,376,213
Other items (*)	11,803,701	12,291,640
	69,393,315	66,913,127

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 2019 and 2018 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 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
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	-	-	-	-	-
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

As at 31 December 2018, 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)

	2018				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	2,035,254	10,657	669	-	2,046,580
Loans and advances to customers (note 19)	22,915,268	5,758,902	4,607,650	4	33,281,824
Debt instruments (note 20)	2,345,182	264,307	72,007	-	2,681,496
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	6,900,301	-	3,722	-	6,904,023
Guarantees and other commitments (note 40)	7,953,682	1,347,531	567,339	-	9,868,552
Total	42,149,687	7,381,397	5,251,387	4	54,782,475

(*) 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)

	2018				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	407	774	669	-	1,850
Loans and advances to customers (note 19)	25,460	125,218	2,142,808	-	2,293,486
Debt instruments (note 20)	3,039	507	36,659	-	40,205
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	-	-	-	-	-
Guarantees and other commitments (note 35)	1,209	3,883	158,271	-	163,363
Total	30,115	130,382	2,338,407	-	2,498,904

(Thousands of euros)

	2018				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	2,034,847	9,883	-	-	2,044,730
Loans and advances to customers (note 19)	22,889,808	5,633,684	2,464,842	4	30,988,338
Debt instruments (note 20)	2,342,143	263,800	35,348	-	2,641,291
Debt instruments at fair value					
through other comprehensive income (note 21)(*)	6,900,301	-	-	-	6,900,301
Guarantees and other commitments (notes 35 and 40)	7,952,473	1,343,648	409,068	-	9,705,189
Total	42,119,572	7,251,015	2,909,258	4	52,279,849

(*) 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)

	2019	2018
Financial assets held for trading (note 21)		
Debt instruments	51,452	57,942
Derivatives	698,629	849,247
Hedging derivatives (note 22)	69,051	214,185
Financial assets designated at fair value through profit or loss (note 21)		
Debt instruments	31,496	33,034
Financial assets not held for trading mandatorily at fair value through profit or loss (note 21)		
Debt instruments	1,444,772	1,589,899
Total	2,295,400	2,744,307

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

(Thousands of euros)

	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

During the year of 2018, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January 2018	30,329	114,014	2,751,818	-	2,896,161
Change in impairment losses:					
Transfer to Stage 1	12,376	(10,532)	(1,844)	-	-
Transfer to Stage 2	(3,803)	42,550	(38,747)	-	-
Transfer to Stage 3	(668)	(7,366)	8,034	-	-
Changes occurred due to changes in credit risk	(20,462)	(18,171)	297,775	-	259,142
Write-offs	(364)	(1,918)	(536,229)	-	(538,511)
Changes due to new financial assets and derecognised financial assets and other variations	8,052	6,641	(337,999)	-	(323,306)
Impairment losses as at 31 December 2018	25,460	125,218	2,142,808	-	2,293,486

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

(Thousands of euros)

	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 2018, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross amount as at 1 January 2018	22,641,799	5,404,518	6,045,353	-	34,091,670
Changes in gross book value:					
Transfer from Stage 1 to Stage 2	(1,382,216)	1,382,216	-	-	-
Transfer from Stage 1 to Stage 3	(70,216)	-	70,216	-	-
Transfer from Stage 2 to Stage 1	937,473	(937,473)	-	-	-
Transfer from Stage 2 to Stage 3	-	(281,617)	281,617	-	-
Transfer from Stage 3 to Stage 1	26,654	-	(26,654)	-	-
Transfer from Stage 3 to Stage 2	-	295,637	(295,637)	-	-
Write-offs	(364)	(1,918)	(536,229)	-	(538,511)
Net balance of new financial assets and derecognised financial assets and other changes	762,138	(102,461)	(931,016)	4	(271,335)
Gross amount as at 31 December 2018	22,915,268	5,758,902	4,607,650	4	33,281,824

The modified financial assets that do not result in derecognition are analysed as follows:

(Thousands of euros)

Financial assets modified during the year (with impairment losses based on expected lifetime losses)	**2019**	**2018**
Amortised cost before changes	591,639	531,426
Impairment losses before changes	(262,730)	(167,591)
Net amortised cost before changes	328,909	363,835
Net gain / loss arising on changes	(11,600)	(12,847)
Net amortised cost after changes	317,309	350,988

(Thousands of euros)

Financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime	**2019**	**2018**
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	53,080	43,170

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)

	31 December 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)

	31 December 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 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	31 December 2018									
		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	12,653,990	2,207,678	102,414	21,965	2,332,057	345,863	436,981	782,844	-	15,768,891
Individuals-Other	3,000,000	517,213	33,084	9,036	559,333	123,448	179,223	302,671	4	3,862,008
Financial Companies	3,809,710	339,220	-	-	339,220	283,266	364,107	647,373	-	4,796,303
Non-financial comp. - Corporate	5,332,214	1,127,867	3,001	-	1,130,868	546,595	561,170	1,107,765	-	7,570,847
Non-financial comp.- SME-Corporate	6,221,020	1,754,475	23,453	2,162	1,780,090	1,037,058	525,546	1,562,604	-	9,563,714
Non-financial comp. -SME-Retail	2,878,645	1,077,395	62,091	4,137	1,143,623	499,262	309,197	808,459	-	4,830,727
Non-financial comp.-Other	354,587	45,326	233	9	45,568	31,572	4,376	35,948	-	436,103
Other loans	999,220	50,638	-	-	50,638	-	1	1	-	1,049,859
Total	35,249,386	7,119,812	224,276	37,309	7,381,397	2,867,064	2,380,601	5,247,665	4	47,878,452
Impairment										
Individuals-Mortgage	823	6,632	532	192	7,356	8,836	65,690	74,526	-	82,705
Individuals-Other	2,939	8,154	1,391	471	10,016	48,457	94,931	143,388	-	156,343
Financial Companies	2,242	7,317	-	-	7,317	187,600	276,782	464,382	-	473,941
Non-financial comp. - Corporate	7,312	30,859	35	-	30,894	312,545	336,605	649,150	-	687,356
Non-financial comp.- SME-Corporate	11,165	43,894	1,678	501	46,073	331,828	316,367	648,195	-	705,433
Non-financial comp. -SME-Retail	5,043	24,297	1,671	184	26,152	205,835	133,305	339,140	-	370,335
Non-financial comp.-Other	294	1,419	8	2	1,429	17,251	2,375	19,626	-	21,349
Other loans	297	1,145	-	-	1,145	-	-	-	-	1,442
Total	30,115	123,717	5,315	1,350	130,382	1,112,352	1,226,055	2,338,407	-	2,498,904
Net exposure										
Individuals-Mortgage	12,653,167	2,201,046	101,882	21,773	2,324,701	337,027	371,291	708,318	-	15,686,186
Individuals-Other	2,997,061	509,059	31,693	8,565	549,317	74,991	84,292	159,283	4	3,705,665
Financial Companies	3,807,468	331,903	-	-	331,903	95,666	87,325	182,991	-	4,322,362
Non-financial comp. - Corporate	5,324,902	1,097,008	2,966	-	1,099,974	234,050	224,565	458,615	-	6,883,491
Non-financial comp.- SME-Corporate	6,209,855	1,710,581	21,775	1,661	1,734,017	705,230	209,179	914,409	-	8,858,281
Non-financial comp. -SME-Retail	2,873,602	1,053,098	60,420	3,953	1,117,471	293,427	175,892	469,319	-	4,460,392
Non-financial comp.-Other	354,293	43,907	225	7	44,139	14,321	2,001	16,322	-	414,754
Other loans	998,923	49,493	-	-	49,493	-	1	1	-	1,048,417
Total	35,219,271	6,996,095	218,961	35,959	7,251,015	1,754,712	1,154,546	2,909,258	4	45,379,548
% of impairment coverage										
Individuals-Mortgage	0.01%	0.30%	0.52%	0.87%	0.32%	2.55%	15.03%	9.52%	0.00%	0.52%
Individuals-Other	0.10%	1.58%	4.20%	5.21%	1.79%	39.25%	52.97%	47.37%	0.00%	4.05%
Financial Companies	0.06%	2.16%	0.00%	0.00%	2.16%	66.23%	76.02%	71.73%	0.00%	9.88%
Non-financial comp. - Corporate	0.14%	2.74%	1.17%	0.00%	2.73%	57.18%	59.98%	58.60%	0.00%	9.08%
Non-financial comp.- SME-Corporate	0.18%	2.50%	7.15%	23.17%	2.59%	32.00%	60.20%	41.48%	0.00%	7.38%
Non-financial comp. -SME-Retail	0.18%	2.26%	2.69%	4.45%	2.29%	41.23%	43.11%	41.95%	0.00%	7.67%
Non-financial comp.-Other	0.08%	3.13%	3.43%	22.22%	3.14%	54.64%	54.27%	54.60%	0.00%	4.90%
Other loans	0.03%	2.26%	0.00%	0.00%	2.26%	0.00%	0.00%	0.00%	0.00%	0.14%
Total	0.09%	1.74%	2.37%	3.62%	1.77%	38.80%	51.50%	44.56%	0.00%	5.22%

As at 31 December 2018, 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)

	31 December 2018									
		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	15,653,991	2,724,891	135,498	31,002	2,891,391	469,311	616,204	1,085,515	4	19,630,901
Non-financial comp.- Trade	2,786,536	442,003	13,798	1,281	457,082	205,138	123,002	328,140	-	3,571,758
Non-financial comp.- Construction	1,188,756	495,756	7,403	1,735	504,894	650,915	401,028	1,051,943	-	2,745,593
Non finan. comp.- Manufacturing indust	3,045,313	716,165	16,080	1,133	733,378	125,823	117,449	243,272	-	4,021,963
Non-financial comp.-Other activities	1,170,779	315,876	2,206	370	318,452	208,942	15,486	224,428	-	1,713,659
Non-financial comp.- Other services	6,595,081	2,035,263	49,291	1,788	2,086,342	923,669	743,324	1,666,993	-	10,348,416
Other Services /Other activities	4,808,930	389,858	-	-	389,858	283,266	364,108	647,374	-	5,846,162
Total	35,249,386	7,119,812	224,276	37,309	7,381,397	2,867,064	2,380,601	5,247,665	4	47,878,452
Impairment										
Loans to individuals	3,761	14,785	1,923	663	17,371	57,293	160,621	217,914	-	239,046
Non-financial comp.- Trade	4,538	11,300	652	40	11,992	81,016	75,492	156,508	-	173,038
Non-financial comp.- Construction	2,330	4,924	1,044	432	6,400	249,181	224,058	473,239	-	481,969
Non finan. comp.- Manufacturing indust	5,291	12,703	992	94	13,789	45,527	66,452	111,979	-	131,059
Non-financial comp.-Other activities	1,236	9,826	67	42	9,935	87,916	6,456	94,372	-	105,543
Non-financial comp.- Other services	10,421	61,717	636	79	62,432	403,821	416,191	820,012	-	892,865
Other Services /Other activities	2,538	8,463	-	-	8,463	187,600	276,783	464,383	-	475,384
Total	30,115	123,718	5,314	1,350	130,382	1,112,354	1,226,053	2,338,407	-	2,498,904
Net exposure										
Loans to individuals	15,650,230	2,710,106	133,575	30,339	2,874,020	412,018	455,583	867,601	4	19,391,855
Non-financial comp.- Trade	2,781,998	430,703	13,146	1,241	445,090	124,122	47,510	171,632	-	3,398,720
Non-financial comp.- Construction	1,186,426	490,832	6,359	1,303	498,494	401,734	176,970	578,704	-	2,263,624
Non finan. comp.- Manufacturing indust	3,040,022	703,462	15,088	1,039	719,589	80,296	50,997	131,293	-	3,890,904
Non-financial comp.-Other activities	1,169,543	306,050	2,139	328	308,517	121,026	9,030	130,056	-	1,608,116
Non-financial comp.- Other services	6,584,660	1,973,546	48,655	1,709	2,023,910	519,848	327,133	846,981	-	9,455,551
Other Services /Other activities	4,806,392	381,395	-	-	381,395	95,666	87,325	182,991	-	5,370,778
Total	35,219,271	6,996,094	218,962	35,959	7,251,015	1,754,710	1,154,548	2,909,258	4	45,379,548
% of impairment coverage										
Loans to individuals	0.02%	0.54%	1.42%	2.14%	0.60%	12.21%	26.07%	20.07%	0.00%	1.22%
Non-financial comp.- Trade	0.16%	2.56%	4.73%	3.12%	2.62%	39.49%	61.37%	47.70%	0.00%	4.84%
Non-financial comp.- Construction	0.20%	0.99%	14.10%	24.90%	1.27%	38.28%	55.87%	44.99%	0.00%	17.55%
Non finan. comp.- Manufacturing indust	0.17%	1.77%	6.17%	8.30%	1.88%	36.18%	56.58%	46.03%	0.00%	3.26%
Non-financial comp.-Other activities	0.11%	3.11%	3.04%	11.35%	3.12%	42.08%	41.69%	42.05%	0.00%	6.16%
Non-financial comp.- Other services	0.16%	3.03%	1.29%	4.42%	2.99%	43.72%	55.99%	49.19%	0.00%	8.63%
Other Services /Other activities	0.05%	2.17%	0.00%	0.00%	2.17%	66.23%	76.02%	71.73%	0.00%	8.13%
Total	0.09%	1.74%	2.37%	3.62%	1.77%	38.80%	51.50%	44.56%	0.00%	5.22%

As at 31 December 2019, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	31 December 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
- stage 2	-	-	-	-	-	-	-	-
- stage 3	-	-	-	-	-	-	-	-
	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.

As at 31 December 2018, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	31 December 2018							
	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	19,042,210	6,186,746	2,028,356	-	38,392	27,295,704	28,906	27,266,798
- stage 2	1,063,658	1,362,969	2,648,657	282,774	675,808	6,033,866	126,499	5,907,367
- stage 3	2,418	10,106	89,009	4,507,587	71,206	4,680,326	2,180,136	2,500,190
POCI	-	-	-	-	4	4	-	4
	20,108,286	7,559,821	4,766,022	4,790,361	785,410	38,009,900	2,335,541	35,674,359
Debt instruments at fair value through other comprehensive income (*)								
- stage 1	6,810,518	83,940	-	-	5,843	6,900,301	-	6,900,301
- stage 2	-	-	-	-	-	-	-	-
- stage 3	-	-	-	-	3,722	3,722	-	3,722
	6,810,518	83,940	-	-	9,565	6,904,023	-	6,904,023
Guarantees and other commitments								
- stage 1	5,325,858	1,906,677	568,012	-	153,135	7,953,682	1,209	7,952,473
- stage 2	161,389	265,287	580,507	47,460	292,888	1,347,531	3,883	1,343,648
- stage 3	60	5	25,144	538,513	3,617	567,339	158,271	409,068
	5,487,307	2,171,969	1,173,663	585,973	449,640	9,868,552	163,363	9,705,189
Total	32,406,111	9,815,730	5,939,685	5,376,334	1,244,615	54,782,475	2,498,904	52,283,571

(*) 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 2019, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, are presented in the following tables:

(Thousands of euros)

	31 December 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

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 sector of activity, are presented in the following tables:

(Thousands of euros)

	31 December 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 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment, are presented in the following tables:

(Thousands of euros)

	31 December 2018					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	9,448	15,759,443	15,768,891	3,990	78,715	82,705
Individuals-Other	113,632	3,748,376	3,862,008	48,602	107,741	156,343
Financial Companies	631,404	4,164,899	4,796,303	461,754	12,187	473,941
Non-financial comp. - Corporate	1,102,804	6,468,043	7,570,847	646,018	41,338	687,356
Non-financial comp.- SME-Corporate	1,224,691	8,339,023	9,563,714	547,507	157,926	705,433
Non-financial comp. -SME-Retail	607,693	4,223,034	4,830,727	282,722	87,613	370,335
Non-financial comp.-Other	31,108	404,995	436,103	17,410	3,939	21,349
Other loans	-	1,049,859	1,049,859	-	1,442	1,442
Total	3,720,780	44,157,672	47,878,452	2,008,003	490,901	2,498,904

As at 31 December 2018, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by sector of activity, are presented in the following tables:

(Thousands of euros)

	31 December 2018					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	123,080	19,507,821	19,630,901	52,591	186,455	239,046
Non-financial comp.- Trade	219,612	3,352,146	3,571,758	120,705	52,333	173,038
Non-financial comp.- Construction	888,381	1,857,212	2,745,593	423,706	58,263	481,969
Non finan. comp.- Manufacturing indust.	137,176	3,884,787	4,021,963	80,746	50,313	131,059
Non-financial comp.-Other activities	196,050	1,517,609	1,713,659	87,637	17,906	105,543
Non-financial comp.- Other services	1,525,077	8,823,339	10,348,416	780,863	112,002	892,865
Other Services/Other activities	631,404	5,214,758	5,846,162	461,755	13,629	475,384
Total	3,720,780	44,157,672	47,878,452	2,008,003	490,901	2,498,904

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, 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 2018, 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):

	2018					
Year of production	Construction and CRE	Companies - Oth. Activities	Mortgage loans	Individuals - Other	Other loans	Total
2008 and previous						
Number of operations	16,261	23,065	205,011	376,119	64	620,520
Value (Euros '000)	910,473	2,983,089	8,375,302	743,696	3,309	13,015,869
Impairment constituted (Euros '000)	137,122	130,579	51,610	16,131	8	335,450
2009						
Number of operations	1,871	2,278	15,806	40,883	22	60,860
Value (Euros '000)	227,396	402,067	824,669	65,916	358	1,520,406
Impairment constituted (Euros '000)	21,269	10,474	5,990	2,280	-	40,013
2010						
Number of operations	1,676	2,202	13,914	57,368	17	75,177
Value (Euros '000)	174,679	391,149	797,419	122,451	45	1,485,743
Impairment constituted (Euros '000)	18,688	11,804	2,926	1,264	-	34,682
2011						
Number of operations	1,526	2,256	5,289	55,764	2	64,837
Value (Euros '000)	77,433	287,209	294,521	107,004	20	766,187
Impairment constituted (Euros '000)	7,866	9,267	538	1,442	-	19,113
2012						
Number of operations	1,356	2,033	3,082	65,901	195	72,567
Value (Euros '000)	95,714	366,904	140,978	93,178	6,212	702,986
Impairment constituted (Euros '000)	8,349	84,072	550	756	3	93,730
2013						
Number of operations	2,196	3,652	6,296	99,922	24	112,090
Value (Euros '000)	88,567	643,343	296,108	149,934	2,068	1,180,020
Impairment constituted (Euros '000)	13,797	39,175	706	1,480	1	55,159
2014						
Number of operations	2,324	6,409	4,316	108,079	69	121,197
Value (Euros '000)	123,218	709,248	254,074	183,594	185,964	1,456,098
Impairment constituted (Euros '000)	7,328	27,811	195	1,833	50	37,217
2015						
Number of operations	3,726	10,966	6,572	142,542	98	163,904
Value (Euros '000)	218,918	1,235,253	447,412	265,900	33,083	2,200,566
Impairment constituted (Euros '000)	29,679	131,099	332	3,960	12	165,082
2016						
Number of operations	3,921	12,744	8,920	138,183	42	163,810
Value (Euros '000)	319,901	1,892,727	656,189	376,904	85,417	3,331,138
Impairment constituted (Euros '000)	27,263	103,342	236	6,533	15	137,389
2017						
Number of operations	4,451	15,703	13,966	138,674	103	172,897
Value (Euros '000)	580,798	2,190,466	1,215,453	468,864	99,619	4,555,200
Impairment constituted (Euros '000)	42,531	79,119	656	5,615	20	127,941
2018						
Number of operations	11,154	41,914	19,300	260,955	226	333,549
Value (Euros '000)	1,650,758	6,410,985	1,929,193	1,014,050	441,912	11,446,898
Impairment constituted (Euros '000)	15,758	122,471	796	9,424	92	148,541
Total						
Number of operations	50,462	123,222	302,472	1,484,390	862	1,961,408
Value (Euros '000)	4,467,855	17,512,440	15,231,318	3,591,491	858,007	41,661,111
Impairment constituted (Euros '000)	329,650	749,213	64,535	50,718	201	1,194,317

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 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 2018, 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:

	2018					
	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	6,822	2,057	8,728	8,474	226,978	447
Value (Euros '000)	854,914	93,528	1,264,438	313,327	28,536,472	23,771
>= 0.5 M€ and < 1 M€						
Number	582	45	990	90	2,147	5
Value (Euros '000)	393,818	28,238	687,766	61,321	1,393,748	2,876
>= 1 M€ and < 5 M€						
Number	370	35	764	78	348	2
Value (Euros '000)	748,083	55,639	1,504,817	151,753	527,942	2,916
>= 5 M€ and < 10 M€						
Number	61	3	93	16	4	-
Value (Euros '000)	424,210	19,280	646,698	113,519	24,124	-
>= 10 M€ and < 20 M€						
Number	28	1	51	11	-	-
Value (Euros '000)	379,121	12,834	690,498	158,151	-	-
>= 20 M€ and < 50 M€						
Number	22	-	27	3	-	-
Value (Euros '000)	630,522	-	802,373	86,423	-	-
>= 50 M€						
Number	3	-	8	2	-	-
Value (Euros '000)	176,677	-	669,380	688,193	-	-
Total						
Number	7,888	2,141	10,661	8,674	229,477	454
Value (Euros '000)	3,607,345	209,519	6,265,970	1,572,687	30,482,286	29,563

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

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)

	31 December 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 2018, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	31 December 2018				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,646,104	683,188	467,158	200,729
<60%	5,168	227,896	199,585	63,305	14,270
>=60% and <80%	2,655	414,992	72,633	97,792	15,591
>=80% and <100%	1,138	89,103	48,765	90,372	25,733
>=100%	14,986	172,060	144,066	794,268	412,533
Companies - Other Activities					
Without associated collateral	n.a.	11,788,615	1,973,445	1,543,516	991,146
<60%	14,352	582,543	354,653	188,168	53,500
>=60% and <80%	3,277	394,605	185,614	127,616	32,203
>=80% and <100%	1,705	199,698	163,570	115,983	50,982
>=100%	8,064	677,799	336,092	684,357	458,118
Mortgage loans					
Without associated collateral	n.a.	193,786	4,697	2,105	1,870
<60%	165,269	5,174,838	763,161	142,291	3,742
>=60% and <80%	101,766	5,093,550	874,775	180,221	5,471
>=80% and <100%	43,015	1,827,831	524,200	193,505	6,244
>=100%	14,555	393,231	165,185	264,818	65,406

As at 31 December 2019 and 2018, 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)

Asset	Assets arising from recovered loans results (note 24) 2019 Appraised value	2019 Book value	2018 Appraised value	2018 Book value
Land				
Urban	458,679	363,704	566,569	433,406
Rural	20,104	15,065	33,013	26,402
Buildings in development				
Commercials	1,468	767	27,075	22,921
Mortgage loans	4,000	3,043	45,260	35,428
Constructed buildings				
Commercials	259,226	203,351	358,781	275,965
Mortgage loans	307,220	246,208	420,138	349,063
Others	1,478	1,153	173	100
Other assets	-	-	210	179
	1,052,175	833,291	1,451,219	1,143,464

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:

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

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

In order to ensure that the risk levels incurred in the different portfolios of the 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, as at 31 December 2019 and 2018, and measured by the methodologies referred to above:

(Thousands of euros)

	2019	Max of global risk in the period	Min of global risk in the period	2018
Generic Risk (VaR)	1,543	5,350	713	3,110
Interest Rate Risk	1,507	5,532	689	3,173
FX Risk	711	1,219	212	1,802
Equity Risk	81	35	49	34
Diversification effects	(757)	(1,436)	(236)	(1,899)
Specific Risk	2	32	2	46
Non-Linear Risk	-	-	-	-
Commodities Risk	5	2	4	5
Global Risk	1,550	5,384	720	3,161

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)

	31 December 2019			
Currency	- 200 pb (*)	- 100 pb (*)	+ 100 pb	+ 200 pb
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	44,755	5,763	18,863

(*) 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)

	31 December 2018			
Currency	- 200 pb (*)	- 100 pb (*)	+ 100 pb	+ 200 pb
CHF	215	215	503	985
EUR	(47,804)	(52,516)	145,700	281,223
PLN	(1,947)	(1,183)	1,164	2,311
USD	(19,518)	(9,566)	9,190	18,010
	(69,054)	(63,050)	156,557	302,529

(*) 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 os subsisiries, 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 2018: PLN 2,570,017,000), with the equivalent amount of Euros 604,454,000 (31 December 2018: Euros 598,151,000), 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 2018: CHF 100,000,000), with the equivalent amount of Euros 91,976,000 (31 December 2018: Euros 88,756,000), with the hedging instrument in the amount of CHF 76,493,000 (31 December 2018: CHF 79,922,000) with the equivalent amount of Euros 70,355,000 (31 December 2018: Euros 70,936,000).

These hedging relationships were considered effective during the entire period of 2019, 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, the control of market financing needs and the strenghtening of the liquidity buffer provided by the portfolio available for discount at the ECB continued to receive particular attention. In this line, the portfolio of ECB assets available for discount reached Euros 17,060,132,000 as at 31 December 2019, (31 December 2018: Euros 16,912,532,000), of which Euros 7,328,153,000 mobilized in the ECB's 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)

	2019	2018
European Central Bank	7,328,153	6,817,511

As at 31 December 2019, the amount discounted in the European Central Bank amounts to Euros 4,000,000,000 (31 December 2018: Euros 4,000,000,000).

Liquidity coverage ratio

The Bank structurally improved its liquidity profile by recording as at 31 December 2019 a credit transformation ratio on deposits calculated in accordance with Bank of Portugal Instruction No. 16/2004 (current version) of 88% and as at 31 December 2018 this ratio was set at 92% (according to the current version of the Instruction as at 31 December 2018).

Hedging accounting

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)

	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 2018, 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)

	Hedging instruments			
		Book value		
Type of hedging	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
- Interest rate swaps	2,763,274	12,372	60,882	(13,608)
	2,763,274	12,372	60,882	(13,608)
Cash flows hedging				
Interest rate risk				
- Interest rate swaps	11,880,000	80,519	7,604	107,294
	11,880,000	80,519	7,604	107,294
Total	14,643,274	92,891	68,486	93,686

(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 hedged items:

(Thousands of euros)

	Hedged items							
							Cash flow hedge reserve / Currency translation reserve	
		Book value		Cumulative value of the adjustments				
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
- Interest rate swaps	(B)	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
		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 2018, the table below includes the detail of the hedged items:

(Thousands of euros)

Type of hedging	Balance sheet item	Hedged items: Book value - Assets	Book value - Liabilities	Cumulative value of the adjustments - Assets	Cumulative value of the adjustments - Liabilities	Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve - Hedging relationships in effect	Cash flow hedge reserve / Currency translation reserve - Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
- Interest rate swaps	(B)	462,400	-	5,306	-	444	n.a.	n.a.
	(C)	2,183,957	-	(47,870)	-	17,935	n.a.	n.a.
	(D)	-	260,000	-	2,797	(3,796)	n.a.	n.a.
	(E)	-	180,650	-	7,417	1,679	n.a.	n.a.
	(F)	-	2,517	-	11	20	n.a.	n.a.
	(G)	-	7,685	-	137	196	n.a.	n.a.
		2,646,357	450,852	(42,564)	10,362	16,478	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
- Interest rate swaps	(B)	11,880,000	-	-	-	(107,294)	63,052	50,648
		11,880,000	-	-	-	(107,294)	63,052	50,648
Total		14,526,357	450,852	(42,564)	10,362	(90,816)	63,052	50,648

(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

As at 31 December 2019, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Amounts reclassified from reserves to results for the following reasons: Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
- Interest rate swaps	(D)	n.a.	2,232		n.a.	n.a.
		n.a.	2,232		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
- Interest rate swaps		-	-	(E)	44,882	-
		-	-		44,882	-
Total		-	2,232		44,882	-

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains / (losses) from hedge accounting operations

(E) Interest and similar income

As at 31 December 2018, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

				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.	2,870		n.a.	n.a.
		n.a.	2,870		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
- Interest rate swaps		-	-	(E)	23,004	-
		-	-		23,004	-
Total		-	2,870		23,004	-

(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 shows the detail of hedging instruments by maturity:

(Thousands of euros)

	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

As at 31 December 2018, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

Type of hedging	Remaining period: Up to 3 months	Remaining period: 3 months to 1 year	Remaining period: Over 1 year	Total	Fair value: Assets	Fair value: Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	-	24,500	2,738,774	2,763,274	12,372	60,882
Fixed interest rate (average)		3.44%	1.31%	1.34%		
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	11,880,000	11,880,000	80,519	7,604
Total derivatives traded by:						
OTC Market	-	24,500	14,618,774	14,643,274	92,891	68,486

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, this 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 Bank 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 Defense 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 system (SGR) – role of Risk Management (Risk Ofice) and Compliance (Compliance Office) – represents the 2nd Line of Defence and is 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 2019, the usual operational risk management activities continued to be carried out 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 mobilization 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. In order to strengthen mechanisms for more efficient control of operational risk, several initiatives were launched, of which we highlight:

- Integrated assessment of operational risks and conduct risks in the analysis and approval of new products and services;
- The strengthening of the monitoring of the risk of conflicts of interest and the evaluation and monitoring of service provision contracts under an outsourcing regime considered critical;
- Conducting a new IT Risk self-assessment exercise;
- Redesign of the operational risk self-assessment methodology, to include aspects and quantitative indicators monitored by internal controls on compliance and conduct risks;
- Reinforcement of the weight of operational risk indicators in the RAS metrics, namely in the monitoring of digital channels;
- Improvement of the rules for validating the quality of regulatory reports related to Operational Risk.

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 documentation was seized to investigate allegations of a commercially sensitive information exchange between credit institutions in the Portuguese banking 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.

In May 2018, the PCA refused the Bank's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018 the PCA notified the Bank of its intention to refuse the application for confidential treatment of some of the information included in the Bank's defence, restating its arguments. The Bank submitted a non-confidential revised version of its reply but reaffirmed that it is not the Bank that must protect the confidential information of the co-defendants. On 25 January 2019, the PCA granted the Bank a 10-business day period to provide summaries for the co-defendants' confidential information. On 4 February 2019, the Bank filed an appeal before the Competition Court and, on 11 February 2019, submitted a reply to the PCA (although restated its opposition to the PCA's request).

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. The admission of the appeal and the decision on its respective effect are expected.

2. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against the Bank, 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. Currently, the Bank is waiting for the designation of an expert, requested by the plaintiffs, and each one of the parties must, afterwards, indicate an expert and the court shall indicate a third expert.

3. 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 23 of the Resolution Fund's annual report of 2018, *"Legal actions related to the application of resolution measures have no legal precedents, which make it impossible to use of case law in their evaluation, as well as a reliable estimate of the associated contingent financial impact. However, on 12 March 2019, the Administrative Court of Lisbon unanimously by its 20 judges delivered its judgment, confirming the constitutionality of the legal regime of the resolution and the full legality of the resolution measure applied to BES on 3 August 2014. Also, by decision of the Supreme Administrative Court on 13 March 2019, a judgment on the substance was entirely favourable to the Resolution Fund associated to the impugnation of the sale process of Novo Banco. 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.

Also in its 2018 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"*.

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 of Euros 7,838 million (book value of the associated assets, net of impairments), and the value of the portfolio, as of 31 December 2018, amounted to approximately Euros 3,920 million (book value, net of impairments);

- The accumulated losses of the covered assets and their management, between 30 June 2016 (reference date of the mechanism) and 31 December 2018, correspond to Euros 2,661 million. Of this amount, the Resolution Fund paid in 2018, in accordance with the terms and conditions of the CCA, around Euros 792 million, hence, the amount of losses not borne by the Fund was, at the end of 2018, approximately Euros 1,869 million;

- The amount necessary to maintain the capital ratios of Novo Banco for 2018 at the agreed levels is Euros 1,149 million. The amount payable by the Resolution Fund results from a comparison between the amount of Euros 1.869 million (accumulated loss on the covered assets not supported by the Fund) and the amount of Euros 1,149 million, corresponding to the lower of those amounts, i.e. Euros 1,149 million.

(*) 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%

On 24 May 2018, arising from the referred mechanism, the Resolution Fund paid Euros 792 million to Novo Banco using its available financial resources from banking contributions (direct or indirect) and complemented by a State loan of Euros 430 million under the terms agreed between the Portuguese State and the Resolution Fund in October 2017. In its 2018 annual results press release, on 1 March 2019, Novo Banco states that, in connection with the impact of losses related to the sale and write-downs of legacy assets, Novo Banco will request a compensation of Euros 1,149 million under the existing CCA. The Resolution Fund paid to Novo Banco on 6 May 2019 the calculated value relative to the 2018 exercise, in the amount of Euros 1.149 million. For this purpose, the Resolution Fund used its own resources and also resorted to a State loan of Euros 850 million, which corresponds to the annual maximum funding limit agreed between the Resolution Fund and the State. The amount paid by the Resolution Fund to Novo Banco in two years was Euros 1,941 million.

According to Novo Banco's 2019 earnings press release, Novo Banco will request a compensation of Euros 1.037 million under the Contingent Capital Agreement (CCA), as stipulated in the sale agreement. The amount of the compensation requested in 2017 and 2018 and to be requested relating to 2019 totals Euros 2.98 billion. The maximum amount of compensation established in the CCA is Euros 3.89 billion.

As at 31 December 2019, Novo Banco is held by Lone Star and the Resolution Fund, corresponding to 75% and 25% of the share capital respectively.

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 2018 annual report, *"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 2018, Oitante made partial prepayments of Euros 360.961 thousand, which reduces the amount of the guarantee provided by the Resolution Fund to Euros 385.038 thousand. Considering the anticipated reimbursements, as well as information provided by Oitante's Board of Directors regarding 2018 exercise, it is envisaged that there are no relevant situations that could trigger the guarantee provided by the Resolution Fund".* On 13 July 2019, Oitante states that *"at the end of the current month, July 2019, the debt reimbursed since it was incurred will reach 57.7%".*

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 Banco de Portugal to that entity [amounts to] Euros 352,880.3 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).

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 2018 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 24 of the Resolution Fund's 2018 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 6,114 million, according to the latest 2018 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. 24/2019, published on 16 December 2019, set the base rate to be effective in 2020 for the determination of periodic contributions to the FR by 0.06% against the rate of 0.057% in 2019.

During 2019, the Bank made regular contributions to the Resolution Fund in the amount of Euros 14,279 thousand. The amount related to the contribution on the banking sector, registered in 2019, was Euros 28,464 thousand. These contributions were recognized as a cost in 2019, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Bank had to make 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 2019 was Euros 21,868 thousand, of which the Bank delivered Euros 18,697 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 Banco de 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 Agreeement; (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 2018 annual report, under note 10, *"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".*

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Bank.

4. 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 Banco de 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 Banco de Portugal dated 31 March 2017, of which the Claimants were not notified.

The proceedings were filed in court on 4 September 2017. Banco de 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 Banco de 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, Banco de 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 Banco de 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.

5. 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 22 May 2019, following the proposal submitted by the Board of Directors, the application of profits for the year 2018 was approved, which includes the distribution to employees of Euros 12,587,009, in compliance partially with the previously referred clause. This payment occurred in June 2019 and the corresponding amount was recognized in 'Staff costs' in 2019.

6. The Bank was subject to tax inspections for the years up to 2016. 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. The additional liquidations/corrections made by the tax administration were mostly 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.

7. Banco Comercial Português, S.A. filed in 2013 a lawsuit against Mr. Jorge Jardim Gonçalves, his wife and Ocidental – Companhia de Seguros de Vida, S.A., requesting mainly that the following be recognized: (a) that the amount of the retirement instalments of the former director, to be paid by the Bank, cannot exceed the highest fixed remuneration earned by the directors exercising functions in the Bank at any moment; (b) that the former director cannot maintain, at the Bank's expenses, the benefits he had when still in active functions; and (c) that the wife of the former director cannot 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.

After several procedural extraordinary events, on 27 January 2019, the court issued a new sentence - which fully reproduces the previous one issued on 25 May 2018 - considering: (i) rejected the request made by the Bank consisting in 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 made 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 paid since that date or will pay in the future, in the amount that comes to be settled, expenses which would be part of his retirement regime, plus default interests accounted at the legal rate of 4% per year since the date of the reimbursement request up to their effective and full payment.

In March 2019, BCP appealed the sentence to the Tribunal da Relação de Lisboa (Lisbon Court of Appeal) requesting that the same is revoked and replaced by a decision accepting all the requests presented by the Bank. The Bank considers that the court decided incorrectly regarding evidence and relevant legal issues, and that the appeal has good chances of success, namely because, concerning the amounts received by the former director, the sentence upholds an original interpretation of the limit of article 402, no.2, of the Commercial Companies Code (CCC), going against all court decisions issued by superior courts and most of all the prior doctrine on these issues.

On 5 March 2020, Lisbon Court of Appeal abrogated the court of first instance's decision, upholding the Bank's legal action and declaring the non-existence of the right of the Defendant Mr. Jardim Gonçalves to receive the retirement supplements paid by Ocidental Vida, 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. Jardim Gonçalves. Finally, the court dismissed the counterclaim, acquitting the Bank of the request. There may be an appeal to the Supreme Court of Justice for this last decision.

50. Recently issued accounting standards

1- Recently issued accounting standards and interpretations that came into force in 2019

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 2019:

Amendment to IFRS 9: Prepayment features with negative clearing

This amendment allows financial assets with contractual conditions which, in their early amortization, allow the payment of a considerable amount by the creditor, can be measured at amortized cost or at fair value through reserves (depending on the business model), since that: (i) on the date of the initial recognition of the asset, the fair value of the early amortization component is insignificant; and, (ii) the possibility of negative compensation in the early amortization is the only reason for the asset in question not to be considered as an instrument that only includes payments of principal and interest.

The Bank applied IFRS 9 and early adopted the amendment to IFRS 9 in the period beginning on 1 January 2018, as note 51.

IFRIC 23 – Uncertainties in the treatment of income tax

This interpretation clarifies what are the recognition and measurement requirements that must be adopted in scenarios of uncertainty regarding the treatment of income tax in accordance with IAS 12. It is applicable to all the inherent aspects of the treatment of income tax, such as the determination of taxable income, tax losses to be reported, tax bases, tax credits to be used and tax rates.

There were no material impacts on the application of this interpretation in the Bank's financial statements.

IFRS 16 – Leases

IFRS 16 was approved by the EU in October 2017 and entered into force in the periods starting on or after 1 January 2019. Its early application is permitted through the fulfilment of certain requirements.

This standard replaces IAS 17 – Leases and establishes the new requirements regarding the scope, classification/recognition and measurement of leases. The Bank applied the principles set out in IFRS 16 at the beginning of 2019 with the following impacts:

- from the lessor's perspective, leases continue to be classified as finance leases or operating leases, with no substantial changes for the Bank compared to which was already defined in IAS 17;
- 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 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 of 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 will recognise for all leases, except for those with a term under 12 months or for leases of low-value assets:

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

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the 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 it is assessed the date in which the contract is enforceable. 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, as referred in note 52, 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 individual statement of cash flows.

Impact from the lessor's perspective

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

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 being recognised on 1 January 2019. This way, comparative information was not 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.

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;
- 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;
- 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 were contracts on real estate (branches and central buildings) and on a residual number of vehicles, with the impacts arising from the implementation of IFRS 16 with reference to 1 January 2019 detailed in note 52. These changes did not result in material impacts in the income statements.

Amendment to IAS 28: Long-term interests in associates and joint arrangements

This amendment clarifies that IFRS 9 (including its respective requirements related to impairment) is applicable for long-term interests in associates and joint arrangements that are part of the existing net investment in an associate or joint venture, but to which the equity method is not applied in their measurement.

There were no material impacts on the application of this amendment in the Bank's financial statements.

Improvements to international financial reporting standards (cycle 2015-2017)

These improvements involve the clarification of some aspects related to: IFRS 3 – Concentration of business activities: it requires re-measurement of interests previously held when an entity obtains control over a subsidiary on which previously had joint control; IFRS 11 – Joint ventures: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint transaction; IAS 12 – Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss, regardless of how the tax arises; IAS 23 – Borrowing costs: clarifies that the part of the loan directly related to the acquisition/construction of an asset, outstanding after the corresponding asset has gotten ready for the intended use, is, for the purpose of determining the capitalization rate, considered an integral part of the entity's general financing.

There were no material impacts on the application of this improvements in the Bank's financial statements.

Amendment to IAS 19: Plan amendment, curtailment or settlement

This amendment defines that, if an amendment, curtailment or settlement of the defined benefit plan occurs, it is mandatory to use the assumptions assumed on the moment of the remeasurement to determine the current service cost and the net interest for the remaining period after the remeasurement. In addition, this amendment includes
changes to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

There were no material impacts on the application of this amendment in the Bank's financial statements.

Amendment to IFRS 4: Application of IFRS 9 – Financial instruments with IFRS 4 – Insurance contracts

This amendment provides guidance on the application of IFRS 4 together with IFRS 9. IFRS 4 will be replaced with the entry into force of IFRS 17.

The Bank does not anticipate material impact on the application of this amendment in its 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:

Amendments to references to the conceptual framework in IFRS standards (applicable for years beginning on or after 1 January 2020)

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.

Amendments to IAS 1 and IAS 8: Definition of material (applicable for years beginning on or after 1 January 2020)

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.

These standards, although endorsed by the European Union, were not adopted by the Bank in 2019, 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 2021)

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.

Amendment to IFRS 3: Definition of a business (applicable for years beginning on or after 1 January 2020)

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 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).

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform (applicable for years beginning on or after 1 January 2020)

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.

Regarding these standards and interpretations, issued by the IASB but not endorsed by the European Union yet, it is not estimated that their adoption will result in significant impacts on the Bank's financial statements.

51. Application of IFRS 9 - Financial Instruments

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 has replaced IAS 39 - Financial Instruments: Recognition and Measurement and provides new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason, it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts and the changes in processes, governance and business strategy that may involve.

The requirements provided by IFRS 9 are, in general, applied retrospectively by adjusting the opening balance at the date of initial application (1 January 2018).

Financial Instruments IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. In October 2017, the IASB issued the document "Prepayment features with negative compensation (amendments to IFRS 9). The changes are effective for annual periods beginning on 1 January 2019, with early adoption allowed.

The Group applied IFRS 9 and adopted in advance the modifications made to IFRS 9 in the period beginning as at 1 January 2018. The impact of the adoption of IFRS 9 on the Group's equity attributable to shareholders of the Bank, with reference to 1 January 2018 was negative of Euros 345,207,000.

The accounting policies in force in the Group at the level of financial instruments after adoption of IFRS 9 as at 1 January 2018 are described in note 1B.

I. Classification of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model used in asset management, as well as the characteristics of the respective contractual cash flows.

The standard will have an impact at the level of the classification of the financial assets held as at 1 January 2018, as follows:

- Held for Trading and Derivatives held for risk management, which were classified as "Held-for-Trading" and measured at FVTPL under IAS 39, are measured at FVTPL under IFRS 9;
- Loans and advances to customers and to Financial Institutions measured at amortised cost under IAS 39 are generally measured at amortised cost under IFRS 9;
- Investments in held-to-maturity securities, measured at amortized cost under IAS 39, are measured, generally, at amortised cost under IFRS 9;
- Investments in debt securities that were classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on certain circumstances;
- Loans to customers and investment securities that were measured at fair value option under IAS 39 are measured at FVTPL under IFRS 9;
- Most of the equity instruments that were classified as available for sale under IAS 39 are measured at FVTPL under IFRS 9. However, some of these equity instruments are held under a long-term strategic investment and are designated at FVOCI, under IFRS 9.

Based on this analysis and in the strategy defined, no material changes occurred at the level of the measurement associated with financial assets of the Group (financial assets measured at amortised cost versus financial assets measured at fair value) with the impact on the transition to IFRS 9.

II. Impairment - Financial Assets, Commitments and Financial Guarantees

IFRS 9 replaces the "loss incurred" model in IAS 39 by a forward-looking model of "expected credit losses (ECL)", which considers expected losses over the life of financial instruments. Thus, in the determination of ECL, macroeconomic factors are considered as well as other forward looking information, whose changes impact expected losses.

The impact of the adoption of IFRS 9 in the Group's equity related to impairment losses on financial assets, guarantees and other commitments was negative of Euros 174,577,000.

III. Classification - Financial Liabilities

IFRS 9 generally maintains the requirements in IAS 39 regarding the classification of Financial Liabilities. However, under IAS 39 all fair value changes of financial liabilities designated to FVTPL (Fair Value Option) were recognised in the income statement, while under IFRS 9 these fair value changes arepresented as follows: the amount related to the variation in the fair value attributable to changes in the credit risk of the liability is presented in OCI and the remaining value of the change in fair value is presented in profit or loss.

The Bank has adopted the Fair Value Option for some of its own issues which contain embedded derivatives or associated hedging derivatives, or when this designation eliminates or significantly reduces the accounting mismatch of the operations. The fair value variations attributable to changes in the credit risk of these liabilities were recognised in profit or loss in 2017 under IAS 39. In adopting IFRS 9, these changes in fair value were recognised in OCI and the amount recognised in OCI in each year is variable. The accumulated amount recognised in OCI will be null if these liabilities are repaid at maturity, at the nominal value.

IV. Derecognition and modification of contracts

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and liabilities without significant changes.

V. Hedge accounting

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

VI. Transition

Changes in accounting policies resulting from the application of IFRS 9 will generally be applied retrospectively, with the exception of the following:

- The Bank applies the exception that allows the non-restatement of prior period comparative information regarding classification and measurement changes (including impairment). Differences in the balance sheet values of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in Reserves and retained earnings, as at 1 January 2018.

- The following assessment was made based on the facts and circumstances that existed at the time of the initial application:
a) the determination of the business model in which the financial asset is held;
b) the designation and revocation of prior designations of certain financial assets and liabilities designated at FVTPL;
c) the designation of certain equity instruments that are not held for trading as FVOCI; and
d) for financial liabilities designated at FVTPL (Fair Value Option), to assess whether the presentation of the effects in the credit risk variations of the financial liabilities in OCI would create or increase an accounting mismatch in profit or loss.

The impact of the adoption of IFRS 9 in the Group's financial statements is described below.

a) Impact of the adoption of IFRS 9 on the Bank's equity

The impacts on the Bank's equity arising from the implementation of IFRS 9 with reference to 1 January 2018 are as detailed below:

(Thousands of euros)

	Other equity items	Fair value changes	Reserves and retained earnings	Total equity attributable to bank's shareholders
Equity as at 31 December 2017 - Before IFRS 9	5,872,937	44,501	11,829	5,929,267
Impairment				
Loans and advances to credit institutions	-	-	(703)	(703)
Loans and advances to customers	-	-	(153,917)	(153,917)
Debt instruments	-	-	(4,784)	(4,784)
	-	-	(159,404)	(159,404)
Provisions	-	-	(9,079)	(9,079)
Changes in securities classification	-	(115,914)	109,838	(6,076)
Own credit risk	-	1,958	(1,958)	-
	-	(113,956)	(60,603)	(174,559)
Current and deferred tax assets	-	26,627	(197,275)	(170,648)
Total impact	-	(87,329)	(257,878)	(345,207)
Equity as at 1 January 2018 - After IFRS 9	5,872,937	(42,828)	(246,049)	5,584,060

In 2018, the Bank adopted IFRS 9 - Financial Instruments. Since there is no transitional regime that establishes the tax treatment to be applied to the transition adjustments to IFRS 9, the treatment given resulted from the interpretation of the general rules application of the IRC Code.

(b) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The impacts on the Group's balance sheet arising from the implementation of IFRS 9 with reference to 1 January 2018 are detailed as follows:

(Thousands of euros)

	IAS 39 31 Dec 2017	Reclassifications	Remeasurement	IFRS 9 1 Jan 2018
ASSETS				
Cash and deposits at Central Banks	1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand	156,460	-	-	156,460
Financial assets at amortised cost				
Loans and advances to credit institutions	1,254,472	-	(703)	1,253,769
Loans and advances to customers	31,349,425	-	(153,917)	31,195,508
Debt instruments	2,007,520	437,130	(10,860)	2,433,790
Financial assets at fair value through profit or loss				
Financial assets held for trading	770,639	(6,623)	-	764,016
Financial assets not held for trading mandatorily at fair value through profit or loss	n.a.	1,832,687	-	1,832,687
Financial assets designated at fair value through profit or loss	142,336	-	-	142,336
Financial assets at fair value through other comprehensive income	n.a.	4,772,573	-	4,772,573
Financial assets available for sale	6,692,982	(6,692,982)	-	n.a.
Financial assets held to maturity	342,785	(342,785)	-	n.a.
Hedging derivatives	18,804	-	-	18,804
Investments in associated companies	3,370,361	-	-	3,370,361
Non-current assets held for sale	1,480,112	-	-	1,480,112
Other tangible assets	217,101	-	-	217,101
Goodwill and intangible assets	21,409	-	-	21,409
Current tax assets	7,208	-	-	7,208
Deferred tax assets	3,018,508	-	(170,648)	2,847,860
Other assets	1,434,731	-	-	1,434,731
TOTAL ASSETS	53,576,516	-	(336,128)	53,240,388
LIABILITIES				
Financial liabilities at amortised cost				
Resources from credit institutions	7,825,051	-	-	7,825,051
Resources from customers	32,135,035	-	-	32,135,035
Non subordinated debt securities issued	1,440,628	-	-	1,440,628
Subordinated debt	1,021,541	-	-	1,021,541
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	381,380	-	-	381,380
Financial liabilities designated at fair value through profit or loss	3,843,645	-	-	3,843,645
Hedging derivatives	112,352	-	-	112,352
Provisions	269,057	-	9,079	278,136
Current tax liabilities	1,269	-	-	1,269
Other liabilities	617,291	-	-	617,291
TOTAL LIABILITIES	47,647,249	-	9,079	47,656,328
EQUITY				
Share capital	5,600,738	-	-	5,600,738
Share premium	16,471	-	-	16,471
Other equity instruments	2,922	-	-	2,922
Legal and statutory reserves	252,806	-	-	252,806
Reserves and retained earnings	(61,691)	118,021	(345,207)	(288,877)
Net income for the year attributable to Bank's Shareholders	118,021	(118,021)	-	-
TOTAL EQUITY	5,929,267	-	(345,207)	5,584,060
	53,576,516	-	(336,128)	53,240,388

The impacts of the implementation of IFRS 9 on the classification and measurement of financial instruments and the determination of impairment losses on financial assets are explained in more detail in the following notes.

(c) Classification and measurement of financial instruments

The table below shows the measurement category and the book value of financial assets, in accordance with IAS 39 and IFRS 9, as at 1 January 2018.

(Thousands of euros)

IAS 39			IFRS 9		
Category	Measurement	Book value	Category	Measurement	Book value
Cash and deposits at Central Banks	Amortised cost	1,291,663	Cash and deposits at Central Banks	Amortised cost	1,291,663
Loans and advances to credit institutions repayable on demand	Amortised cost	156,460	Loans and advances to credit institutions repayable on demand	Amortised cost	156,460
Loans and advances to credit institutions	Amortised cost	1,254,472	Loans and advances to credit institutions	Amortised cost	1,253,769
Financial assets at amortised cost - Loans and advances to customers	Amortised cost	31,349,425	Financial assets at amortised cost - Loans and advances to customers	Amortised cost	31,195,508
Financial assets at amortised cost - Debt instruments	Amortised cost	2,007,520	Financial assets at amortised cost - Debt instruments	Amortised cost	2,004,574
Financial assets held to maturity	Amortised cost	342,785	Financial assets at amortised cost - Debt instruments	Amortised cost	342,785
Financial assets available for sale	FVOCI (available for sale)	6,692,982	Financial assets at fair value through other comprehensive income	FVOCI	4,765,950
			Financial assets not held for trading mandatorily at fair value through profit or loss	FVTPL (mandatorily)	1,832,687
			Financial assets at amortised cost - Debt instruments	Amortised cost	86,431
Financial assets held for trading	FVTPL	770,639	Financial assets at fair value through other comprehensive income	FVOCI	6,623
			Financial assets held for trading	FVTPL	764,016
Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336	Financial assets designated at fair value through profit or loss	FVTPL (designated)	142,336
Hedging derivatives	FVTPL	18,804	Hedging derivatives	FVTPL	18,804

Notes:

FVOCI - Measured at fair value through other comprehensive income

FVTPL - Measured at fair value through profit or loss

There were no material changes regarding the measurement criteria associated with the Group's financial liabilities with impact on the transition to IFRS 9, except for changes in the fair value of financial liabilities at fair value through profit or loss that are attributable to changes in the credit risk of the instrument, which will be included in other comprehensive income as from 1 January 2018.

(d) Reconciliation of balance sheet amounts in IAS 39 and IFRS 9

The following table shows the reconciliation between the book values of financial assets according to the measurement categories of IAS 39 and IFRS 9, as at 1 January 2018 (transition date).

(Thousands of euros)

		Financial assets at amortised cost (Amortised Cost)			
	Notes	IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Cash and deposits at Central Banks					
Opening balance in IAS 39 and final balance in IFRS 9		1,291,663	-	-	1,291,663
Loans and advances to credit institutions repayable on demand					
Opening balance in IAS 39 and final balance in IFRS 9		156,460	-	-	156,460
Loans and advances to credit institutions					
Opening balance in IAS 39		1,254,472	-	-	1,254,472
Remeasurement: impairment losses	(A)	-	-	(703)	(703)
Final balance in IFRS 9		1,254,472	-	(703)	1,253,769
Loans and advances to customers					
Opening balance in IAS 39		31,349,425	-	-	31,349,425
Remeasurement: impairment losses	(A)	-	-	(153,917)	(153,917)
Final balance in IFRS 9		31,349,425	-	(153,917)	31,195,508
Debt instruments					
Opening balance in IAS 39		2,007,520	-	-	2,007,520
Transfer: of available financial assets for sale (IAS 39)	(E)	-	94,345	-	94,345
Transfer: from held-to-maturity financial assets to maturity date (IAS 39)	(F)	-	342,785	-	342,785
Remeasurement: impairment losses	(A)	-	-	(4,784)	(4,784)
Remeasurement: fair value to amortised cost		-	-	(6,076)	(6,076)
Final balance in IFRS 9		2,007,520	437,130	(10,860)	2,433,790
Financial assets held to maturity					
Opening balance in IAS 39		342,785	-	-	342,785
Transfer: for financial assets at amortised cost - debt securities (IFRS 9)	(F)	-	(342,785)	-	(342,785)
Final balance in IFRS 9		342,785	(342,785)	-	-
Total of financial assets at amortised cost		36,402,325	94,345	(165,480)	36,331,190

(Thousands of euros)

	Notes	Financial assets at fair value through other comprehensive income (FVOCI) IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets at fair value through other comprehensive income - debt instruments					
Opening balance in IAS 39					
Transfer: of available financial assets for sale (IAS 39)	(F)	-	4,734,385	-	4,734,385
Transfer: of financial assets held for trading	(D)	-	6,623	-	6,623
Final balance in IFRS 9		-	4,741,008	-	4,741,008
Financial assets at fair value through other comprehensive income - equity instruments					
Opening balance in IAS 39					
Transfer: of available financial assets for sale (IAS 39)	(B)	-	31,565	-	31,565
Final balance in IFRS 9		-	31,565	-	31,565
		-	4,772,573	-	4,772,573
Financial assets available for sale					
Opening balance in IAS 39		6,692,982	-	-	6,692,982
Transfer: Financial assets not held for trading mandatorily at fair value through profit or loss (IFRS 9)	(C)	-	(1,832,687)	-	(1,832,687)
Transfer: for financial assets at amortised cost (IFRS 9)	(E)	-	(94,345)	-	(94,345)
Transfer: to financial assets at fair value through other comprehensive income - debt instruments (IFRS 9)	(F)	-	(4,734,385)	-	(4,734,385)
Transfer: to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	(B)	-	(31,565)	-	(31,565)
Final balance in IFRS 9		6,692,982	(6,692,982)	-	-
Total financial assets at fair value through other comprehensive income		6,692,982	2,820,599	-	9,513,581

(Thousands of euros)

	Notes	Financial assets at fair value through profit or loss (FVTPL)			
		IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
Financial assets held for trading					
Opening balance in IAS 39		770,639	-	-	770,639
Transfer: to financial assets at fair value through other comprehensive income	(D)	-	(6,623)	-	(6,623)
Final balance in IFRS 9		770,639	(6,623)	-	764,016
Financial assets not held for trading mandatorily at fair value through profit or loss					
Opening balance in IAS 39					
Transfer: of available financial assets for sale (IAS 39)	(C)	-	1,832,687	-	1,832,687
Final balance in IFRS 9		-	1,832,687	-	1,832,687
Financial assets designated at fair value through profit or loss					
Opening balance in IAS 39 and final balance in IFRS 9		142,336	-	-	142,336
Hedging derivatives					
Opening balance in IAS 39 and final balance in IFRS 9		18,804	-	-	18,804
Total financial assets at fair value through profit or loss		931,779	1,826,064	-	2,757,843

Notes:

(A) Under the IFRS 9 criteria, additional impairments were calculated resulting from the application of the concept of expected loss and registered in Other reserves and retained earnings, for:

- financial assets at amortised cost (Loans and advances to credit institutions);
- financial assets at amortised cost (Loans and advances to customers);
- and debt instruments at fair value through other comprehensive income.

(B) Designation of equity instruments at fair value through other comprehensive income: The Group opted for the irrevocable designation of equity instruments that are neither held for trading nor contingent retribution recognised by a buyer in a business combination to which it applies IFRS 3 as at fair value through other comprehensive income, as allowed by IFRS 9. These instruments were previously classified as "Financial assets available for sale". Changes in the fair value of these instruments will not be reclassified to profit or loss when derecognised.

(C) Classification of debt securities previously classified as "Financial assets available for sale ", which do not fall within the definition of SPPI and of units of participation in funds that do not fall within the definition of equity instruments: The portfolio of debt instruments that do not fall within the scope of SPPI definition was classified under " Financial assets not held for trading mandatorily at fair value through profit or loss " on the date of the initial application.

(D) Classification of debt securities previously classified under "Financial assets held for trading", whose business model is "held to collect and sell" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(E) Classification of debt securities previously under "Financial assets available for sale ", whose business model is "held-to-collect" and whose characteristics of contractual cash flows fall within the scope of SPPI definition.

(F) Changes occurred in the categories provided for in IAS 39, without changing the measurement basis: In addition to the aforementioned, the following debt instruments were reclassified to new categories in accordance with IFRS 9, following the elimination of previous categories of IAS 39 , without changes in its measurement basis: (i) Instruments previously classified as available for sale, currently classified as financial assets at fair value through other comprehensive income; (ii) Instruments previously classified as held to maturity, currently classified as financial assets at amortised cost.

The table below presents the reconciliation between the book values of impairment / provisions in balance sheet according with the measurement categories of IAS 39 and IFRS 9 as at 1 January 2018 (initial application date):

(Thousands of euros)

Measurement category	Impairment for credit IAS 39 / Provision IAS 37	Reclassifications (A)	Revaluation	Impairment loss / Provision in accordance with IFRS 9
Loans and accounts receivable (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Cash and deposits at Central Banks	-	-	-	-
Loans and advances to credit institutions repayable on demand	-	-	-	-
Loans and advances to credit institutions	-	-	703	703
Loans and advances to customers	2,742,244	-	153,917	2,896,161
Debt securities	42,886	-	4,784	47,670
Total	2,785,130	-	159,404	2,944,534
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Debt securities	-	-	-	-
Available-for-sale financial instruments (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)				
Debt securities	87,368	(83,646)	6,094	9,816
Commitments and financial guarantees issued	269,057	-	9,079	278,136
Total	3,141,555	(83,646)	174,577	3,232,486

(A) The reclassification recorded in impairment for financial assets at fair value through other comprehensive income (Debt securities) in the negative amount of Euros 83,646,000, refers to the write-off impairment for securities that were transferred to FVTPL (fall within the scope of SPPI).

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 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 Investimento Imobiliário, 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 Incoporate 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
	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. List of subsidiary and associated companies of Banco Comercial Português S.A.

As at 31 December 2019, 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	64,500,000	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	56,762,559	BRL	Financial Services	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, 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

During the 2019, the Group sold the Planfipsa Group and settled Imábida - Imobiliária da Arrábida, S.A., Adelphi Gere, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A. and Servitrust - Trust Management Services S.A. The Banco de Investimento Imobiliário, S.A. was merged into Banco Comercial Português, S.A.

As at 31 December 2019, the Banco Comercial Português, S.A. investment and venture capital funds, are as follows:

Subsidiary companies	Head office	Participation units	Currency	Activity	% held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	2,732,623	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	304,320,700	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

Subsidiary companies	Head office	Participation units	Currency	Activity	% held
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	4,320,959	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	780,089	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	8,834,000	EUR	Real estate investment fund	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	67,691,000	EUR	Real estate investment fund	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,404,600	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.

As at 31 December 2019, 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.	Dublin	50,002,375	EUR	Life reinsurance	49.0

As at 31 December 2019, the Bank's associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Banque BCP, S.A.S.	Paris	155,054,747	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
PNCB - Plataforma de Negociação Integrada de Créditos Bancários, A.C.E	Lisbon	1,000,000	EUR	Services	33.3
Projepolska, S.A.	Cascais	9,424,643	EUR	Real-estate company	23.9
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1

The Bank sold in 2019, the investment held in the associated companies Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.

55. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy AA), the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Capital increase of ActivoBank

In January 2020, ActivoBank's share capital was increased by Euros 36,500,000 (fully subscribed and paid by BCP)

Covid-19

Covid-19 has affected a large number of countries, infecting thousands of people worldwide. Available data suggests their numbers will continue to rise. Given the trend and pace of developments globally, and particularly in some Euro-zone economies, it is too early to make a reliable projection of the total impacts that could materialise. However, international and multilateral organisations, as well as rating agencies, have revised down their projections for the growth of the European and World economies in 2020.

In this context, the Bank has 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.

Depending on how long these disruptive impacts persist, and on their intensity, the Group´s activity and profitability will suffer to a greater or a lesser extent. Based on all available data, including the capital and liquidity situation, as well as the value of the assets, in management´s opinion, the going concern basis which underlies these financial statements continues to apply.

DECLARATION OF COMPLIANCE

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DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the condensed individual and consolidated financial statements of Banco Comercial Português, S.A ("BCP" or "Bank"), which include (i) the condensed individual and consolidated balance sheets as at 31 December 2019, (ii) the condensed individual and consolidated income statements for the year ended on 31 December 2019, (iii) the condensed individual and consolidated statement of changes in equity and cash flow statement for the year ended on 31 December 2019, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 31 December 2019, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the year ended on that date, in accordance to the International Accounting Standards, endorsed by the European Union.

The Bank's condensed individual and consolidated financial statements relative to 31 December 2019 were approved by the Board of Directors on 26 March 2020.

Furthermore, it is also declared that the management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them. The management report was approved by the Board of Directors on 26 March 2020.

Porto Salvo, 26 March 2020

Nuno Manuel da Silva Amado
(Chairman)

Jorge Magalhães Correia
(Vice-Chairman)

Valter Rui Dias de Barros
(Vice Chairman)

Miguel Maya Dias Pinheiro
(Vice-Chairman)

Ana Paula Alcobia Gray
(Member)

Cidália Maria Mota Lopes
(Member)

Fernando da Costa Lima
(Member)

João Nuno de Oliveira Jorge Palma
(Member)

José Manuel Alves Elias da Costa
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

Julia Gu (Xiaoxu Gu)
(Member)

Lingjiang Xu
(Member)

Maria José Henriques Barreto Matos de Campos
(Member)

Miguel de Campos Pereira de Bragança
(Member)

Rui Manuel da Silva Teixeira
(Member)

Teófilo César Ferreira da Fonseca
(Member)

Wan Sin Long
(Member)

ANNUAL REPORT OF THE AUDIT COMMITTEE

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AUDIT COMMITTEE ANNUAL REPORT

I – Introduction

The Audit Committee (Committee) of Banco Comercial Português, S.A. (Bank) hereby presents its annual report on its supervisory functions regarding the 2019 financial year, in compliance with the provisos of article 423-F (1) (g) of the Portuguese Companies Code.

II - Powers of the Audit Committee

The Audit Committee is the supervisory body of the Bank, responsible for monitoring the compliance with the law and of the articles of association and it has, namely, the following duties:

A. In general

a) Supervising the Bank's management;

b) Monitor the management of Group Banco Comercial Português (Group), which is understood as covering all the entities within the consolidation perimeter of the Bank, notwithstanding the powers of the supervisory bodies of the local entities;

c) Calling the General Meeting of Shareholders, whenever the Chairperson of the Board of the General Meeting fails to do so when he/she should;

d) Verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results.

e) Accessing call notices and minutes of the meetings of the Executive Committee and taking part in the meetings of the Executive Committee wherein the Bank's annual accounts are appraised;

f) Monitoring the entire procedure for preparing and disclosing financial information and presenting recommendations or proposals to ensure that such procedure is reliable;

g) Overseeing the audit to the individual and consolidated financial statements of the financial year, especially its execution, taking into account eventual analyses or guidelines issued by the supervision authorities and to verify that the financial statements are compliant with the applicable legal framework;

h) Verifying the accuracy of the financial statements;

i) Issuing an opinion on the report, financial statements and proposal for the appropriation of profits to be submitted to the Annual General Meeting;

j) Periodically assess and follow-up the financial statements and the main prudential indicators, the risk report prepared by the Risk Office, the activity pursued by the Compliance Office, the activity pursued by the Internal Audit, the handling of claims and complaints and the most significant correspondence exchanged with the Supervisory Authorities;

k) Provide an opinion on the Bank's Annual Budget, in a medium and long-term perspective, focusing particularly on the observance of the objectives set out in the Bank's strategic plan and on the compliance with the capital requirements;

l) Drawing up an annual report to inform the Board of Directors of the results of the audit to the financial statements, explaining how the audit contributed to the integrity of the procedure for preparing and disclosing financial information, as well as describing the role the Committee played in that procedure, clearly stating its concurrence with the contents of the legal certification of accounts, when applicable;

m) Issuing an opinion on the share capital increases resolved by the Board of Directors;

n) Provide an opinion on the suspension of directors and on the appointment of substitute directors in accordance with the law and the Bank's articles of association;

o) Decide on the Group Codes that are within its competence.

B. Internal Control System

a) Supervising the effectiveness and efficiency of the internal control system including risk management, compliance, and internal audit , in what regards the procedure for preparing and disclosing financial information of the whole consolidation perimeter of the Bank, notwithstanding the competences of the respective bodies of the local entities;

b) Issuing a prior opinion on the external entity that aids in the assessment of the adequacy and efficiency of the internal control system and monitoring its work;

c) Issuing an opinion on the work plans and resources allocated to the Internal Audit and Compliance Divisions, and monitor its respective execution, being the recipient of the reports made by these Divisions, especially when the issues in question relate to the presentation of financial statements, the identification and resolution of conflicts of interests and the detection of potential illegalities and/or irregularities;

d) analyse and comment on the periodic reports drawn up by the internal control functions, in particular those related with situations of conflict of interest and reporting of irregularities.

e) Issuing an opinion on the technical and professional adequacy of the candidates for the position of Head of the Internal Audit Division and Compliance Officer of the Bank;

f) Receiving, handling and recording the communications of serious irregularities related with the management, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies, and remaining Portuguese and European legislation in force, presented by shareholders, Bank employees or other;

g) Issue an opinion on the internal service order that regulates the internal reporting of irregularities, to be approved by the Board of Directors;

C. Monitoring of the External Auditor and the Statutory Auditor

a) Propose to the General Meeting of Shareholders, in case of an initial engagement, the appointment of, at least, two statutory auditors and eligible external auditors and issue a duly grounded recommendation as to which it prefers, in abidance by the applicable Portuguese and European legislation. In case of the re-appointment for a new term-of-office, the issue of a duly grounded proposal;

b) Issuing an opinion on the remuneration of the Statutory Auditor and of the External Auditor, and ensuring that both have all the conditions to exercise their functions;

c) supervise and evaluate, every year, the independence and performance of the External Auditor and of the Statutory Auditor;

d) Approve the tendering of services to the External Auditor for the provision of additional services, while guaranteeing that such services do not jeopardise its independence, in accordance with the national and European legislation and Regulation;

e) receiving the additional services report drawn up by the External Auditor, in compliance with art. 11 of EU Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014;

D. Operations with related parties and other competences

Beyond all the remaining competences and attributions conferred to it by the law, the articles of association or delegated by the Board of Directors, the Audit Committee shall also be responsible for:

a) Issuing for the Board of Directors an opinion on the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) the material engagement limit exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets and services; and (iii) no special advantage is given to the party to the agreement in question;

b) Issuing for the Board of Directors an opinion on credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them;

c) submit a quarterly report to the Board of Directors, in writing, informing on the work carried out by it and on the conclusions it has reached and an annual report of its activities, to be presented to the Chairperson of the Board of Directors, without prejudice to the duty of reporting to it any and all situations the Committee finds and deems to be of high risk;

d) request the hiring of experts to assist one or more of its members in the performance of its functions being the respective costs paid by the Bank.

III - Activities carried out

In 2019, the Audit Committee held 13 meetings with the participation of all its members, in person or through video conference, and minutes of meetings were drawn from the respective meetings and approved.

The new member of the Committee elected at the General Meeting of Shareholders of the Bank held on 22 May 2019, Mr. Fernando da Costa Lima, participated as a guest in the meetings held from July to November, during which the Bank was waiting for the disclosure of the non-opposition by the supervisory authorities for his exercise of the function as elected, and received notice by the European Central Bank on 5 December 2019.

At the Committee's meetings participated, on a regular basis and as guests, the Executive Director responsible for the Financial Area, the Executive Director responsible for the Risk and Compliance areas, Deloitte & Associados - SROC, S.A. (Deloitte), Statutory Auditor and the Bank's External Auditor, the Risk Officer, the Compliance Officer, the Head of the Audit Division, the Head of the Research, Planning and ALM Division and the Head of the Quality and Support to the Network, to whom pertains the analysis and handling of complaints and claims. Throughout 2019, the Committee also invited to take part in its meetings, when it deemed necessary, other members of the Bank's Executive Committee, namely the Chief Executive Officer, the Executive Director in charge of the Credit Area.

In addition, and based on the powers it has to summon any employee of the Bank to obtain information on the activity developed by the respective areas, the Committee held meetings with the Heads of the Specialized Monitoring, Tax Advisory, Accounting and Consolidation, Credit, Specialized Credit and Real Estate, Rating, Retail Credit Recovery, Specialized Recovery, Human Resources and Treasury, Markets and International Divisions.

In 2020 and during the time this report was being prepared, the Committee held meetings with the Heads of the Accounting and Consolidation and Tax Advisory Divisions to obtain some additional information regarding the accounts closing process.

The members of the Committee also participated in meetings of the Committee for Risk Assessment to analyse matters of common interest and in the meeting of the Executive

Committee for the appraisal of the Bank's annual financial statements, as set forth in article 3 (1) (e) of the Regulations of the Audit Committee.

For the effective undertaking of its functions, the Audit Committee requested and obtained all the information and clarifications which it deemed relevant for that purpose, which included the timely and appropriate monitoring of the compliance with the articles of association and with the applicable legal and regulatory provisions, meeting no constraints to its actions.

From the activities developed by the Audit Committee in the 2019 financial year, the following stand out:

A. Supervision of the preparation and disclosure of the financial information

The Committee examined the main accounting policies adopted, in particular those that could have an impact on the financial statements of the Bank and of its subsidiaries. Particular attention was given to the impact of the implementation of IFRS 16, in force since 1 January 2019, which proved to be a minor impact, as well as to the additional adjustments due to the entry into force, in 2018, of IFRS 9.

Throughout the year, the Committee regularly monitored the performance of the major credit exposures and impairments, at an individual and collective level, and the execution of the Plan for Reducing Non-Performing Exposures (NPE).

The stock and the accounting of deferred taxes (DTA), the new tax legislation (Law no 98/2019, of 4 September) and the studies to assess the recoverability of the DTA were also object of analysis and debate by the Committee. In this item, and as a result of the new tax legislation and of a negative interest rates policy, there was a strong decrease in the stock of DTA with a consequent impact on taxes on profits and, consequently, on the earnings of the financial year.

The valuation of the real estate properties classified as non-recurrent assets held for sale and through participation units in Real Estate Investment Funds wherein the Bank is the majority holder was one of the other matters followed by the Committee throughout the year.

The Committee also regularly reviewed the information relative to the Pension Fund of BCP Group and the actuarial assumptions used to determine the liabilities with retirement pensions, particularly the decrease in the discount rate.

The Committee also appraised, on a monthly basis, the financial statements, on an individual and consolidated basis, and the earnings and key financial indicators of the Group companies. It also periodically analysed the Bank's liquidity, cost-to-income and solvency ratios,

The Committee appraised the 2018 directors report and financial statements, and the Legal Certifications of the Accounts and Audit Reports prepared by Deloitte & Associados – SROC, S.A. (Deloitte), on the individual and consolidated financial statements, which were issued without reservations or emphases. In accordance with article 420 (5) of the Companies Code, the Committee confirmed that the Corporate Governance Report, included in the Bank's Annual

Report, with reference to 2018, contains the data mentioned in article 245-A of the Securities Code.

Following the analysis made on 22 April 2019, the Committee issued a favourable opinion on the approval by the Bank's General Meeting of Shareholders of the Management Report and the other financial reporting documents regarding the 2018 financial year and on the proposal on the appropriation of profits, and of the dividend stabilisation reserve, presented by the Board of Directors.

The Committee analysed the project for the merger by incorporation of Banco de Investimento Imobiliário, S.A. into Banco Comercial Português, S.A., regarding which it issued a favourable opinion on 12 September 2019, underling the absence of impact of the merger on the interests of the Bank's shareholders since it represents the incorporation of a company which was 100% held by BCP.

By the end of 2019, the Committee also appraised the Group Budget for 2020, examining the assumptions used, the earnings and activity indicators forecast, the risk factors, the market shares, the investments and the evolution of own funds as well as the sensitivity analysis prepared, which presented a set of adverse scenarios. As a result of the analysis made, the Audit Committee issued an opinion underlining the quite significant deviations between the Budget and the Strategic Plan, pointing out, however, that the Bank foresees complying with the medium- and long-term capital requirements, even in the most adverse scenarios.

B. Follow-up of international operations

Throughout the year, the Committee regularly monitored the performance of the international operations namely, due to its size and relevance for the Group, of Millennium Bank in Poland and of Millennium bim, in Mozambique. It also monitored the activities performed by Banco Millennium Atlântico (Angola), an entity which is 22.5% owned by BCP.

The Committee received monthly information on the performance of the subsidiary companies abroad, on the respective financial statements and main business indicators, giving a particular attention, concerning Poland, to the monitoring of the legislative instability regarding the proceedings related with loans in Swiss francs in Bank Millennium and the need of accounting for a provision, and also to the integration of Eurobank in this Bank and associated impacts. In Mozambique, the performance of the credit portfolio and the amount of impairments was also monitored. In Angola, the value of the stake in Banco Millennium Atlântico was regularly assessed and shows the effects of the performance of the Asset Quality Assessment, as well as the depreciation of Kwanza versus Euro that occurred in 2019.

Whenever justified, the Committee analysed, together with the Executive Directors, the main risks presented by each operation and country.

C. Supervision of the effectiveness of the internal control system including risk management, compliance and internal audit

The Committee monitored the works for the revision of the internal control system, which included an analysis and evaluation made by Deloitte within the scope of the audit works specifically contracted for this purpose since 2011 regarding some of the aspects of the internal control system which are not related with financial reporting. It also monitored the drafting of the Internal Control Reports, under the responsibility of the Board of Directors, with contributions from the Risk Office, Compliance Office and Audit Division, and issued the opinions addressed to the Board of Directors on those Reports, which were sent to the supervision authorities in June 2019, as set forth in Notice 5/2008 of Banco de Portugal.

The Committee also monitored the preparation of the Prevention of Money Laundering and Terrorism Financing Report required by Notice 2/2018 of Banco de Portugal, on which it also issued an opinion addressed to the Board of Directors and took cognizance of the conclusions of the supporting work developed by the Boston Consulting Group on the prevention of money laundering and terrorism financing (AML).

Throughout the year, the Committee appraised the implementation of the recommendations made in the Internal Control and the Prevention of Money Laundering and Terrorism Financing Reports.

Regarding the risk management system, the Committee appraised the activities developed by the Risk Office, namely those included in the monthly reports on impairments and on the evolution of the main risk indicators that contain information on credit, liquidity, market, operational, compliance and reputation risks, regarding all the countries where the Group operates. Therein, we point out the special follow-up of Non-Performing Exposures (NPE), Non-Performing Loans (NPL), Corporate Restructuring Funds (FRE), Pension Fund, Cost to core income, stock of legal proceedings of loans in Swiss francs, exposure to Mozambique and the value of the Bank's stake in Banco Millennium Atlântico.

The Committee analysed and approved the Activities Plan of the Audit Division for the 2019 financial year as well as the proposal to adjust the such Plan due to the additional audits to be made and of the changes occurred, in the meantime, in the staff of the Audit Division. It also approved the annual report of the activity developed by that Division during 2018 and the quarterly reports of 2019 and followed up on the status of the implementation of the recommendations issued due to the internal audit actions carried out, especially those resulting from deficiencies classified as of high or medium risk. On this regard, the Committee noticed a decrease in the stock of recommendations, particularly the ones with low risk, and stresses, however, that the Bank needs to continue with this process, giving a special attention to older recommendations and those in delay.

The Head of the Audit Division informed the Committee, every month, on the prudential inspection actions carried out by the supervisory entities and on the status of implementation of the recommendations resulting from those inspections.

At the beginning of 2019 the Committee issued a favourable opinion on the hiring of a new Compliance Officer, Mr. Pedro Dias, after analysing the technical and professional suitability of the candidate, taking into consideration his curriculum vitae. The new Compliance Officer initiated functions on 1 March 2019.

The Committee debated the migration of operational risk management from Risk Office to Compliance Office.

The Committee analysed and approved the Activities Plan for 2019 of the Compliance Office as well as the annual report on the activity developed by that area in 2018 and the 2019 quarterly reports. The Compliance Officer provided monthly information to the Committee on the behavioural inspection actions carried out by the supervisory entities and on the status of implementation of the recommendations resulting from those inspections.

Within the scope of the gifts policy, the Committee followed-up and decided on the communication of gifts received by the Bank’s employees, as well as by the members of the governing bodies. Moreover, the Committee intervened in the process of reviewing and approval of article 14 – Gifts of the Croup Code GR0021 – Code of Conduct.

Throughout the year, the Committee received regular information on the correspondence exchanged between the Bank and supervisory authorities and asked the Executive Committee and the Bank's various areas for additional clarifications and information on the issues handled in that correspondence, whenever deemed necessary.

The Committee was also informed on the main legislative and regulatory alterations, updated its Regulations and issued an opinion on the group codes regarding which its opinion was requested or is regulatorily required.

D. Complaints and claims

The Committee was regularly informed on the handling of complaints and claims from customers by the Client Ombudsman's Office and by the Quality and Network Support Division. In order to ensure a closer monitoring of the handling of claims and complaints, the correspondent provision of information to the Committee began to be made through summary monthly reports and detailed quarterly reports submitted by the coordinating-manager responsible for the area.

The Committee also monitored the claims addressed to it by the whistleblowing channel “Comunicar Irregularidades” and gave the proper follow-up to each situation reported. The detailed information on the claims received through this channel and respective processing is presented in a separate report, in accordance with article 116-AA (7) of the Legal Framework for Credit Institutions and Financial Companies.

E. Supervision and monitoring of the activities of the Statutory Auditor and of the External Auditor

In 2019, the Audit Committee analysed the conclusions of the audit to the financial statements, on an individual and consolidated basis, made by Deloitte, the Bank's Statutory Auditor and External Auditor, and the corresponding legal certifications of accounts and audit reports, as well as the conclusions of the Desktop Review of the financial statements of the 1st and 3rd quarters of 2019 and the Limited Review of the half-year interim financial statement.

In what regards other reports made by Deloitte, the Committee analysed: (i) the opinion from the Statutory Auditor on the adequacy and efficiency of the internal control system underlying the process of preparation and disclosure of financial information; (ii) the reports from the External Auditor on impairment of the credit portfolio as of December 2018 and June 2019; and (iii) the report from the External Auditor on the safeguard of the customers' assets.

Following the process initiated in the previous year and the acceptance by Deloitte of the conditions imposed by the Committee regarding the proposal for the provision of services, the Committee presented to the General Meeting of Shareholders of the Bank a recommendation for the re-appointment of Deloitte as Statutory Auditor and External Auditor of the Bank for an additional mandate, for the minimum period of time set forth by the articles of association of the company at the moment of the election. This proposal was approved by the shareholders.

Pursuant to the re-appointment of Deloitte, the Committee made and approved a "Policy for the Selection and Evaluation of the External Auditors" in order to formalize procedures in future processes with a similar nature, which adopted the form of a service order (OS0209, which was approved by the Board of Directors on 23 April 2019).

The Committee supervised Deloitte's independence in the exercise of their functions as Statutory Auditor and External Auditor by means of an ongoing evaluation of the respective performance. From the evaluation made regarding its performance as Statutory Auditor and External Auditor throughout the 2018 financial year, resulted, as positive, an adequate evaluation regarding its independence, objectivity and professional scepticism, and as points to improve, the compliance with the terms set by the regulator and by the Bank, as well as the resources allocated to the performance of their activities. The Committee made a summary report on the evaluation made and this report was debated with Deloitte.

The Committee appraised the proposals for contracting additional services to be provided by the External Auditor, within the scope of the "Policy for the Approval of Audit Services provided by External Auditors".

F. Issue of opinions on credit operations and other contracts established with members of corporate bodies and holders of stakes above 2% in the Bank's share capital and on other specific situations

Throughout the financial year, the Committee issued its opinion on sixteen credit operation proposals (including revisions of lines and limits) and two proposals for the contracting of goods and services, which were submitted, for approval, to the Board of Directors, regarding shareholders holding stakes above 2% in the Bank's share capital, members of its administration and supervisory bodies and entities related with them.

The Committee monitored the performance of the Bank's exposure to holders of qualified stakes and entities that are in a control or group relation with them, ensuring the compliance with the prudential limits defined in article 109 of the Legal Framework for Credit Institutions and Financial Companies.

Within the scope of its responsibilities and competences, as defined in article 3 (1) (n) of the Committee's Regulation, "*Provide an opinion on the suspension of directors and on the appointment of substitute directors in accordance with the law and the Bank's articles of association*", the Committee analysed the request received on 22 November 2019 from the director Mr. Elias da Costa, to temporarily suspend his functions as a non-executive director, for acceptable reason, until 15 January 2020, when the Committee and reassessed the situation and the request.

III – Acknowledgements

The Committee wishes to express its gratitude to the Corporate Bodies and Services of the Bank it contacted and with which it collaborated throughout 2019, especially to Mr. Ricardo Valadares and Mr. Mário Neves, for all the collaboration provided and commitment shown in the performance of their duties in the Support Office of the Board of Directors.

Porto Salvo, 26 March 2020

Cidália Mota Lopes

Valter de Barros

Wan Sin Long

Fernando da Costa Lima

OPINION OF THE AUDIT COMMITTEE

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OPINION OF THE AUDIT COMMITEE ON THE 2019 DIRECTORS REPORT AND FINANCIAL STATEMENTS

1. Under the terms of the Law and of the Articles of Association, the Audit Committee appraised the directors report and the financial statements of Banco Comercial Português, S.A. (Bank), regarding the 2019 financial year, prepared by the Executive Committee and the and Legal Certifications of Accounts and Audit Reports, as well as the Additional Report to the Supervisory Body, made by the Bank's External Auditor and Statutory Auditor, Deloitte & Associados - SROC, S.A. (Deloitte), on the individual and consolidated statements of the Bank, issued without reservations, and with an emphasis regarding the potential impact of the COVID 19 pandemic.

2. This opinion is issued in accordance with and for the purposes of the provisions of article 423-F (1) (g) of the Companies Code and must be read together with the "Annual Report of the Audit Committee" made in accordance with the same legal requirement.

3. In order to prepare the opinion given herein, the Audit Committee met with the Executive Committee, with the Chief Financial Officer, with those in charge of the competent divisions of the Bank, particularly the Accounting and Consolidation Division, the Tax Advisory Division, the Audit Division, the Risk Office, the Compliance Office, the Research, Planning and ALM Division, as well as with the Company's Secretary and with Deloitte, requesting all the information and clarifications relevant to its functions, which included the timely and appropriate monitoring of the compliance with the articles of association and with the applicable legal provisos.

4. The undersigners declare to the best of their knowledge that the financial information analysed was drawn up in compliance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, of the financial situation and of the earnings of the Bank and of the companies consolidated by it, and that the annual report truthfully shows the evolution of the business, the performance and position of the Bank and of the companies consolidated by it, containing a description of the main risks and uncertainties faced by them.

5. The Legal Certifications of Accounts and Audit Reports made according to the formats resulting from the EU Regulation nr. 537/2014, dated 16 April and from Law 140/2015, dated 7 September, include the denominated "Audit Relevant Matters" which, concerning the Bank, Deloitte identifies as being:
    a. Loan impairment;
    b. Recoverability of Deferred tax Assets;
    c. Responsibilities with Retirement Pensions
    d. Valuation of Assets classified as non-current assets held for sale;
    e. Resolution Fund;
    f. Legal Contingencies of the loans indexed to Swiss francs.

   Apart from the relevant matter identified above, Deloitte followed up other matters that require attention for the risk they involve, namely the performance shown by the Corporate Restructuring Funds (FRE), the proceedings filed by the Competition Authority, the purchase and merger of Eurobank into Bank Millennium, the exposure to Mozambique, the stake in Millennium Atlântico and the impact due to the adoption of the IFRS 16, matters which were, throughout the year, monitored by the Audit Committee upon information provided by the Executive Committee, by the Bank's relevant Divisions and by Deloitte.

6. Considering the result of the work carried out, the Audit Committee concurs with the contents of the Legal Certifications of Accounts and Audit Reports made by Deloitte and issues a favourable opinion on the Bank's Annual Report, which includes the financial statements, on an individual and consolidated basis, of the financial year ended on 31 December 2019, approved on 26 March 2020 by the Board of Directors, of which the members of the Audit Committee are part.

7. Pursuant to what is stated above, it is our opinion that the General Meeting of Shareholders of Banco Comercial Português S.A. should approve:
    a) The directors report and other documents pertaining to the individual and consolidated financial statements for the financial year ended on 31 December 2019;

b) The proposal made by the Board of Directors for the appropriation of the net profit computed in the 2019 individual balance sheet, amounting to € 139,296,016.59, euros, as follows:

   i) For the reinforcement of legal reserve, € 13,929,601.66;

   ii) For an extraordinary distribution to employees and, in compliance with the mentioned in paragraphs C to G of the recitals of the Board of Director's proposal, up to € 1,000.00 to each employee who hasn't already been fully compensated with the earnings distributed in 2019 if he/she remains in his/her position on the date the remuneration corresponding to June 2020 is paid, up to a maximum total amount of € 5,281,000.00;

   iii) The remaining, in the minimum amount of € 120,085,414.93, to Retained Earnings.

Porto Salvo, 26 March 2020

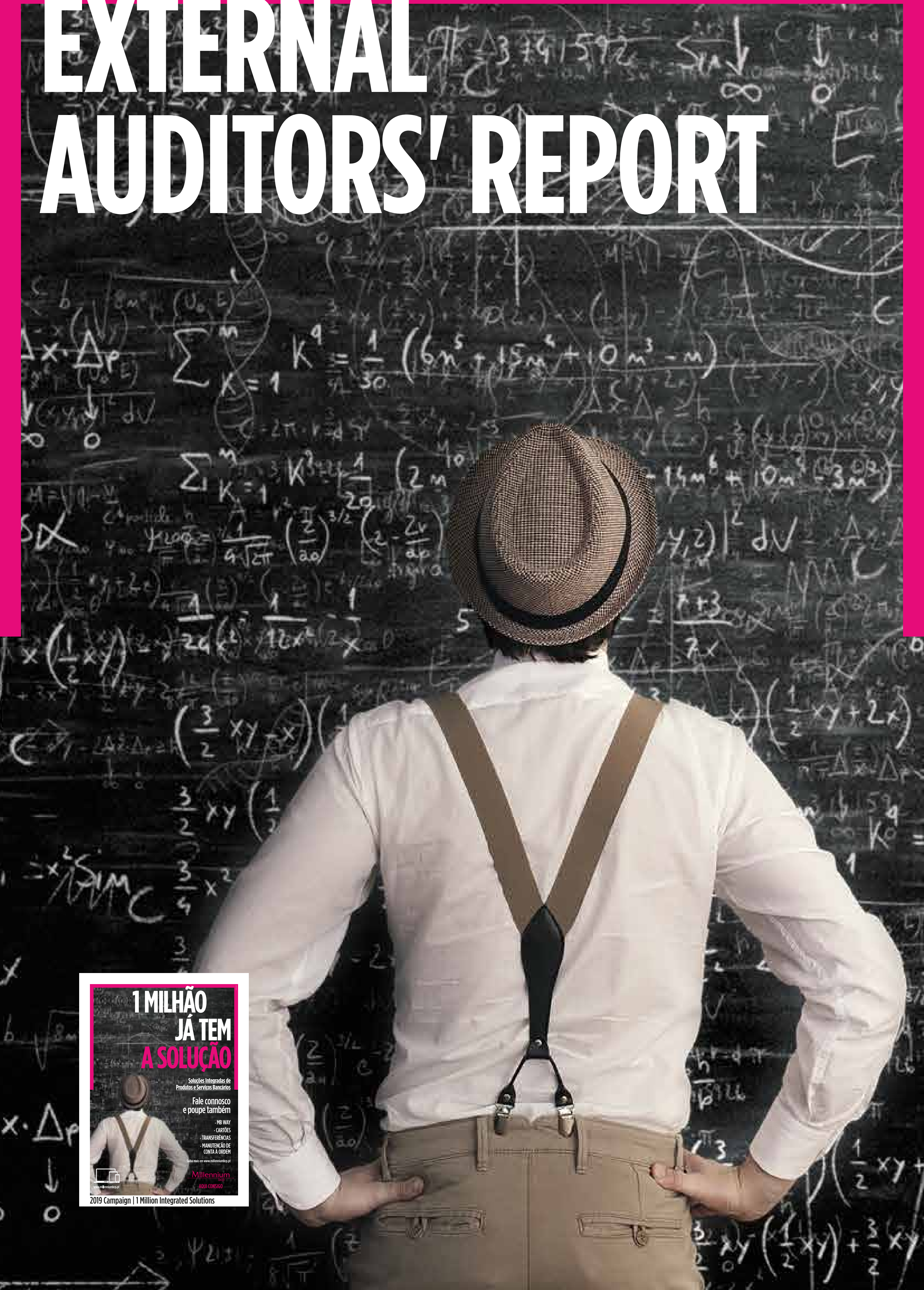
Cidália Mota Lopes

Valter de Barros

Wan Sin Long

Fernando da Costa Lima

EXTERNAL AUDITORS' REPORT



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STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Comercial Português, S.A. ("Bank") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2019 (that presents a total of 81,643,408 t.euros and total consolidated equity of 7,381,254 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 302,003 t.euros), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco Comercial Português, S.A. and its subsidiaries as at 31 December 2019 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

In March 2020, the World Health Organization declared the spread of the disease caused by the new coronavirus ("Covid-19") as a pandemic, which has a negative impact on the outlook for the world and European economy. As described in Note 62 of the notes to the financial statements, depending on the depth and temporal extent of the disruptive impacts of this pandemic, the Group's activity and profitability, including the valuation of its assets, will be affected to a greater or lesser extent.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.C, 1.Z6, 10, 13, 21, 38, 54 – Credit Risk and 58)	
The accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded in the balance sheet of the Group as at 31 December 2019 amount to 2,417,022 t.euros and 116,560 t.euros, respectively. Impairment losses for credit risk represent the best estimate of the Management of the Bank and its subsidiaries of the expected losses on its credit portfolio at the reference date of the financial statements, considering the requirements of IFRS 9 - "Financial instruments". These impairment losses are determined through individual analysis for clients with high exposure and risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the financial statements. The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and in estimating the present value of the amount that the Group expects to recover from the loan, that incorporates also assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future hold of the loans. Impairment losses for credit risk determined under collective analysis are based on a model with a certain degree of complexity, as it incorporates in the calculation of the impairment several variables, namely characteristics of operations, classification of loans to customers in stages, including the evaluation of the existence of significant increase in credit risk since the initial recognition, the value of collaterals, and risk parameters, such as the probability of default and loss given default.	• Analysis of the relevant control activities implemented by the Group in the process of identification and determination of impairment losses for the loans' portfolio. • Selection of a sample of clients subject to individual impairment analysis by the Bank and its subsidiaries, which included exposures that presented higher risk characteristics as well as randomly selected exposures. • For the selected sample, analysis of the reasonableness of the estimated impairment losses for credit risk recorded in the financial statements based on the review of the judgments of the Bank and its subsidiaries about the information available regarding the economic and financial situation of the clients, valuation of the collaterals and prospects about the evolution of their activity and also the intentions of Management regarding management and future hold of those loans. • Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Group; (ii) analysis on a sample basis of the calculation of risk parameters and collective impairment; and (iii) validation on a sample basis of the inputs used to determine the main risk parameters and of the value of collaterals considered in the determination of impairment losses for credit risk. • Review of the disclosures included in the consolidated financial statements related to these matters, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.C, 1.Z6, 10, 13, 21, 38, 54 – Credit Risk and 58)	
Different methodologies or assumptions used in the impairment analysis and different recovery strategies affect the estimate of the recovery cash flows and their expected timing, and may have a material impact on the determination of impairment.	
Recoverability of deferred tax assets (Notes 1.T, 1.Z3 and 30)	
As at 31 December 2019 the balance of deferred tax assets amounts to 2.720,648 t.euros, of which 2,584,903 t.euros is related to the non-consolidated activity of the Bank. Deferred tax assets related to the non-consolidated activity include a net value of 764,850 t.euros that are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred taxes assets, approved by Law no. 61/2014, of 26 August), including: • 657,233 t.euros related to impairment losses; and • 109,964 t.euros resulting from tax losses carried forward originated in 2016. According to Law No. 2/2014 of 16 January, the use of tax losses in future periods of taxation cannot exceed 70% of the taxable income in each of those periods, and the tax losses originated in 2016 have a 12-year reporting period (i.e. up to 2028). In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. The Bank prepared an estimate of its taxable income for the period between 2020 and 2028 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax profits and on its interpretation of the tax legislation. To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results. Eventual deviations from estimated future results or changes in the assumptions used in its determination, as well as changes on tax legislation or in its interpretation, may have a material impact on deferred tax assets.	• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets. • Understanding and analysis of the main assumptions considered by the Bank to estimate the evolution of pre-tax profits of its non-consolidated activity in the period between 2020 and 2028. • Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits. • Review of the calculations made by the Bank to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. • Review of the disclosures included in the consolidated financial statements for these matters, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Liabilities with retirement pensions - Main actuarial assumptions (Notes 1.S, 1.Z5 and 50)</td></tr>
<tr><td>The Group has assumed the responsibility of paying to its employees and pensioners retirement pensions and other associated benefits under the terms defined in collective labour agreements. As at 31 December 2019, the liabilities of the Group for past services with retirement pensions and other associated benefits amount to 3,490,341 t.euros.

The Group's liabilities associated with the defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rates of wages and pensions and the mortality tables.

Eventual changes in actuarial assumptions may have a material impact on past service pension liabilities.</td><td>• Analysis of the relevant control activities implemented by the Group in determining the main actuarial assumptions used in the calculation of liabilities for past services related to pensions.

• Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2019 sent to ASF.

• Reading of the actuarial study with reference to 31 December 2019 and discussion with the responsible actuary on the main actuarial assumptions used.

• Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into consideration: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management.

• Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Valuation of properties classified as non-current assets held for sale (Notes 1.G, 1.Z4, 26 and 54 – Credit Risk)	
As at 31 December 2019 the net book value of properties classified as non-current assets held for sale amount to 1,221,569 t.euros, which are recorded at the lowest between book value and fair value less costs to sell, in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. The valuation of these assets, and consequently the impairment losses, recorded in the Group's accounts as at 31 December 2019 is supported by appraisals carried out by independent appraisers, which incorporate several assumptions namely about the evolution of the real estate market, property best use, and expectations regarding the development of real estate projects when applicable, and also considers the intentions of Management regarding the commercialization of these assets. The assumptions used in the appraisals of these properties have an impact on its valuation and therefore on the determination of impairment losses.	• Analysis of the relevant control activities implemented by the Group in the process of valuing properties classified as non-current assets held for sale. • Verification, on a sample basis, of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence. • Analysis of the reasonableness of the valuation recorded in the consolidated accounts for a selected sample of properties, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, interactions held with the external appraisers, as applicable, and understanding of the strategy defined by the Group for those assets. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Resolution Fund (Note 56)	
As described in more detail in Note 56, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), as at 31 December 2019 the Resolution Fund held 25% of the share capital of Novo Banco, S.A. (Novo Banco), without the corresponding voting rights, and the entire share capital of Oitante, S.A. In the context of the application of the referred measures, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate, in which the Bank participates, and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with these processes and with the contingent capitalization mechanism defined in the context of the sale in 2017 of 75% of the share capital of Novo Banco to Lone Star. To reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and from the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. According to the latest available Annual Report of the Resolution Fund, the own resources of the Resolution Fund as at 31 December 2018 were negative. The Bank records the cost with the periodic contributions and with the contribution over the banking sector on an annual basis, as provided in IFRIC 21 - Levies.	• Analysis of the public announcements released by the Resolution Fund from 2016 up to the date of our report. • Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on 2 October 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to make available to the Resolution Fund the financial resources, if and when necessary, for the fulfilment of contractual obligations related to the sale of the 75% of the share capital of Novo Banco to Lone Star. • Analysis of the framework agreement established between the Portuguese State and the Resolution Fund. • Reading of the latest available Annual Report of the Resolution Fund, which refers to the year of 2018. • Review of the accounting framework of the contributions to the Resolution Fund. • Review of the disclosures included in the consolidated financial statements related to this matter.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Resolution Fund (Note 56)	
The consolidated financial statements as at 31 December 2019 reflect the Management's expectation that no special contributions or any other extraordinary contributions will be required to the Bank, as a participant in the Resolution Fund, to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of those measures, taken into consideration: • the conditions established in the renegotiation in March 2017 of the loans obtained by the Resolution Fund to finance the resolution measures, including the extension of the maturity date up to 31 December 2046 and the possibility of adjusting that term, with the objective to ensure that the Resolution Fund is able to fully meet its obligations on the basis of regular revenues and without the need for resort to special contributions or any other extraordinary contributions from the banking sector; and • the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which refer to the purpose of ensuring that such contributions will not be necessary.	

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Legal contingencies related to loans granted by Bank Millennium, S.A. indexed to the Swiss Franc (Notes 1.V and 56)</td></tr>
<tr><td>Bank Millennium, S.A. (“Bank Millennium”), in which the Group has an effective stake of 50.1%, has granted in the past mortgage loans indexed to the Swiss Franc (“CHF loans”). As at 31 December 2019, the loans portfolio in CHF has a net value of approximately 3,473,000 t.euros.

As mentioned in more detail in Note 56, are pending in the courts several individual and collective lawsuits against Bank Millennium in which the customers contest namely the abusive nature of the indexation clauses of CHF loans.

On 3 October 2019, the Court of Justice of the European Union (“CJEU”) issued a Judgment on case No. C-260/18 related to a loan indexed to the Swiss Franc involving another Polish financial institution, which increased the legal risk associated with this loans portfolio.

Under the terms of IAS 37 - Provisions, contingent liabilities and contingent assets, Bank Millennium estimated a provision for the aforementioned legal risk of the CHF loans portfolio, which amounts to approximately 52,000 t.euros as at 31 December 2019.

The determination of the estimate of the provision for the legal risk of this loans portfolio requires a strong judgmental component from Management, namely in what refers to the assumptions about the number of lawsuits that will be brought against Bank Millennium, the probabilities associated with different court decisions, and the amount of the potential loss in the event of an unfavorable decision. The assumptions used by Bank Millennium are based essentially on historical observations, and will have to be updated in subsequent periods, and this update may have a relevant impact on the estimate of the provision.

The evolution of the liabilities for legal contingencies related to mortgage loans indexed to the Swiss Franc, and the amount of effective losses to Bank Millennium, depend namely on the number of ongoing and potential lawsuits and the final decisions of the courts on each lawsuit.</td><td>Discussion with the Management of Bank Millennium about the legal proceedings related to mortgage loans indexed to the Swiss Franc in which Bank Millennium is involved.
Analysis of correspondence, reports and recommendations received by Bank Millennium from the Polish regulatory authorities regarding CHF loans, and of Bank Millennium's internal documentation on this matter.
Understanding of the methodology, and the process underlying its definition, used by Bank Millennium to estimate the provision for legal contingencies related to mortgage loans indexed to the Swiss Franc.
Analysis of the reasonableness of the main assumptions made by Management and the adequacy of the main inputs used in calculating the provision for legal contingencies of CHF loans, considering the available legal documentation.
Review of the calculation of Bank Millennium's provision for legal contingencies related to CHF loans, taking into account the methodology used and assumptions assumed.
Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Responsibilities of Management and Supervisory Body for the consolidated financial statements

The Management of the Bank is responsible for:

- the preparation of consolidated financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Group in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;

- the preparation of the Management report and of the corporate governance report, under the applicable legal and regulatory terms;

- the implementation and maintenance of an appropriate internal control system to allow the preparation of consolidated financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body of the Bank is responsible for overseeing the Group's financial closing and reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether those consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;

- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;

- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the consolidated financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), as well as the verification that a non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material aspects, the Management report was prepared in accordance with the current applicable law and regulations, the financial information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge of the Group, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion does not apply to the non-financial statement included in the Management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Group under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

About the non-financial statement provided for in article 508-G of the Portuguese Commercial Code

In compliance with article 451, number 6, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Group included in the Management report the non-financial statement provided for in article 508-G of the Portuguese Commercial Code.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. (parent-company of the Group) for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018. In the Shareholders' General Meeting that took place on 22 May 2019, we have been appointed for a second mandate covering the period between 2019 and 2020.

- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the consolidated financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Supervisory Body of the Bank on this same date.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Group during the execution of the audit.

Lisbon, 26 March 2020

Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Comercial Português, S.A. ("Bank") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2019 (that presents a total of 81,643,408 t.euros and total consolidated equity of 7,381,254 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 302,003 t.euros), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco Comercial Português, S.A. and its subsidiaries as at 31 December 2019 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

In March 2020, the World Health Organization declared the spread of the disease caused by the new coronavirus ("Covid-19") as a pandemic, which has a negative impact on the outlook for the world and European economy. As described in Note 62 of the notes to the financial statements, depending on the depth and temporal extent of the disruptive impacts of this pandemic, the Group's activity and profitability, including the valuation of its assets, will be affected to a greater or lesser extent.

Our opinion is not modified in respect of this matter.

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Comercial Português, S.A. ("Bank") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2019 (that presents a total of 81,643,408 t.euros and total consolidated equity of 7,381,254 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 302,003 t.euros), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco Comercial Português, S.A. and its subsidiaries as at 31 December 2019 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

In March 2020, the World Health Organization declared the spread of the disease caused by the new coronavirus ("Covid-19") as a pandemic, which has a negative impact on the outlook for the world and European economy. As described in Note 62 of the notes to the financial statements, depending on the depth and temporal extent of the disruptive impacts of this pandemic, the Group's activity and profitability, including the valuation of its assets, will be affected to a greater or lesser extent.

Our opinion is not modified in respect of this matter.

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Banco Comercial Português, S.A. ("Bank"), which comprise the separate balance sheet as at 31 December 2019 (that presents a total of 57,946,804 t.euros and total equity of 5,892,440 t.euros, including a net profit of 139,296 t.euros), the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the separate financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying separate financial statements present true and fairly, in all material respects, the non-consolidated financial position of Banco Comercial Português, S.A. as at 31 December 2019 and its non-consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the separate financial statements" section. We are independent from the Bank in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

In March 2020, the World Health Organization declared the spread of the disease caused by the new coronavirus ("Covid-19") as a pandemic, which has a negative impact on the outlook for the world and European economy. As described in Note 55 of the notes to the financial statements, depending on the depth and temporal extent of the disruptive impacts of this pandemic, the Bank's activity and profitability, including the valuation of its assets, will be affected to a greater or lesser extent.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. Those matters were addressed in the context of the audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.B1, 1.Y4, 10, 13, 19, 35, 48 – Credit Risk and 51)	
The accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded in the balance sheet of the Bank as at 31 December 2019 amount to 1,861,894 t.euros and 102,068 t.euros, respectively. Impairment losses for credit risk represent the best estimate of the Management of the Bank of the expected losses on its credit portfolio at the reference date of the financial statements, considering the requirements of IFRS 9 - "Financial instruments". These impairment losses are determined through individual analysis for clients with high exposure and risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the financial statements. The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and in estimating the present value of the amount that the Bank expects to recover from the loan, that incorporates also assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future hold of the loans.	• Analysis of the relevant control activities implemented by the Bank in the process of identification and determination of impairment losses for the loans' portfolio. • Selection of a sample of clients subject to individual impairment analysis by the Bank, which included exposures that presented higher risk characteristics as well as randomly selected exposures. • For the selected sample, analysis of the reasonableness of the estimated impairment losses for credit risk recorded in the financial statements based on the review of the judgments of the Bank about the information available regarding the economic and financial situation of the clients, valuation of the collaterals and prospects about the evolution of their activity and also the intentions of Management regarding management and future hold of those loans. • Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Bank; (ii) analysis on a sample basis of the calculation of risk parameters and collective impairment; and (iii) validation on a sample basis of the inputs used to determine the main risk parameters and of the value of collaterals considered in the determination of impairment losses for credit risk.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.B1, 1.Y4, 10, 13, 19, 35, 48 – Credit Risk and 51)	
Impairment losses for credit risk determined under collective analysis are based on a model with a certain degree of complexity, as it incorporates in the calculation of the impairment several variables, namely characteristics of operations, classification of loans to customers in stages, including the evaluation of the existence of significant increase in credit risk since the initial recognition, the value of collaterals, and risk parameters, such as the probability of default and loss given default. Different methodologies or assumptions used in the impairment analysis and different recovery strategies affect the estimate of the recovery cash flows and their expected timing, and may have a material impact on the determination of impairment.	• Review of the disclosures included in the separate financial statements related to these matters, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Recoverability of deferred tax assets (Notes 1.T, 1.Y1 and 27)</td></tr>
<tr><td>As at 31 December 2019 the balance of deferred tax assets amounts to 2,584,903 t.euros, of which a net value of 764,850 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred taxes assets, approved by Law no. 61/2014, of 26 August), including:
• 657,233 t.euros related to impairment losses; and
• 109,964 t.euros resulting from tax losses carried forward originated in 2016. According to Law No. 2/2014 of 16 January, the use of tax losses in future periods of taxation cannot exceed 70% of the taxable income in each of those periods, and the tax losses originated in 2016 have a 12-year reporting period (i.e. up to 2028).
In accordance with IAS 12 - Income taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal.
The Bank prepared an estimate of its taxable income for the period between 2020 and 2028 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax profits and on its interpretation of the tax legislation.
To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results.
Eventual deviations from estimated future results or changes in the assumptions used in its determination, as well as changes on tax legislation or in its interpretation, may have a material impact on deferred tax assets.</td><td>• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets.
• Understanding and analysis of the main assumptions considered by the Bank to estimate the evolution of pre-tax profits of its non-consolidated activity in the period between 2020 and 2028.
• Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits.
• Review of the calculations made by the Bank to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above.
• Review of the disclosures included in the separate financial statements for these matters, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Liabilities with retirement pensions - Main actuarial assumptions (Notes 1.S, 1.Y3 and 45)	
The Bank has assumed the responsibility of paying to its employees and pensioners retirement pensions and other associated benefits under the terms defined in collective labour agreements. As at 31 December 2019, the liabilities of the Bank for past services with retirement pensions and other associated benefits amount to 3,464,951 t.euros. The Bank's liabilities associated with the defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rates of wages and pensions and the mortality tables. Eventual changes in actuarial assumptions may have a material impact on past service pension liabilities.	• Analysis of the relevant control activities implemented by the Bank in determining the main actuarial assumptions used in the calculation of liabilities with past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2019 sent to ASF. • Reading of the actuarial study with reference to 31 December 2019 and discussion with the responsible actuary on the main actuarial assumptions used. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into consideration: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review of the disclosures included in the separate financial statements for this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Valuation of properties classified as non-current assets held for sale and properties held by real estate investment funds in which the Bank owns the majority of the participating units (Notes 1.B1.1.2, 1.B1.1.3, 1.G, 1.Y2, 1.Y4.2, 5, 21, 24 and 48 – Credit Risk)	
As at 31 December 2019 the caption Non-current assets held for sale include 836,278 t.euros of properties held directly by the Bank and 65,315 t.euros of investments in real estate companies which main assets are properties. In addition, the captions Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets at fair value through other comprehensive income include 404,230 t.euros and 42,424 t.euros, respectively, of participating units in real estate investment funds in which the Bank owns the majority of the units. These assets are recorded in accordance with applicable accounting standards (IFRS 5 for non-current assets held for sale and IFRS 9 for financial assets not held for trading mandatorily at fair value through profit or loss and financial assets at fair value through other comprehensive income). The valuation of these assets, and consequently the impairment losses, recorded in the Bank's accounts as at 31 December 2019 is supported by appraisals carried out by independent appraisers, which incorporate several assumptions namely about the evolution of the real estate market, property best use, and expectations regarding the development of real estate projects when applicable, and also considers the intentions of Management regarding the commercialization of these assets.	• Analysis of the relevant control activities implemented by the Bank in the process of valuing properties classified as non-current assets held for sale and properties held by real estate investment funds in which the Bank owns the majority of the participating units. • Verification, on a sample basis, of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence. • Analysis of the reasonableness of the valuation recorded in the separate accounts for a selected sample of properties, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, meetings held with the external appraisers, as applicable, and understanding of the strategy defined by the Bank for those assets. • Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Valuation of properties classified as non-current assets held for sale and properties held by real estate investment funds in which the Bank owns the majority of the participating units (Notes 1.B1.1.2, 1.B1.1.3, 1.G, 1.Y2, 1.Y4.2, 5, 21, 24 and 48 – Credit Risk)</td></tr>
<tr><td>In addition, the valuation of the participating units in the real estate investment funds was based on the most up-to-date information that Management has available regarding the corresponding Net Asset Value, which depends on the funds’ properties appraisals carried out by independent external appraisers.

The assumptions used in the appraisals of these properties have an impact on its valuation and therefore on the determination of impairment losses for non-current assets held for sale and in the fair value of the participating units in real estate investment funds.</td><td></td></tr>
<tr><td colspan="2">Resolution Fund (Note 49)</td></tr>
<tr><td>As described in more detail in Note 49, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), as at 31 December 2019 the Resolution Fund held 25% of the share capital of Novo Banco, S.A. (Novo Banco), without the corresponding voting rights, and the entire share capital of Oitante, S.A..

In the context of the application of the referred measures, the Resolution Fund contracted loans with the Portuguese State and with a banking syndicate, in which the Bank participates, and assumed contingent liabilities and other responsibilities, including those related to the litigation associated with these processes and with the contingent capitalization mechanism defined in the context of the sale in 2017 of 75% of the share capital of Novo Banco to Lone Star.</td><td>• Analysis of the public announcements released by the Resolution Fund from 2016 up to the date of our report.

• Analysis of the public announcement and the content of the resolution approved by the Portuguese Council of Ministers on 2 October 2017, which authorized the Portuguese State, as the ultimate guarantor of financial stability, to establish a framework agreement with the Resolution Fund in order to make available to the Resolution Fund the financial resources, if and when necessary, for the fulfilment of contractual obligations related to the sale of the 75% of the share capital of Novo Banco to Lone Star.

• Analysis of the framework agreement established between the Portuguese State and the Resolution Fund.

• Reading of the latest available Annual Report of the Resolution Fund, which refers to the year of 2018.

• Review of the accounting framework of the contributions to the Resolution Fund.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Resolution Fund (Note 49)	
To reimburse the loans contracted and to meet other responsibilities already assumed or that may still be assumed, the Resolution Fund has essentially the revenues from the periodic contributions of the participating institutions (including the Bank) and from the contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. According to the latest available Annual Report of the Resolution Fund, the own resources of the Resolution Fund as at 31 December 2018 were negative. The Bank records the cost with the periodic contributions and with the contribution over the banking sector on an annual basis, as provided in IFRIC 21 - Levies. The financial statements as at 31 December 2019 reflect the Management's expectation that no special contributions or any other extraordinary contributions will be required to the Bank, as a participant in the Resolution Fund, to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of those measures, taking into consideration: • the conditions established in the renegotiation in March 2017 of the loans that the Resolution Fund obtained to finance the resolution measures, including the extension of the maturity date to 31 December 2046 and the possibility of adjusting that term, with the objective to ensure that the Resolution Fund is able to fully meet its obligations on the basis of regular revenues and without the need for resort to special contributions or any other extraordinary contributions from the banking sector; and • the public announcements made by the Resolution Fund and the Office of the Portuguese Minister of Finance, which refer to the purpose of ensuring that such contributions will not be necessary.	• Review of the disclosures included in the separate financial statements related to this matter.

Other matters

The accompanying separate financial statements refer to the activity of Banco Comercial Português, S.A. at the non-consolidated level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 1.Y5, financial investments in subsidiaries and associated entities are recorded at acquisition cost less impairment losses. The accompanying separate financial statements do not include the effect of full consolidation, nor the application of the equity method, which will be done in consolidated financial statements to be approved and published separately. Additional information on subsidiary and associated entities is given in Notes 23 and 54.

Responsibilities of Management and Supervisory Body for the separate financial statements

The Management is responsible for:

- the preparation of separate financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Bank in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;

- the preparation of the management report and of the corporate governance report, under the applicable legal and regulatory terms;

- the implementation and maintenance of an appropriate internal control system to allow the preparation of separate financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Bank's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Bank's financial closing and reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether those separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;
- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;
- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the separate financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), as well as verification that the non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material aspects, the Management report was prepared in accordance with the current applicable law and regulations, and the financial information included therein is in agreement with the audited separate financial statements, and considering our knowledge of the Bank, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion is not applicable to the non-financial statement included in the management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Bank under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

About the non-financial statement provided for in article 66-B of the Portuguese Commercial Code

In compliance with article 451, number 6 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Bank included in the Management report the non-financial statement provided for in article 66-B of the Portuguese Commercial Code.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018. In the Shareholders' General Meeting that took place on 22 May 2019, we have been appointed for a second mandate covering the period between 2019 and 2020.
- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the separate financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the separate financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Supervisory Body of the Bank on this same date.
- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Bank during the execution of the audit.

Lisbon, 26 March 2020

Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Banco Comercial Português, S.A. ("Bank"), which comprise the separate balance sheet as at 31 December 2019 (that presents a total of 57,946,804 t.euros and total equity of 5,892,440 t.euros, including a net profit of 139,296 t.euros), the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the separate financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying separate financial statements present true and fairly, in all material respects, the non-consolidated financial position of Banco Comercial Português, S.A. as at 31 December 2019 and its non-consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the separate financial statements" section. We are independent from the Bank in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

In March 2020, the World Health Organization declared the spread of the disease caused by the new coronavirus ("Covid-19") as a pandemic, which has a negative impact on the outlook for the world and European economy. As described in Note 55 of the notes to the financial statements, depending on the depth and temporal extent of the disruptive impacts of this pandemic, the Bank's activity and profitability, including the valuation of its assets, will be affected to a greater or lesser extent.

Our opinion is not modified in respect of this matter.

Independent Limited Assurance Report

(Free translation from the original in Portuguese)

To the Board of Directors

Introduction

We were engaged by the Board of Directors of Banco Comercial Português, S.A. ("Millennium bcp" or "Company") to perform a limited assurance engagement on the sustainability information identified below in the section "Responsibility of the auditor", included in the Annual Report 2019, in particular in the Chapter "Non-financial information", for the year ended in December 31, 2019, prepared by the Company for the purpose of communicating its annual sustainability performance.

Responsibilities of the Board of Directors

It is the responsibility of the Board of Directors to prepare the sustainability information identified below in the section "Responsibility of the auditor", included in the Annual Report 2019, in accordance with the sustainability reporting guidelines "Global Reporting Initiative" ("GRI"), GRI Standards version, and with the instructions and criteria disclosed in the Annual Report 2019, as well as for the maintenance of an appropriate internal control system that enables the adequately preparation of the mentioned information.

Responsibilities of the auditor

Our responsibility is to issue a limited assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Our work was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants and we have fulfilled other technical standards and recommendations issued by the Institute of Statutory Auditors. These standards require that we plan and perform our work to obtain limited assurance about whether the sustainability information (GRI Standards indicators), included in the Annual Report 2019, in particular in the Chapter "Non-financial information" is free from material misstatement.

Our limited assurance engagement also consisted in carrying out procedures with the objective of obtaining a limited level of assurance as to whether the Company applied, in the sustainability information included in the Annual Report 2019, the GRI Standards guidelines.

For this purpose the above mentioned work included:

(i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;

(ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;
(iii) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned, through calculations and validation of reported data;
(iv) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;
(v) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;
(vi) Comparison of financial and economic data included in the sustainability information with the audited by the external auditor, in the scope of the legal review of Company's financial statements for the year ended in December 31, 2019;
(vii) Verification that the sustainability information included in the Report complies with the requirements of GRI Guidelines, GRI Standards version.

The procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

We believe that the procedures performed provide an acceptable basis for our conclusion.

Quality control and independence

We apply the International Standard on Quality Control 1 (ISQC1) and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and of the ethics code of the Institute of Statutory Auditors.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the sustainability information identified above in the section "Responsibility of the auditor", included in the Annual Report 2019, in particular in the Chapter "Non-financial information", for the year ended in December 31, 2019, was not prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed in the Report and that Millennium bcp has not applied, in the sustainability information included in the Annual Report 2019, the GRI Standards guidelines.

Restriction on use

This report is issued solely for information and use of the Board of Directors of the Company for the purpose of communicating the sustainability information in the Annual Report 2019 and should not be used for any other purpose. We will not assume any responsibility to third parties other than Millennium bcp by our work and the conclusions expressed in this report, which will be attached to the Company's Annual Report 2019.

March 26, 2020

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Represented by:

António Brochado Correia, R.O.C.

(This is a translation, not to be signed)

CORPORATE GOVERNANCE REPORT

2019 Campaign | Car Loan Solutions

Introduction

Banco Comercial Português, S.A., (hereinafter referred to as "Company, Bank, BCP, Millennium bcp") structured this Corporate Governance Report regarding the financial year of 2019 (hereinafter referred to as "Report"), in compliance with the principless and recommendations of the Corporate Governance Code issued by Instituto Português de Corporate Governance (IPCG) that adopted in 2018, and in compliance with the guidelines set forth in circular from CMVM - "The supervision of the of the Corporate Governance recommendations regime - new rules and procedures for 2019", of 11 January 2019 - and the Attachment to the CMVM Regulations 4/2013 of August 1 2013.

We also taken into account, among other, the following rulings: the Lagel framework for Credit Institutions and Financial Companies (LFCIFC), the Securities Code (SC) the Companies Code, Law 62/2017 of 1 August, Law 15/2019 of February 12, the Notice from Banco de Portugal 10/2011 of 9/1/2012, the Regulation of CMVM 7/2018, the guidelines for the European Banking Authority EBA/GL/2017/11, EBA/GL/2017/12,both from 26 September 2017 and the EBA/GL/2015/22, 27/06/2016, the Regulation /EU) 596/2014 of 16 April 2014, the Implementing Regulation (EU) 2016/523 from the Commission of 10 March 2016 and the Delegated- Regulation (EU) 604/2014 of the Commission of 4/3/2014.

This Report is composed of two parts:

PART I – Items 1 to 92 of Annex I of the CMVM Regulation 4/2013 – regarding information on the shareholding structure, company's organization and governance, including information regarding the recommendations from the Corporate Governance Code from IPCG which do not have corresponding text in those Regulations.

PART II – Evaluation of the Compliance with the Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.

Part I

A. SHAREHOLDING STRUCTURE (Organization and Corporate Governance)

I. Capital Structure

1. The capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (Article 245-A/1/a).

On the date this Report was made (March 2020) the share capital of the Bank amounted to 4,725,000,000.00 Euros, represented by 15,113,989,952 shares of a single category, nominative, book-entry, without nominal value, fully subscribed and paid up, all admitted to trading in a regulated market (Euronext Lisbon). These shares represent 100% of the share capital, confer identical rights and are fungible between them.

According to the information provided by Interbolsa, as at 31 December 2019, the number of shareholders of Banco Comercial Português totalled 152,180.

The Bank's shareholder structure continued, on 31 December 2019, to be very dispersed, with four shareholders owning more than 2% of the share capital. Of these, only two have a stake above 5%. As a whole, the shareholders with qualifying stakes represented 52.2% of the share capital.

Shareholders with more than 5 million shares represented, on 31 December of 2019, 75% of the share capital and voting rights. In terms of geographic distribution, special note should be made of the weight of the shareholders in Portugal, which accounted for 30.5% of the total number of shareholders.

Although pursuant to its articles of association, the Bank has the ability to issue shares with special rights, namely voting or non-voting preferential shares either redeemable with or without premium or not redeemable, it has never done so.

For the issue of this type of shares it is necessary a specific resolution adopted by the Shareholders at a General Meeting of Shareholders by a majority of 2/3 of the votes cast.

2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (Article 245-A/1/b).

There are are no clauses in the articles of association with these features. The shares representing the share capital of the Bank are freely transmissible and there are no limits on the ownership of shares.

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (Article 245-A/1/a).

The treasury stock (BCP shares) held by entities included in the consolidation perimeter is within the limits established by the Law and Regulations.

As at 31 December 2019, Banco Comercial Português, S.A. held no treasury stock in its own portfolio, and there were no purchases or sales of own shares throughout the period.

However, were recorded in the item «Treasury Stock" 323.738 shares (on 31 December 2018, 323.738 shares) held by clients which were given as collateral for credit granted by the Bank or by the Group BCP. As there is evidence of impairment those shares were deemed as own shares and, complying with the applicable accounting standards, written off from equity.

Regarding treasury stock held by associate companies of the BCP Group, pursuant to the Note to the consolidated financial statements number 51, as at 31 December 2019, Millenniumbcp Ageas - Grupo Segurador, SGPS, S.A. held 142,601,002 BCP shares, amounting to Euros 28,891,000 and on 31 December 2018, it held 142,601,002 shares, amounting to Euros 32,727,000.

The shares held by the Bank due to credit recovery process are not considered treasury stock in portfolio, as the respective sale is made in the market and in the short term.

4. Important agreements to which the company is a party and that come into effect, amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements (Article 245-A/1/j).

Banco Comercial Português, S.A is not a party to significant agreements, namely agreements that are enforced, altered or terminated in the event of change of control, following a public takeover bid, or change of composition of the governing bodies and which might hinder the financial interest in the free transferability of shares and the free appraisal by the shareholders of the performance of Directors.

Under its activity, the Bank has negotiated seven bilateral contracts with the EIB in the overall amount of close to one thousand, four hundred and seventy million Euros, which include clauses that confer the counterparty, under certain verifiable circumstances and in line with what is usual in the type of operations in question, the right to trigger the early repayment of these values, in the event of a change to the Bank's shareholder control. None of these contracts harmed the economic interest in the transfer of shares and the free appraisal by the shareholders of the Director's performance.

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

Article 26 of the Bank's Articles of Association establishes that votes cast by a single shareholder and its related entities, under the terms of number 1 of article 20 of the Securities Code, representing more than 30% of the votes of the total share capital, shall not be counted.

On the date this report was made, there were no shareholders reaching the above-mentioned limit of 30%. The amendment of this statutory provision requires the approval by 2/3 of the votes cast at the General Meeting.

The Bank's Articles of Association do not foresee the Periodic review of the statutory rule that establishes the limitation of votes, however under the terms of article 13-C of the Legal Framework for Credit Institutions and Financial Companies, these limits will automatically expire at the end of each five-year Period if no resolution is adopted to maintain them.

The General Meeting of Shareholders held on 9 November 2016, approved by a majority of 96.10% of the votes cast, the maintenance of limits to votes foreseen in articles 25 and 26 of the Articles of Association; therefore the same is valid until 8 November 2021.

On 9 November 2016 no shareholder held 30% of the votes corresponding yo the totality of the capital.

The Bank adopts the rule for the limitation to voting rights, commonly referred to as "statutory ceiling on voting rights", since it deems that this is the best international and national corporate governance practice in terms of statutory restrictions for significant institutions with the size, internal organisation, scope and complexity of activities such as the ones pursued by the Bank.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Article 245-A/1/g).

The Bank is not aware of the existence of any shareholders' agreement relative to the exercise of corporate rights or transferability of the Bank's shares.

On 18 November 2016, BCP and Fosun Industrial Holdings Limited signed a Memorandum of Understanding and Subscription Agreement relating to the investment of this company in the share capital of BCP, according to which the company Chiado (Luxembourg) S.à r.l. («Chiado»), entity part of Group Fosun, agreed to invest in BCP , through the private placement of 157.437.395 new shares and committed to continue the owner of these shares for, at least, 3 years and complied with that commitment.

II. Shares and Bonds Held

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (Article 245-A/1/ c) and d) and Article 16) with details of the percentage of capital and votes attributed and the source and causes of the attribution.

Under the terms of the Securities Code, the qualifying stakes in the Company's share capital as at 31 December 2019, indicating the percentage of the share capital and imputable votes, and the source and reasons of imputation, are reflected in the following table:

December 31, 2019

Shareholder	No. shares	% share capital social	% voting rights de voto
Chiado (Luxembourg) S.à r.l., a company held by Fosun International Holdings Ltd (Fosun Group)	4,118,502,618	27.25%	27.25%
TOTAL FOR FOSUN GROUP	**4,118,502,618**	**27.25%**	**27.25%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, E.P., (directly)	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
BlackRock, Inc.*	**512,328,512**	3.39%	3.39%
TOTAL FOR BLACKROCK GROUP	**512,328,512**	**3.39%**	**3.39%**
EDP Pension Fund *	311,616,144	2.06%	2.06%
TOTAL FOR EDP GROUP	**311,616,144**	**2.06%**	**2.06%**
TOTAL QUALIFIED SHAREHOLDINGS	**7,888,801,188**	**52.20%**	**52.20%**

* According to what was communicated on March 5, 2018 (last information available).

** Allocation according to article 20 (1.f) of the Securities Code.

8. Indication of the number of shares and bonds held by members of the governing bodies, directors and persons closely related to these categories

On this issue, see information provided in the Annual Report 2019, in Note 51 to the Consolidated Financial Statements.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (Article 245-A/1/i) with an indication as to the allocation date, time period within which said powers may be carried out, the upper ceiling for the capital increase, the amount already issued pursuant to the allocation of powers and mode of implementing the powers assigned.

Under the terms of article 5 (1) of the Bank's Articles of Association, the Board of Directors has powers to, when deemed convenient and after having obtained the favourable opinion of the Audit Committee, increase the share capital, once or more times, until the limit of the value of the existing share capital when the authorisation was granted or upon renewal of this authorisation.

The last renewal of this authorization was approved at the General Meeting of Shareholders held on 21 April 2016, when the Bank's share capital amounted to 4,094,235,361.88 Euros, and the General Meeting resolved that 20% of that increase could be made through the placement, without shareholders preference rights, with qualified or institutional investors.

The Bank's share capital was increased twice under this authorization.

The first time on 18 November 2016, amounting to 174,582,327.32 Euros, an increase reserved to Chiado (Luxembourg) S.à r.l. (Group Fosun), and on 7 February 2017, in the amount of 1,331,920,364.52 Euros, in an increase with preference right for shareholders. Therefore, the ceiling for authorization to increase the capital to be resolved by the Board of Directors is established, on the date this report is made, at 2,587,732,670.04 Euros.

On 11 November 2018, the shareholders resolved at the General Meeting of Shareholders to reduce the share capital in the amount of 875.738.053,72 Euros, to cover losses, and the share capital stood at 4.725.000.000,00 Euros, an amount that remains until today.

10. Significant business relations between holders of qualifying stakes and the company

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, after a prior opinion has been obtained from the Audit Committee, through proposal submitted by the Executive Committee, supported by a proposal made by the Credit Commission and an analysis and opinion issued by the Internal Audit Division, in what regarded the legal and regulatory compliance of the proposal.

During the financial year of 2019, the Audit Committee issued sixteen opinions on operations of granting and renewal of credit lines and limits or on other credit operations related to shareholders holding qualifying stake or related natural or legal persons. All the transactions were carried out under normal market conditions.

During the financial year to which this report relates to, was also analysed the hiring of supplies and services between Banco Comercial Português and shareholders holding qualifying stake and entities related with them. This hiring was made in accordance with market conditions for similar operations, within the scope of the core business developed by this entity and no special treatment was identified. Also in this case, the Compliance Office, the Internal Audit Division, the Executive Committee, Audit Committee and the Board of Directors verified compliance with the conditions mentioned above.

The operations carried out in 2019 are better identified in item 90.

The Board of Directors, in accordance with its competences, conferred to it by its Regulations, reserved for itself the necessary and sufficient powers for the following acts:

- Approve, after obtaining a prior opinion from the Audit Committee, the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) o the material engagement limit for assets and services exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets and services; (iii) no special advantage is given to the party to the agreement in question;
- approve, after obtaining a prior opinion from the Audit Committee, credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them.

The Regulations of the Board of Directors also sets forth, regarding the same entities, the conditions establishing the the contracts established with those entities are also subject to a mandatory prior opinion from the Audit Committee. Such contracts must also be submitted for approval by the Board of Directors.

In what regards credit transactions, the Service Order OS0016 sets forth that the Bank is not allowed to grant loans, directly or indirectly, in any form or of any kind (including acting as guarantor) to the members of its management and supervision bodies or to companies or legal persons directly or indirectly controlled by them.

In accordance with the above-mentioned Service Order, the granting of credit (including the provision of guarantees) to:

- entities wherein the members of the Bank's management and supervision bodies are managers or have a qualifying holding that does not ensure a controlling position, directly or indirectly;
- shareholders holding 2% or more of the Bank's share capital and to related entities;

Is subject to the following special procedures:

- Approval by a majority of at least two thirds of the members of the Board of Directors and the Members related to the entities involved in the loan application are not allowed to vote;
- The documentation on these loan applications to be sent by the Bank's Credit Division to the Executive Committee for appraisal and afterwards being sent to the Board of Directors must include an opinion issued by the Bank's Compliance Office verifying compliance with the applicable internal regulations, legal and statutory provisos and all other conditions applicable to them;
- The documentation regarding each loan application to be sent to the Board of Directors for final appraisal must include a prior favourable opinion issued by the Audit Committee.

Lastly and also in accordance with the provisions of the Regulations of the Board of Directors, the members of the Board of Directors and o the supervisory bodies cannot take part in the analysis and in the decision-making process of credit granting operations to companies mentioned in the previous paragraph of which they are managers or wherein they hold stakes and any of these situation requires the approval by, at least, a majority of two thirds of the remaining members of the administration body and a favourable opinion from the Audit Committee.

The operations under appraisal which are also ruled by Recommendation I.5.1 are approved at a meeting of the Board of Directors by a majority of, at least, two thirds of the members. The Chairwoman of the Audit Committee, qualified as an independent member of the Board of Directors will make a detailed presentation of the operation under appraisal which had also been object of a prior and favourable opinion from the Audit Committee and also votes the proposal. Hence, the Chairwoman of the Audit Committee takes, this way, cognizance of the resolution adopted by the Board of Directors of which she is a member, together with the remaining members of the Committee and it is considered not justified, for being redundant, any other communication to address to the Audit Committee.

B. GOVERNING BODIES AND COMMITTEES

I. General Meeting

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the board of the general meeting and respective term of office (beginning and end)

Under the terms of article 20, (1) of the Bank's Articles of Association, the Board of the General Meeting is composed by a Chairperson and a Vice-Chairperson.

The Chairperson and Vice-Chairperson of the Board of the General Meeting of Shareholders were elected at the General Meeting of Shareholders held on 10 May for a first term-of-office concerning the triennial 2017/2019.

Since their term-of-office ended on 31 December 2019, they will remain in office until the election of new members, which is scheduled to occur at the Annual General Meeting of Shareholders to be held on 20 May 2020.

The Board of the General Meeting is composed of:

Chairman:	Pedro Miguel Duarte Rebelo de Sousa (Independent)
Vice-Chairperson:	Octávio Manuel de Castro Castelo Paulo (Independent)

Inherent to the position, the Board of the General Meeting is supported by secretarial services administered by the Company Secretary, Ana Isabel dos Santos de Pina Cabral who was appointed by the Board of Directors on 24 July 2018, performing duties for the three-year period 2018/2021.

b) Exercise of Voting Rights

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 245-A/1/f)

Under the terms of the Bank's Articles of Association, each share corresponds to one vote, being able to participate in the General Meeting of Shareholders, directly or through a representative, the natural or legal persons that are shareholders up to zero hours of the fifth trading day prior to the date of the General Meeting.

Voting in writing, by mail or internet is permitted, provided that the vote is received by the penultimate day prior to the date of the General Meeting.

Shareholders who participate in the General Meeting directly or through representation may only exercise their voting rights at the General Meeting.

The company has not implemented the adequate channels for the shareholders' participation in the meeting by electronic means, since it was considered that, the cost and safety factors versus the shareholders' foreseeable adhesion to this channel, meant that the reasoning was not in favour of the implementation of this type of voting.

In spite of the fact that the no shareholder has requested this type of participation until 2019, the Bank intends to consider its implementation in the future. However, it has not yet any ongoing activity or defined calendar for that specific purpose.

It should be noted that the Bank provides its shareholders with a platform for voting by e-mail, and in the last 11 years, the highest number of shareholders who have resorted to this method of voting in a single Assembly was 8.

Considering the same period, the conclusion is that the average number of voters per Assembly was less than 3 shareholders.

The grounds given above are considered enough to comply positively with the "comply or explain" principle.

On these issues, see items 5, 14 and 48.

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in Article 20/1

On this issue, see item 5.

14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority, in addition to those legally provided, and details of said majority

The Bank's Articles of Association require the presence or representation of over one third of the share capital for the General Meeting to be held at first call. The Articles of Association also require a qualified majority of three quarters of the votes cast for approval of decisions on merger, demerger, transformation and a qualified majority of three quarters of the fully paid up share capital for resolutions on the dissolution of the company. The amendment of articles which establish limitations to voting rights or determine majorities different from those stipulated in the law requires a qualified majority of two thirds of the votes cast.

The demand for a reinforced quorum is not intended to adopt mechanisms that will make it difficult for shareholders to make decisions, it is rather aimed at protecting minorities and guaranteeing that no relevant matter is decided without the effective participation of a representative number of shareholders.

On these issues, see items 5 and 48.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the endorsed governance model

Banco Comercial Português, S.A. has endorsed, since 28 February 2012, a one-tier corporate structure with a Board of Directors which includes an Executive Committee and an Audit Committee. It also has a Remuneration and Welfare Board elected by the General Meeting of Shareholders.

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable. (Article 245-A/1/h)

The members of the Board of Directors are elected at the General Meeting. Should the Board of Directors co-opt any Director to fill a vacant position, such co-optation must be ratified at the first General Meeting of Shareholders taking place after the co-optation. The co-opted member shall exercise functions until the end of the term of office underway.

Elections are plural and conducted by lists, with indication by the proposing shareholders, and votes are cast based on these lists.

In accordance with the Bank's articles of association, a member of the Executive Board of Directors can be elected on its own according to article 392 (1 to 5) of the Companies Code.

Under the terms of the law, and under penalty of destitution, each Annual General Meeting of Shareholders votes on a renewal of the vote of confidence in each of the members of the management and supervisory bodies and likewise in the body as a whole.

Before submitting to election re re-election by the General Meeting of Shareholders, the candidates to the Board of Directors, including to the Audit Committee and to the Executive Committee, the Bank strictly complies with the general provisions set forth in article 30 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC) and makes an individual and collective assessment of the body, namly on the future composition of the remaining specialized committees of the Board, such as the Committee for Risk Assessment, the Committee for Nominations and Remunerations and the Committee for Corporate Governance, Ethics and Professional Conduct.

In that assessment, the Bank takes into account the qualitative requirements of good repute, professional qualification, independence and accumulation of positions or availability for the exercise of functions in accordance with the provisions of articles 30-D, 31, 31-A and 33 of the LFCIFC, as well as of the Guide to fit and proper assessments of the members of the Corporate Bodies published by the European Central Bank in May 2018, the ESMA and EBA/GL/2017/12 guidelines on suitability of the members of administration bodies and key function holders, the Instruction from Banco de Portugal 23/2018 of 5 November and the Delegated Regulation (EU) 604/2014, of 4 March 2014, for the categories of staff whose professional activities have a significant impact on the Bank's risk profile.

The Bank approved in 2020 a Group Code that regulates the fit and proper process and the Succession Plan.

The Succession Plan of the Bank's Board of Directors approved on 30 May by the General Meeting of Shareholders by a majority of 99.71% of votes cast, establishes, pursuant to the provisions of the above mentioned rulings, the internal policy for the selection and assessment of the suitability of the members of the administration and supervisory bodies, establishing the general principles and requirements regarding the profile of the new members of the Board of Directors and of the Supervisory bodies, namely the identification of the competences, availability for the exercise of the function, training and expertise required of the different members of the Board of Directors, so as to ensure sufficient knowledge for exercising the specific functions, namely in terms of managing material risks.

The non-executive directors who become members of the specialized committees of the Board of Directors, regarding the area of expertise of the respective committee, must have sufficient time available, knowledge, competences and sufficient and appropriate experience for a critical assessment and supervision of the decisions made by the administration bodies. The executive directors exercise functions under an exclusive regime, or for the Group by indication or approval by the Board of Directors and will possess the knowledge, competences and sufficient and appropriate experience. The individuals indicated to perform the functions of executive members must have, at least, five years of recent practical experience in the banking industry or similar.

The professional qualifications and other curricular details of each member of the Board of Directors are presented in Annex I of this Corporate Governance Report. These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

17. Composition of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable, with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member

Under the terms of the Bank's Articles of Association, the Board of Directors is composed of a minimum of fifteen and a maximum of nineteen members, elected for terms of office of four years, who may be re-elected one or more times.

The current Board of Directors of Banco Comercial Português, with a term-of office from 2018 to 2021, is composed of seventeen members, all of them elected by the General Meeting of Shareholders held on 30 May 2018, exception made to one of its members who was co-opted by the Board of Directors on 23 April 2019 and had his co-optation ratified by the General Meeting of Shareholders on 22 May 2019.

The Board has four women, representing 23.52% of the members of the Administration in office . The Chairperson of the Audit Committee, the Bank's supervisory body composed by four members, is a woman. This way, the Bank complies with the gender criteria and requirements regarding the members of the Board of Directors and supervisory body.

The Bank provides the proposals it presents to the elective General Meeting of Shareholders with documents that enable assessing the profile, knowledge, professional experience, namely the curricula of the candidates to members of the corporate bodies and the company maintains all information available for 10 years at the bank's website, in the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores

The composition of the Board of Directors at the end of the financial year this Report refers to, as well as the indication of the quality as executive and non-executive, date of the first appointment of each member and the date of end of term of office is identified in the following table:

BOARD OF DIRECTORS: COMPOSITION, MANDATE (START AND END), POSITIONS AND CAPACITY OF THE MEMBERS

Composition of the Board of Directors (Non-Executive Members)	Beginning of the term of office	Term of Office	Term of Office - End (a)	Appointment method	Body and Position	Qualification
Nuno Manuel da Silva Amado	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Chairman	Not Independent (b)
	11/05/2015	2015/2017	31/12/2017		Board of Directors - Vice-Chairman - Executive Committee - Chairman	
	28/02/2012	2012/2014	31/12/2014			
Jorge Manuel Baptista Magalhães Correia	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Chairman	Not Independent (c)
Valter Rui Dias de Barros	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Chairman	Not Independent (c)
Ana Paula Alcobia Gray	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
Cidália Maria Mota Lopes	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
	11/05/2015	2015/2017	31/12/2017			
José Manuel Alves Elias da Costa	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Xiao Xu (Julia Gu)	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
Lingjiang Xu	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Not Independent (c)
	09/01/2017	2015/2017	31/12/2017	Co-optation		
Teófilo César Ferreira da Fonseca	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Wan Sin Long	30/05/2018	2018/2021	31/12/2021	Election	Board of Directors - Member	Independent
Fernando da Costa Lima	23/04/2019	2018/2021	31/12/2021	Co-optation	Board of Directors - Member	Independent

Composition of the Board of Directors (Executive Members)	Beginning of the term of office	Term of Office	Term of Office - End (a)	Appointment method	Body and Position	Qualification
Miguel Maya Dias Pinheiro	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Chairman	Executive
	11/05/2015	2015/2017	31/12/2017		Executive Committee - Vice-Chairman	
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	
	11/11/2009	2008/2010	31/12/2010	In replacement		
Miguel de Campos Pereira de Bragança	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Vice-Chairman	Executive
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
João Nuno de Oliveira Jorge Palma	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Executive Vice-Chairman	Executive
	09/01/2017	2015/2017	31/12/2017	Co-optation		
José Miguel Bensliman Schorcht da Silva Pessanha	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Executive Member	Executivo
	11/05/2015	2015/2017	31/12/2017			
Maria José Henriques Barreto Matos de Campos	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Executive Member	Executivo
Rui Manuel da Silva Teixeira	30/05/2018	2018/2021	31/12/2021	Election	Executive Committee - Executive Member	Executivo
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	

(a) Although the end of the mandate coincides with the last day of the calendar year, to which it refers, the member shall remain in office until the election of the new composition.
(b) The Director in question exercised the position of executive director in the previous term-of-office (2015/2017). The non independence is established in accordance of Item 91.a.,of the EBA/GL/2017/12 Guidelines of 26 September 2017.
(c) The director in question is connected to a shareholder with a qualifying stake.

18. Distinction of the executive and non-executive members of the Board of Directors and, relating to the non-executive members, identification of the members who may be considered independent or, if applicable, identification of the independent members of the Supervisory Board

The Board of Directors is composed by 17 members, 11 non-executive and 6 executive.

In accordance with the model adopted by the Bank, the Audit Committee, which is composed by 4 non-executive directors, 3 of which independent , is the supervisory body.

The Bank considers appropriate, either the number of non-executive members of the Board of Directors, or the number of those that, amongst them are qualified as independent - 5 out of 11, as per tables of items 17 and 26.

In article 2 of the Articles of Association, the Bank confirms the norm that the Board of Directors is composed by a minimum of 15 and a maximum of 19 members, elected by the General Meeting of Shareholders, therefore in line with the best domestic and European practices followed by similar companies, because this is the number seen as sufficient and appropriate to the size of the company and the complexity of the inherent risks of its activity, a number that allows it to possess a transparent organisational structure with lines of responsibility that the Bank observes.

All the non-executive members of the Board of Directors were evaluated by the Committee for Nominations and Remunerations which, for that purpose and taking into account the Guide for the Assessment of Fit & Proper (May 2018) of the European Central Bank, taking consideration, apart from the profile of each one of the Directors, the following facts:

- Being an employee of the company over the last three years or a company which is in a controlling or group relationship;
- Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person;
- Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a Board Member;
- Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors or natural persons directly or indirectly holding qualifying stakes;
- Being the holder of a qualifying stake or representative of a shareholder with qualifying stake.
- Having been re-elected for more than two, consecutive or not, terms-of-office.
- Having exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company;
- Exercises or exercised in the last 5 years the position of member of the administration body, in its management function, in an institution included within the scope of the prudential consolidation.

Excluding the executive directors, five members of the Board of Directors, out of eleven members, are independent. In other words, 45% of the non-executive directors are independent, and BCP considers that the proportion of independent directors, versus the total number of directors, is adequate, taking into account the endorsed governance model and the size of the company.

According to CMVM Regulation 4/2013, Annex 1, nr. 18.1, in the recommendation III.4. Of the Governance Code of the IPCG and item 91a. of the guidelines EBA/GL/2017/12, a member of the Board of Directors who is not associated with any specific interest group within the company, or under any circumstances capable of affecting their impartiality of analysing or decision making is considered to be independent.

None of the non-executive directors exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company.

Having been pondered the content of the Recommendations III.2 and III.3.of the IPCG Code, the art. 414 (5) (b), the provisions of article 31- A of the LFCIFC, the European legislation, namely the independence of mind criteria mentioned in the Guide to fit and proper assessments of the members of management bodies of the ECB (May 2018)", and the EBA/GL/2017/12 guidelines of 26 September 2017, applicable since 30 June 2018, the Committee for Nomination and Remunerations considered that the number of non-executive directors qualified independent ensures them the effective capacity to monitor, supervise and assess in a critical, impartial and adequate manner the activity developed by the executive directors.

The Chairman of the Board of Directors exercised the position of executive director in the previous term-of-office (2015/2017), reason why, in accordance with the contents of Item 91.a. of the Guidelines from EBA/GL/2017/12 of 26 September 2017 is qualified as non-independent.

The characteristics and competences of the independent Directors, namely at the level of the functions they perform in the different Committees of the Board of Directors show that, in practice, the respective autonomy is guaranteed and the independent directors, that represent 45% of the non-executive directors, never disclosed the need or even mentioned the advantage in having a coordinator (lead independent director), being considered that these reasons perfectly comply with the principle comply or explain.

On this matter, see the table presented in item 17.

19. Professional qualifications and other relevant curricular details of each member of the, as applicable, of the Board of Directors, The Supervisory Board and of the Executive Board of Directors

The professional qualifications and other curricular details of each member of the Board of Directors are presented in Annex I of this Corporate Governance Report.

These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights.

There are no habitual and significant family or business relations between the members of the Board of Directors and of the Executive Committee with shareholders imputed with qualifying stakes above 2% of the voting rights. As shown in the table presented in item 7 of this Report, the shareholders owning stakes above 2% are legal persons. Under these terms, and by nature, there are no family relations between the members of the Board of Directors and shareholders with a stake above 2%. Furthermore, there are also no family relations between the members of the Bank's Board of Directors and Executive Committee and the members of the Boards of Directors of the shareholders with a stake above 2%.

The Bank favoured the interaction between the independence of behaviour of each member and the principle of being independent in the face of conflicts of interest that create obstacles to the ability to perform their duties independently and objectively. For this purpose, the Board of Directors has confirmed in its Regulations that any member of the Board of Directors that accumulates with his office, any management functions in any company that pursues an activity which competes with that of the Bank, or with an entity of Group BCP or in a company in which the Bank holds a significant stake, is prevented from accessing any privileged or sensitive documentation related to the competing company.

A member of the Board of Directors shall not participate in the discussion or deliberation of any contents relating to the competing company of the Bank, of the Group or of a company in which the Bank holds a significant stake, to which it relates.

The Regulations of the Board of Directors is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_Conselho-Administracao.pdf

The members of the Board of Directors who have professional/business relations with shareholders to whom, on 31 December 2019, a qualifying stake above 2% of the voting rights is imputable are listed in the following table:

PROFESSIONAL OR BUSINESS RELATIONSHIP OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BCP WITH SHAREHOLDERS HOLDERS OF A QUALIFIED STAKE OF MORE THAN 2% OF VOTING RIGHTS

Members of the Bank's Board of Directors	Professional or Commercial Relationship	Shareholders owning more than 2% of Voting Rights
Jorge Manuel Baptista Magalhães Correia	Chairman of the Board of Directors of Luz Saúde, S.A.	Grupo Fosun
Ana Paula Alcobia Gray		Sonangol Group
Lingjiang Xu	Non-Executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, SA	Grupo Fosun
Xiao Xu Gu (Júlia Gu)	Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd.	Grupo Fosun
Valter Rui Dias de Barros	Chairman of the Board of Directors of Recredit - Gestão de Activos, S.A. (Angolan government)	Sonangol Group

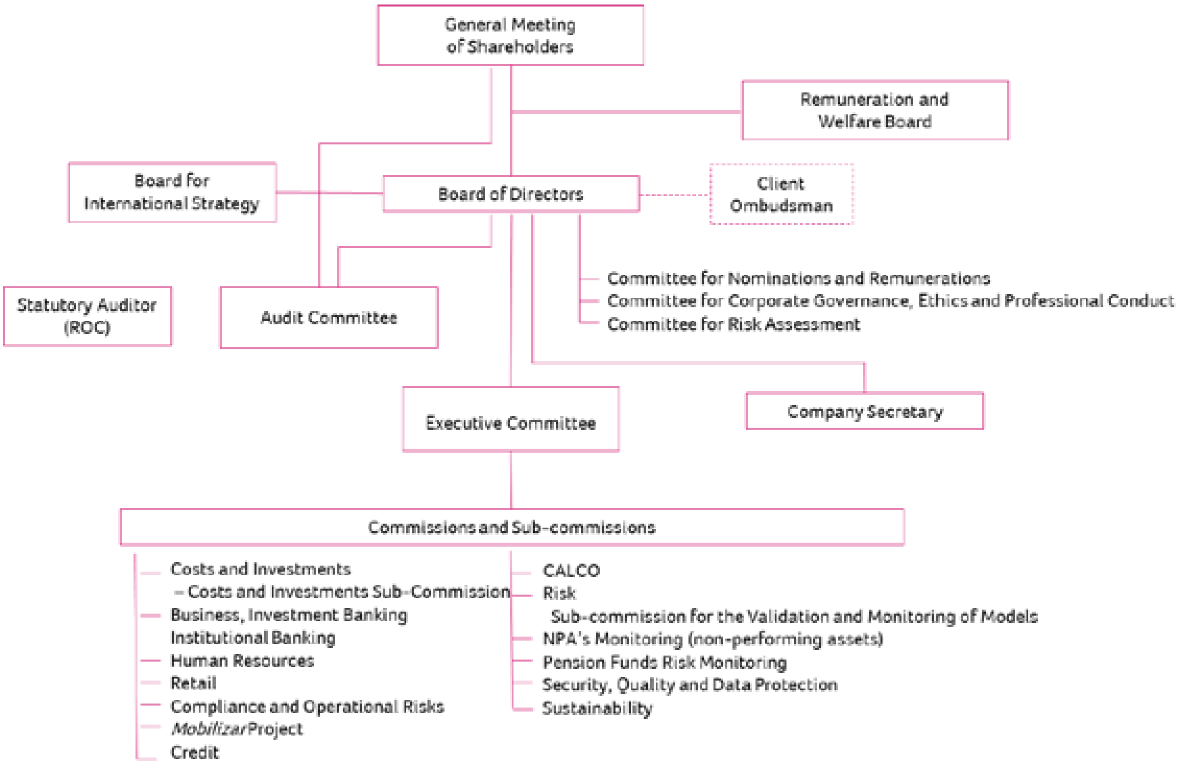
21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management

Pursuant to the corporate governance model adopted by the Bank - the one-tier model - the company has a Board of Directors, which includes an Audit Committee, composed solely of non-executive members and an Executive Committee to which the Board of Directors has delegated the Bank's current management, as per the provisions of article 35 of the Articles of Association and articles 5 (2) (a) and 6 (1) of its Regulations.

The Board of Directors has appointed three other specialised committees, whose essential purpose is the permanent monitoring of certain specific or highly complex matters. The Company also has a Remuneration and Welfare Board appointed by the General Meeting of Shareholders.

To advise on daily management issues, the Executive Committee has also appointed different subcommittees that, besides two or more Executive Directors, are permanently composed of various first line Directors who report to them.

The diagram below represents the Bank's Corporate Governance Model structure during 2019:



Board of Directors

The Board of Directors is the governing body of the Bank vested with the most ample powers of management and representation of the company.

During the performance of their duties, the directors use their competences, qualifications and professional experience to assure, in a permanent and responsible way, a sound, effective, rigorous and prudent management of the Bank, respecting the characteristics of the institution, its size and the complexity of its business activities.

The members of the Board of Directors observe duties of zeal, care and loyalty, reflecting high standards of diligence inherent to a careful and orderly manager, critically analysing the decisions taken in the best interests of the company and also the implemented procedures and policies.

The directors are bound to secrecy in respect of any matters dealt with at the board meetings or that they become aware of due to the performance of their duties, except when the Board of Directors sees the need to internally or publicly disclose its resolutions, or when such disclosure is imposed by legal provisions or decision of an administrative or judicial authority.

The Board of Directors is the corporate body with competence to define the company's general policies and strategy, being vested with full management and representation powers for both the Bank and the Group, maintaining the ability to have back the powers delegated on the Executive Committee.

The competences and responsibilities attributed to the members that compose the current Board of Directors translate the improvement introduced in the corporate governance model. Regarding the composition of the Board of Directors, there was also a reinforcement in the capacity to enhance dynamics, in leadership and control on the digital transformation process included in the strategic plan approved for 2018-2021.

In accordance with the provisions of number 2 of article 7 of the Regulations of the Board of Directors, the latter reserved to itself the following competences:

- Select its Chairperson, Vice-Chairpersons and also the Chairperson of the Executive Committee;
- Appoint directors to fill in eventual vacancies;
- Ask the Chairperson of the Board of the General Meeting to call the General Meeting;
- Resolve on the change of head office and share capital increases, under the terms of the law and of the articles of association;

- Approve mergers, demergers and other changes to the company;
- Approve the Annual Reports and Financial Statements and the proposals that the management body is responsible for submitting to the General Meeting, namely the proposal for the appropriation of profits;
- Approve the Bank's annual and longer-term budgets;
- Approve the Strategic Plan for the Bank and for the Group;
- Approve the Market Discipline Report;
- Risk Risk Appetite Framework;
- Item 4 – ICAAP - Internal Capital Adequacy Assessment Process;
- Item 5 – ILAAP - Internal Liquidity Adequacy Assessment Process;
- Approve the Recovery Plan;
- Approved Internal Control System Report;
- Anti-Money Laundering Report;
- Define the general policies and strategic goals for the Bank and for the group and take care of their appropriate implementation;
- Provide bonds and personal or real guarantees on behalf of the company, with the exception of those included in the Bank's current activity;
- Purchase, sell and encumber immovable properties provided that the operation implies a negative impact above 0.5% on the regulatory consolidated own funds;
- Define and resolve on the eventual introduction of changes to the group's corporate structure, namely the opening and closing of establishments when it represents a 10% positive or negative variation in the number of establishments in Portugal at the end of the year prior to the making of the decision;
- Ssignificant increases or reductions in the company's organization whenever these produce an impact above 5% in consolidated assets;
- Resolve, under the terms of the law and of the articles of association, on the issue of shares and other securities that imply or may imply a share capital increase by the Bank, establishing the conditions and carrying out, with them, all the operations permitted by law, abiding by any limits set by the General Meeting;
- Appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, the Company Secretary and respective alternate, who must have the adequate expertise and profile to undertake such functions and to whom the Board of Directors must ensure technical autonomy and all the necessary means to carry out their functions;
- Appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, a Client Ombudsman, who must necessarily be an individual with a recognized ability, honesty and experience in banking, without employment ties to the Bank and to whom it must ensure all the necessary means to carry out his/her functions freely and independently;
- Appoint, pursuant to a proposal made by the Executive Committee, the investor relations and, after getting the favourable opinions of the Audit Committee, and in the first case, also the Committee for Risk Assessment, the risk officer, the compliance officer, the head of audit division and the group treasurer, to whom it must ensure technical autonomy and all the necessary means to carry out their functions;
- Approve and periodically review, after getting the opinion from the Committee for Nominations and Remunerations, the remuneration policy concerning employees which report directly to the Administration, the ones responsible for the assumption of risks and for the control functions and the employees whose total remuneration places them in the same bracket of the three categories mentioned above provided that their respective professional activities have a material impact on the Bank's risk profile.
- Approve the respective internal regulations, as well as the regulations of the Audit Committee, of the Executive Committee and of the other committees it decides to create;
- Approve, after obtaining a prior opinion from the Audit Committee, credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them;

- Approve, after obtaining a prior opinion from the Audit Committee, the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) o the material engagement limit for assets and services exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets and services; (iii) no special advantage is given to the party to the agreement in question;
- Ratify any acts undertaken on its behalf by the Chairperson or by his/her alternate in case of emergency.

The members of the management or supervisory bodies of an institution shall not participate in the appraisal and decision whether or not to grant credit to companies or other legal persons directly or indirectly controlled by them, of which they are managers or in which they hold a qualifying holding. In all these situations the approval by, at least, two thirds of the remaining members of the management body as well as the favourable opinion of the Audit Committee shall be required.

The delegation of powers by the Board of Directors does not exclude the competence of this corporate body to resolve on the same issues, nor does it waive, under legal and regulatory terms, namely the number 5 of the Delegated Regulation (EU) 604/2014 of March 4, revised by the Delegated Regulation (EU) 2016/861 of the Commission, of 18 February 2016, the responsibility of other directors for possible losses caused by acts or omissions occurred due to the exercise of duties received by delegation, in the extent that the members of the management body are ultimately, the ones responsible for the institution, its strategy and activities.

The Board of Directors is also internally organized and implements and sets goals regarding the assumption of risks through the formal approval of the *Risk Appetite Statement* (RAS)) of the Bank.

The "Risk appetite statement" incorporates a set of key indicators relating to the identified material risks and their acceptable levels of risk (tolerance levels). These levels of tolerance:

- Constitute maximum risk assumption objectives and are, in turn, developed and discharged "in cascade" and in greater detail to the risk limits that are part of the institution's risk policy and materialized in the internal rulings documentation;
- Are composed of two levels: an alert level prior to the maximum admissible value and a level of absolute "failure" which require corrective measures when they are reached.

The Board of Board of Directors monitors and analyses – by means of its Executive Committee, and every month, and by means its Committee for Risk Assessment, every two months, the performance shown by the RAS indicators versus the established limits, thus acting in compliance with that performance whenever the indicators in question reach alert or failure Level.

The relevant information is object of analysis by the members of the Bank's corporate bodies and is disclosed at least 5 days prior to the date of the meeting where those issues will be debayed, by means of a digital platform denominated Diligent Board.

The Bank produces, maintains permanently updated and hands out to each one of the members of the Board of Directors, the moment they are appointed or elected, several relevant information, namely the Regulations of the Board of Directors, of the Executive Committee and of the remaining Committees of the Board of Directors, on the organizational structure, the areas of responsibility and main internal rulings that guide the activity that it pursues, namely compliance, communication of irregularities policies and policies regarding the management of claims and performance general principles and regulations guiding the activities performed by the Client Ombudsman. This information is also disclosed, in the Portuguese and English version, on the internal website, at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

The Regulations of the Board of Directors are available on the Bank's website at:

http://ind.millenniumbcp.pt/pt/Institucional/governacao/

Audit Committee

The Audit Committee is composed of a minimum of three and a maximum of five non-executive directors, elected at the General Meeting of Shareholders, and the lists proposed to elect the Board of Directors must detail which individual members are to be part of the Audit Committee and indicate the respective Chairperson.

The members of the Audit Committee, as is the case of all members of the governing bodies, are appointed for terms of office of four years, and may be re-elected.

The Audit Committee was elected at the General Meeting held on 30 May 2018 for the four-year period 2018-2021 and the majority of its members, including its Chairwoman, are qualified as independent. It has the competences foreseen in article 423-F of the Companies Code and in its own Regulations.

The Regulations of the Audit Committee are available at the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

Within the scope of its activities, the mission of the Audit Committee is to observe the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

As the Bank's supervisory body, it is responsible for ensuring compliance with the law and articles of association, and it is entrusted with the following duties:

In general terms

- Supervising the Bank's management;
- Monitor the Group's management, which is understood as covering all the entities within the consolidation perimeter of the Bank, notwithstanding the powers of the supervisory bodies of the local entities;
- Calling the General Meeting of Shareholders, whenever the Chairperson of the Board of the General Meeting fails to do so when he/she should;
- Verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results;
- Accessing call notices and minutes of the meetings of the Executive Committee and taking part in the meetings of the Executive Committee wherein the Bank's annual accounts are appraised;
- Monitoring the entire procedure for preparing and disclosing financial information and presenting recommendations or proposals to ensure that such procedure is reliable;
- Overseeing the audit to the individual and consolidated financial statements of the financial year, especially its execution, taking into account eventual analyses or guidelines issued by the supervision authorities and to verify that the financial statements are compliant with the applicable legal framework;
- Verifying the accuracy of the financial statements;
- Issuing an opinion on the report, financial statements and proposal for the appropriation of profits to be submitted to the Annual General Meeting;
- Assess and follow-up, in a periodical manner, the financial statements and the main prudential indicators, the risk report prepared by the Risk Office, the activity pursued by the Compliance Office, the activity pursued by the Internal Audit, the handling of claims and complaints and the most significant correspondence exchanged with the Supervision Authorities;
- Provide an opinion on the Bank's Annual Budget, in a medium and long-term perspective, focusing particularly on the observance of the objectives set out in the Bank's strategic plan and on the compliance with the capital requirements;
- Drawing up an annual report to inform the Board of Directors of the results of the audit to the financial statements, explaining how the audit contributed to the integrity of the procedure for preparing and disclosing financial information, as well as describing the role the Committee played in that procedure, clearly stating its concurrence with the contents of the legal certification of accounts, when applicable;

- Issuing an opinion on the share capital increases resolved by the Board of Directors;
- Provide an opinion on the suspension of directors and on the appointment of substitute directors in accordance with the law and the Bank's articles of association;
- Resolve, in accordance with the decision made by the Board of Directors, on the Group Codes that it is responsible for.

Concerning the Internal Control System

- Supervising the efficiency of the risk management system, of the internal control system and of the internal audit system, in what regards the procedure for preparing and disclosing financial information of the whole consolidation perimeter of the Bank, notwithstanding the competences of the respective bodies of the local entities;
- Issuing a prior opinion on the external entity that aids in the assessment of the adequacy and efficiency of the internal control system and monitoring its work;
- Issuing an opinion on the work plans and resources allocated to the Internal Audit and Compliance Divisions, and monitor its respective execution, being the recipient of the reports made by these Divisions, especially when the issues in question relate to the presentation of financial statements, the identification and resolution of conflicts of interests and the detection of potential illegalities and/or irregularities;
- Analyse and comment on the periodic reports drawn up by the internal control functions, in particular those related with situations of conflict of interest and reporting irregularities;
- Issue an opinion on the technical and professional adequacy of the candidates for the position of Head of the Internal Audit Division and Compliance Officer of the Bank;
- Receiving, handling and recording the communications of serious irregularities (whistleblowing) related with the management, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies and remaining Portuguese and European legislation in effect, presented by shareholders, Bank employees or other;
- Issue an opinion on the internal service order that regulates the internal reporting of irregularities, to be approved by the Board of Directors;

The Audit Committee of the Board of Directors supervises the application of the Risk Appetite, in order to ensure that the risks effectively incurred are in levels which are compatible with the RAS and that, if deviations occur, the Executive Committee and/or the Board of Directors adopt the necessary corrective measures to mitigate the levels of risk, with the objective of observing the RAS.

Monitoring of the External Auditor and the Statutory Auditor

- Propose to the General Meeting of Shareholders, in case of an initial engagement, the appointment of, at least, two statutory auditors and eligible external auditors and issue a duly grounded recommendation as to which it prefers, in abidance by the applicable Portuguese and European legislation. In case of the re-appointment for a new term-of-office, the Committee can also issue only one duly grounded proposal;
- Issuing an opinion on the remuneration of the Statutory Auditor and of the External Auditor, and ensuring that both have all the conditions to exercise their functions;
- Supervise and evaluate, every year, the independence and performance of the External Auditor and of the Statutory Auditor;
- Approve the tendering of services to the External Auditor for the provision of additional services, while guaranteeing that such services do nor jeopardise its independence, in accordance with the domestic and European legislation and regulations;
- Receiving the additional services report drawn up by the External Auditor, in compliance with art. 11 of EU Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014.

Concerning related parties

- Issuing for the Board of Directors an opinion on the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) o the material engagement limit exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets and services; and (iii) no special advantage is given to the party to the agreement in question;
- Issuing for the Board of Directors an opinion on credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them.

Other competences

- Submit a quarterly report to the Board of Directors, in writing, informing on the work carried out by it and on the conclusions it has reached and an annual report of its activities, to be presented to the Chairperson of the Board of Directors, without prejudice to the duty of reporting to it any and all situations the Committee finds and deems to be of high risk;
- Hire experts to assist one or more of its members in the performance of its functions being the respective costs paid by the Bank.

The Audit Committee always holds mandatory regular meetings with the external auditors and statutory auditor at the time of appraisal of the interim and full year financial statements of the Bank. The Audit Committee receives the Reports of the Internal Audit Division, Statutory Auditor and External Auditors. It Holds regular meetings with the Directors responsible for the Bank's Financial, Credit and Risk areas and with the Compliance Officer, the Heads of Internal Audit of the Bank and of the group and the Coordinating-Managers of the Research, Planning and AML Division and of Asset and Liability Management and of the Accounting Division. It has the power to summon or request clarifications from any Coordinating Manager or Employee of the Bank whom it wishes to hear.

Without prejudice to the hierarchical relationship maintained, respectively, with the Chairperson of the Board of Board of Directors and with Chief Risk Officer (the executive director in chargeof risk), the Head of the Audit Division and the Compliance Officer report functionally to the Audit Committee on the following matters: activity plans; activity reports; organisation and operation documents of the internal audit and compliance areas; situations detected that involve high risk; supervisory actions and relevant lawsuits; and constraints to the effective execution of the defined legal and regulatory functions, namely with respect to the allocated resources. In turn, the Audit Committee, independently of the direct reporting of the Audit Division and Compliance Office to the Chairperson of the Board of Directors, informs the Chairperson of the Board of Directors of all and any situation detected that it deems might qualify as being of high risk.

In the 2019 financial, in the course of the 2018/2021 term-of-office, the Audit Committee had the following composition:

Chairwoman	Cidália Maria Mota Lopes (Independent)
Members:	Valter Rui Dias de Barros (Non-Independent)
	Wan Sin Long (Independent)
	Fernando Costa Lima (Independent) – Co-opted by the Board of Directors at a meeting held on 23 April having the same been ratified by the General Meeting of Shareholders on 22 May 2019.

Within an universe of four members that compose the Audit Committee, three members (75%) are qualified as independent.

On the date this report was approved, all the members of this Committee were subject to a performance assessment by the Committee for Nominations and Remunerations that, for that specific purpose, was assisted by and external entity.

All the members of the Audit Committee have levels of responsibility and understanding of the activities conducted by the company that match the functions assigned to them, allowing them to make an unbiased evaluation of the decisions made by the management body, and to efficiently supervise activities.performed by the latter. All the members of this Committee have appropriate knowledge, competences and experience to clearly understand and monitor the risk strategy within a framework of governance coherent and compatible with the risk management systems.

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report. These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

This Committee received logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the Office Head.

During the 2019 financial year, the Audit Committee met thirteen times, having drawn the minutes of all the meetings.

Attendance of the Audit Committee meetings by each of its members is shown in the following table:

Members of the Audit Committee	Number of Meetings Attended	Effective Participation Index
Cidália Maria Mota Lopes	13	100%
Valter Rui Dias de Barros	13	100%
Wan Sin Long	13	100%
Fernando da Costa Lima (*)	7	100%

(*) Co-opted by the Board of Directors on 23/04/2019 and the ratification was resolved on the co-optation by the General Meeting held on 22/5/2019.

Executive Committee

On 24 July 2018, and under the terms of article 407 of the Companies Code and article 35 of the Bank's Articles of Association, the Board of Directors (BofD) appointed an Executive Committee (EC) composed of six of its members. The Chairperson of the Executive Committee was indicated by the General Meeting of Shareholders. The BofD established the *modus operandi* of the EC and delegated to this committee the powers to conduct the Bank's current management. The Executive Committee performs all of the Bank's day-to-day management duties that have not been reserved by the Board of Directors.

At the level of internal control and risk management, the hierarchical responsibility for the second lines of defence was attributed to one executive director, which also includes the Boards of Directors of the subsidiary companies operating abroad, this way extending the coordination and scope of the performance of these defence lines to the entire Group.

In accordance with the Regulations of the Executive Committee, the acceptance or exercise of functions, namely advisory functions or functions in executive corporate bodies of companies by any member of its members must obtain the prior favourable opinion of the Committee for Nominations and Remunerations. Any of the members of this Committee performs executive functions in entities outside the Group, as stated in the respective curricula attached to this report.

One must, notwithstanding, point out that, in accordance with article 6 of the same regulations, the exclusivity regime applied to the Bank's executive directors, set forth in article 8 of the Regulations of the Board of Directors, does not apply whenever these members exercise management functions in third companies, pursuant to an indication of the Group or in representation of the Group.

The Regulations of the Executive Committee are available on the Bank's website at the following address:

http://ind.millenniumbcp.pt/pt/Institucional/governacao/

In its internal organisation, the Executive Committee has distributed areas of special responsibility to each of its members.

As at 31 December 2019, the distribution of these areas of special responsibility was as follows:

EXECUTIVE COMMITTEE

(In absences of Directors responsible for the areas, the respective alternate Directors shall be occasionally appointed by the CEO)

Miguel Maya - CEO	(MM)
CEO's Office	
Communication Division	
Human Resources Division	
Credit Division	
Digital Transformation Office	

Miguel Bragança - VC/CFO	(MB)
Investor Relations Division	
Accounting and Consolidation Division	
Research, Planning and ALM Division	
Management Information Division	
Legal and Litigation Advisory Division	
Tax Advisory Division	
Means of Payment and Acquiring Division	

João Nuno Palma - VC	(JNP)
International, Treasury & Markets Division	
Large Corporates and Corporate banking Divisions	
Investment Banking Division	
Companies Marketing Division	
Macau Branch	
Private Banking Division	
China Desk	

Rui Manuel Teixeira	(RMT)
Retail Divisions	
Retail Marketing Division	
Segments Management Division	
Quality and Network Support Division	
Wealth Management Division	
Specialized Credit and Real Estate Division	
Specialised Monitoring Division	

José Miguel Pessanha	(JMP)
Rating Division	
Office for Regulatory and Supervision Monitoring	
Office for the Validation and Monitoring of Models	
Personal Data Protection Office	
Hierarchical reporting functionally dependent on the Committee for Rusk Assessment	
Risk Office	
Hierarchical reporting functionally dependent on the Audit Committee	
Compliance Office	

Maria José Campos	(MJC)
Companies Recovery Division	
Retail and Small Amounts Recovery Division	
Direct Banking Division	
Operations Division	
IT Division	
Procurement and Logistics Division	

The non-executive Chairman of the Board of Directors is directly responsible for the Board of Directors Support Office, Company Secretary's Office and the Audit Division and Millennium bcp Foundation.

Within the scope of the competences attributed to him/her, the Chairperson of the Executive Committee represents this Committee and convenes and conducts the respective meetings, has the casting vote and, in addition to direct accountability for the respective areas of responsibility, has the following duties:

- coordinating the activities of the Executive Committee, distributing special areas of responsibility among its members, and entrusting one or more with the preparation or follow-up of the issues appraised or decided on by the Executive Committee;
- assisted by the Director of the special area of responsibility, the Chairman, strives to ensure the correct execution of the resolutions adopted by the Executive Committee;
- ensures that all the relevant information is provided to the other members of the Board of Directors relative to the activity and resolutions adopted by the Executive Committee;
- ensures compliance with the limits of delegation of competences, the approved strategy for the Bank and Group, and the duties of collaboration with the Board of Directors and, in particular, with its Chairperson.
- The Regulations of the Executive Committee are available on the Bank's website at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

b) Functioning

22. Existence and local where it may be consulted the regulations, as applicable, of the Board of Directors, the Supervisory Board and of the Executive Board of Directors.

In accordance with article 18 of the Articles of Association, minutes shall always be written up of the meetings of the company's governance bodies which will be signed by all the members present and contain, apart from the several identification data, the resolutions that were adopted. As in this statutory provision, also the Regulations of the different specialised Committees of the Board of Board of Directors, including the Executive Committee, confirm the need to draw up minutes of all the meetings of the Committees. The documentation supporting the deliberations and topics addressed at the meetings of each of the committees should be filed together with the minutes of the respective meeting, for a better understanding of the the decisions that were taken.

According to the provisions of the Regulations of the Board of Directors and of each one of its specialized committees, in the article concerning "Meetings" the supporting documents of the meetings are sent to the participating directors at least 5 days prior to the scheduled date for each meeting. The Bank keeps available, during the term of office of its members, all the agendas and support material for the meetings, as well as the legislation, internal regulations and other relevant documentation, on an online platform called "Diligent Boards".

The regulations of the Board of Directors, of the Executive Committee and the other Committees of the Board of Directors are available on the internal portal and at the Bank's website at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

All these documents as wll as other deemed necessary or appropriate for the exercise of the respective function, may be consulted by the directors at the digital platform supporting the members of the corporate bodies.

23. Number of meeting held and degree of assiduity of each member, as applicable, of the Board of Directors, the Supervisory Board and the Executive Board of Directors, in the meetings held.

During 2019, the Board of Directors held fourteen meetings and its secretarial services were administered by the Company Secretary, with minutes having been drawn up of all the meetings.

The attendance records, through presence or representation, of each one of the members of the Board of Directors at meetings is shown in the following tables:

Non-Executive Members of the Board of Directors	Attendance in Person	Attendance by Representation	Attendance by electronic means	Total Attendance
Nuno Manuel da Silva Amado	100,00%	0	0	100,00%
Jorge Manuel Baptista Magalhães Correia	100,00%	0	2	100,00%
Valter Rui Dias de Barros	100,00%	0	1	100,00%
Ana Paula Alcobia Gray	100,00%	0	1	100,00%
Cidália Maria Mota Lopes	100,00%	0	0	100,00%
Fernando da Costa Lima(*)	100,00%	0	1	100,00%
José Manuel Alves Elias da Costa(**)	71,43%	0	0	71,43%
Julia Gu	100,00%	0	5	100,00%
Lingjiang Xu	100,00%	0	1	100,00%
Teófilo César Ferreira da Fonseca	100,00%	0	2	100,00%
Wan Sin Long	92,85%	0	1	92,85%

(*) Co-opted by the Board of Directors at a meeting held on 23 April 2019 having the same been ratified by the General Meeting of Shareholders on 22 May 2019.

(**) Suspended his duties on 23/11/2019 due to health reasons and resumed functions on 15/01/2020).

Executive Members of the Board of Directors	Attendance in Person	Attendance by Representation	Attendance by electronic means	Total Attendance
Miguel Maya Dias Pinheiro	100,00%	0	0	100,00%
Miguel de Campos Pereira de Bragança	100,00%	0	0	100,00%
João Nuno de Oliveira Jorge Palma	100,00%	0	0	100,00%
José Miguel Bensliman Schorcht da Silva Pessanha	100,00%	0	0	100,00%
Maria José Henriques Barreto Matos de Campos	100,00%	0	0	100,00%
Rui Manuel da Silva Teixeira	100,00%	0	0	100,00%

During the financial year of 2019, the Executive Committee adopted an unanimous resolution in writing and met fifty-five times, being the secretarial services provided by the Company Secretary who timely provided the supporting documents to all EC members. Minutes of meetings were drawn from al, the meetings held. The Chairpersons of the Board of Directors, of the Audit Committee and of the Committee for Risk Assessment have access to the agendas and to the minutes of meetings of the Executive Committee, as well as to the meeting's supporting documents, which are remitted to them by the Company Secretary.

The attendance level of each member of the Executive Committee at meetings held is shown in the following table:

Executive Members of the Board of Directors	Attendance in Person	Attendance by Representation	Attendance by electronic means	Total Attendance
Miguel Maya Dias Pinheiro	100.00%	0	0	100.00%
Miguel de Campos Pereira de Bragança	100.00%	0	0	100.00%
João Nuno de Oliveira Jorge Palma	100.00%	0	0	100.00%
José Miguel Bensliman Schorcht da Silva Pessanha	100.00%	0	0	100.00%
Maria José Henriques Barreto Matos de Campos	100.00%	0	0	100.00%
Rui Manuel da Silva Teixeira	100.00%	0	0	100.00%

The composition, the number of annual meetings of the administration, supervisory bodies and of its committees are available for, at least, ten years on the Bank's website, at the following page:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

24. Details of competent corporate boards undertaking the performance appraisal of executive directors

In accordance with article 115-B (2) (d) the nominations committee is responsible for assessing,at least once a year, the knowledge, competences and the experience of each one of the members of the administration and supervisory bodies as a whole and report to them their findings.

In accordance with the provisions of this legal requirement, the Board of Directors, using the competence vested by article 37 (1) of the Bank's Articles of Association and by article 6 (2) and 7 (2.3 to 2.5) of its own Regulations, has constituted specialised committees, exclusively composed by non-executive members of the Board of Directors, to whom attributed the duty to monitor certain specific matters on a permanent basis.

To this purpose, it created the Committee for Nominations and Remunerations and endowed it with competences to assess if all members of the management and supervision bodies have and ensure the competences and the suitability requirements necessary for the functions exercised or to be exercised.

The Committee for Nominations and Remunerations, within the scope of its competences, acts in accordance with article 30-A (1) and article 115-B (2.d) of the Legal Framework for Credit Institutions and Financial Companies, Instruction of Banco de Portugal nr. 23/2018 dated 05 November 2018 and the European legislation in effect, and also with item 4 of the Draft of the Guide to fit and proper assessments of the members of management bodies of the European Central Bank of May 2018, as well as the recommendations from the European Securities and Markets Authority set forth in the guidelines on the assessment of the suitability of members of the corporate bodies and holders of key functions, EBA/GL/2017/12 of 26 September applicable as of 30 June 2018.

The Committee for Nominations and Remunerations is composed by three non-executive directors (see item 27.b), two of which have been qualified as independent.

The Committee for Nominations and Remunerations, within the scope of evaluation, has the following competences:

- Make, at least every year, recommendations on candidates to members of the Bank's management and supervisory bodies, observing the Fit & Proper Assessment process, evaluating, among other things, the respective profile in terms of good repute, professional qualification, independence and availability for exercising the office;
- Resolve on the appointment of members to the corporate bodies in credit institutions and financial companies of the group;
- Make an evaluation or a re-evaluation report on individuals for elective position with the purpose of placing it at the disposal of the general meeting within the scope of the respective preparatory information;
- Evaluate, at least once a year, the performance, knowledge, competences and experience of each one of the members of the administration and supervisory bodies and of those bodies as a whole and report the respective results to those bodies, giving cognizance of the same to the Remunerations and Welfare Board;

The Board of Directors promoted the process of evaluation of the members of the Board of Directors and the Committee for Nominations and remunerations approved, in February 2019, the self-assessment questionnaires which were handed out to all members of the Board of Directors.

In March 2019, the Committee for Nominations and Remunerations approved the final version of the Report on the evaluation of the suitability of the management and supervisory bodies, which includes the individual analysis of each member of the Management and supervisory Bodies, based on the requirements of good repute, professional qualification, independence, accumulation of positions and availability, and the collective institutional assessment of said management and supervisory bodies, prepared in full compliance with the requirements of the Questionnaire, attached to the Instruction of Banco de Portugal no. 23/2018.

25. Pre-determined criteria for the evaluation of the manner of appointment, profile, knowledge and performance of the executive directors and senior managers

On 30 May 2018, the General Meeting of Shareholders approved by a majority of 99.71% of the votes cast, the internal policy for the selection and evaluation of the suitability of the members of the management and supervisory bodies, including the "Succession Plan of the Bank" that establishes, among other provisions, the following:

- power to elect the members of corporate bodies;
- selection policy;
- composition of the Board of Directors;
- specific and minimum requirements for the exercise of management and supervisory functions;
- specialized committees of the Board of Directors.

The Succession Plan for the Bank's Board of Directors is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/

The Committee for Nominations and Remunerations is strongly convinced that the selection of the members of the corporate bodies is of the exclusive competence of the shareholders as owners of the capital, and should not abdicate from the right to select the individuals that, at each moment, it considers more adequate to manage their assets.

Convicted that there are other values to safeguard beyond the shareholder's interests, the Committee for Nominations and Remunerations evaluates the candidates to members of the corporate bodies and senior managers proposed to it by the shareholders by means of clear and transparent rules, namely those from the Guide to fit and proper assessments of the members of the Corporate Bodies published by the European Central Bank in May 2018, the ESMA and EBA Guidelines on suitability of members of the management bodies and key function holders which entered into effect on 30 June 2018, together with the Banco de Portugal Instruction 23/2018 of November 5, if applicable.

The process for the authorization for the exercise of functions concerning the members of the administration and supervisory bodies of credit institutions, among which is the Bank, remains subject to the supervision from Banco de Portugal and from the European Central Bank and, in that sense, and regarding the members of the administration and supervisory bodies, the effectiveness of the election made at the General Meeting of Shareholders may remain subject to the suspensive condition of obtaining authorization for the exercise of functions.

The curricula of candidates for members of the management and supervisory bodies and other documentation that, according to the law are given to shareholders, are available on the Bank's website, on the page with the following address.

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/2018/Ponto-8b-PT.pdf

The Committee for Nominations and Remunerations is also competent to assess, at least once a year, the suitability, knowledge, competences, experience, the practical and theoretical experience, the professional qualification, independence, incompatibilities and the specific and minimum requirements for the exercise of the position of each one of the members of the administration and supervisory bodies, including the executive directors, assessing also the suitability of the whole administration body and senior managers;

Pursuant to article 3 of its Regulations and being the body responsible for the Bank's nomination policy, the Committee for Nominations and Remunerations actively contributes to compliance with the institutional obligations with respect to the endorsement of suitable policies on individual and collective assessment of the members of the management and supervisory bodies.

With a view to optimising the appropriate performance of its duties, the Committee for Nominations and Remunerations uses external consultants specialised in consulting services in talent areas to assist in the transparent, strict and rigorous process of assessment of suitability and performance of the members of the Board of Directors, including the Executive Committee, in accordance with, namely, the following specific and predefined criteria:

- good repute;
- qualification, theoretical training and practical experience;
- practical and theoretical professional experience, capacity to apply the competences acquired in previous positions;
- availability, diligence in the performance of the respective duties with the necessary commitment of time and attention;
- making of focused decisions;
- independence for the exercise of the position;
- conflicts of interest and independence of mind;
- risk perception and decision-making capacity;
- drive towards institutional growth;
- collective aptitude;
- acting with loyalty and weighing up of the interests of the company and of all its stakeholders;
- strategic vision, independence, transparency and good repute;
- proportionality and evaluation on a case-by-case basis;
- assessment of aptitude and performance on a continuous basis;
- fairness and respect for procedural guaranties;
- interaction with supervision.

Within the scope of the evaluation process, each one of the members of the Board of Directors filled in a self-assessment questionnaire aiming at assessing the compliance with legal suitability requirements for the exercise of the functions, namely, good repute, knowledge, experience and availability. Based on the collected information and supplemented by a matrix of collective appraisal, pursuant to Annex II of Banco de Portugal Instruction 23/2018, the Committee for Nominations and Remunerations prepares, with the assistance from the advising company Ernst &Young, that ensures the provision of the services to the company with independence, an assessment report for each member of the administration and supervisory bodies and of these bodies as a whole.

The conclusions reached by the assessment regarding the 2019 financial year were submitted by the Committee for Nominations and Remunerations to the Board of Directors for approval.

In addition, the qualifications of the members of the management bodies have been improved through training actions by own initiative of the members or promoted by the Bank provided by external trainers with a recognized technical expertise. The company provides in the digital platform of support to the members of the Board of Directors, denominated "*Diligent Boards*" a briefing of the most relevant domestic and EU legislation within the scope of the banking regulation and supervision.

26. The availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year

According to the assessments that have been made, it was found that each executive and non-executive member of the Board of Directors showed willingness and dedicated to the performance of his/her duties the necessary time, proportional to the importance of the matters to be addressed, assessed in the light of the interest that the different issues pose to the company, as well as of the specific tasks entrusted to each member.

A - Non-Executive Members of the Board of Directors and of the Audit Committee

NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Exercise of Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors Member for the International Strategy Board	Chairman of the Board of Curators of Fundação Millennium bcp Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland) Vice-Chairman of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.	Member of the Supervisory Board of EDP – Energias de Portugal, S.A.	Member of the Board of Auditors of Fundação Bial Member of the General Board of Universidade de Lisboa Chairman of the Senior Board of the Alumni Clube ISCTE Member of the Advisory Board of BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português, S.A.	Non-independent (a)	Complies
Jorge Manuel Baptista Magalhães Correia	1st Vice-Chairman of the Board of Directors Chairman of the Remuneration and Welfare Board		Member of the Board of Directors and member of the Corporate Governance Committee of REN – Redes Eléctricas Nacionais, SGPS, S.A. Chairman of the Board of Directors of Luz Saúde, S.A. Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Fidelidade - Companhia de Seguros, S.A.		Not Independent (b)	Complies
Valter Rui Dias de Barros	2nd Vice-Chairman of the Board of Directors Member of the Audit Committee Member of the Committee for Corporate Governance, Ethics and Professional Conduct		Chairman of the Board of Directors of Recredit - Gestão de Ativos, S.A. (Angola)		Not Independent (b)	Complies
Ana Paula Alcobia Gray	Member of the Board of Directors Member of the Committee for Risk Assessment Member of the Remunerations and Welfare Board				Not Independent (b)	Complies
Cidália Maria Mota Lopes	Member of the Board of Directors Chairwoman of the Audit Committee		Professor at the Coimbra Business School – ISCAC on tax issues Invited Professor at Faculdade Economia – Universidade de Coim	Member of the Scientific Board of the Portuguese Fiscal Association (AFP)	Independent	Complies
Fernando da Costa Lima	Member of the Board of Directors Member of the Audit Committee		Non-Executive Director of Euronext Lisbon Non-Executive Director of NetInvoice, S.A. Advisor at Comissão do Mercado de Capitais (CMC) Lu		Independent	Complies
José Manuel Alves Elias da Costa	Member of the Board of Directors Chairman of the Committee for Nominations and Remunerations Member of the Committee for Corporate Governance, Ethics and Professional Conduct Member of the Committee for Risk Assessment				Independent	Complies
Julia Gu	Member of the Board of Directors		Vice-Chairwoman of Group Fosun High Technology (Group) CO., Ltd. Member of the Executive Board of Directors - Mybank Chairwoman - Zhangxingbao (Network Technology Co., Ltd.)		Not Independent (b)	Complies
Lingjiang Xu	Member of the Board of Directors Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct Member of the Committee for Nominations and Remunerations	Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Non-Executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, SA Chairman of the Board of Directors of Logrun Portugal, SGPS, S.A.		Not Independent (b)	Complies
Teófilo César Ferreira da Fonseca	Member of the Board of Directors Chairman of the Committee for Risk Assessment Member of the Committee for Nominations and Remunerations				Independent	Complies
Wan Sin Long	Member of the Board of Directors Member of the Audit Committee Member of the Committee for Risk Assessment		Chairman of the Executive Board of Directors of Great Win Consultancy Limited		Independent	Complies

(a) The Director in question exercised the position of executive director in the previous term-of-office (2015/2017). The non independence is established in accordance of Item 91.a.,of the EBA/GL/2017/12 Guidelines of 26 September 2017.

(b) The director in question is connected to a shareholder with a qualifying stake.

B - Executive Members of the Board of Directors

EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Exercise of Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Miguel Maya Dias Pinheiro	Chairman of the Executive Committee 3rd Vice-Chairman of the Board of Directors Member for the International Strategy Board	Manager of the company BCP África, SGPS, Lda. Member of the Supervisory Board of Bank Millennium, S.A. (Poland) Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Chairman of the Board of Curators of Fundação Millennium bcp	Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.	Member of the Senior Board - Alumni Clube ISCTE Member of the Advisory Board of BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável, Member of the Advising Board of INDEG/ISCTE Executive Education	Executive	Complies
Miguel de Campos Pereira de Bragança	Member of the Board of Directors Vice-Chairman of the Executive Committee	Manager of the company BCP África, SGPS, Lda. Manager of the company Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda. Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Non-Executive Director of UNICRE – Instituição Financeira de Crédito, S.A., on behalf of Banco Comercial Português, S.A. Non-executive Director of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A. Manager of Quinta das Almoinhas Velhas - Imobiliária, Lda.		Executive	Complies
João Nuno de Oliveira Jorge Palma	Member of the Board of Directors Vice-Chairman of the Executive Committee	Chairman of the Board of Directors of Banque Privée BCP (Suisse), SA Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.			Executive	Complies
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Board of Directors Member of the Executive Committee	Chairman of the Audit Committee of Millennium bcp Ageas Grupo Segurador, SGPS, S.A. Vice-Chairman of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Vice- Chairman of the Board of Directors of Ageas - Sociedade Gestora de Fundos de Pensões, S.A. (Formely Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) Chairman of the Audit Committee of Ageas – Sociedade Gestora de Fundos de Pensões, S.A. (Formely Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland) Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.	Member of the Board of Directors of Banco Millennium Atlântico, S.A. Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.		Executive	Complies
Maria José Henriques Barreto Matos de Campos	Member of the Board of Directors Member of the Executive Committee	Chairwoman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE			Executive	Complies
Rui Manuel da Silva Teixeira	Member of the Board of Directors Member of the Executive Committee	Member of the Board of Directors of Millennium bcp Ageas - Grupo Segurador SGPS, S.A. Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A. Member of the Board of Directors of Ageas – Sociedade Gestora de Fundos de Pensões, S.A. (Formerly Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.) Chairman of the Board of Directors of Interfundos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A. (in representation of Banco Comercial Português, S.A.) Member of the Remunerations Committee of SIBS, SGPS, S.A. (As representative of Banco Comercial Português, S.A.). Member of the Remunerations Commission of SIBS Forward Payment Solutions, S.A. (in representation of Banco Comercial Português, S.A.)	Chairman of the Board of the General Meeting of the Associação Porto Business School (PBS), in representation of Banco Comercial Português, S.A.	Executive	Complies

c) Commissions of the Board of Directors (BoD)

27. Details of the committees created within the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and the place where the rules on the functioning thereof is available

In addition to the Audit Committee and the Executive Committee, the Bank's Board of Directors, in order to ensure and contribute to the good and appropriate performance of the duties that are legally and statutorily entrusted to it, appointed three other specialised committees exclusively composed by non-executive directors, responsible for monitoring specific matters, which are identified as follows:

a) Committee for Risk Assessment

The Committee for Risk Assessment, established in accordance the provisions of article 115-L of the Legal Framework for Credit Institutions and Financial Companies, is composed of three to five non-executive directors, appointed by the Board of Directors.

In the 2019 financial year, within the scope of the term-of-office 2018/ 2021, the Committee for Risk Assessment was composed as follows:

Chairman: Teófilo César Ferreira da Fonseca (Independent)

Members: Ana Paula Alcobia Gray (Non- Independent)

José Manuel Alves Elias da Costa (Independent)

Wan Sin Long (Independent)

Within an universe of four members that compose the Committee for Risk Assessment, two members (75%) are qualified as independent.

In accordance with the Bank's articles of association, the Committee for Risk Assessment follows-up and monitors the strategy and the appetite for risk of the company and advises the Board of Directors on strategies and policies regarding the assumption, management and reduction of the risks the Bank is facing or may be subject to.

All the members of this committee have appropriate knowledge, competences and experience to be able to understand, analyse and monitor the specific categories of risk faced by the company, appetite for risk and the defined risk strategy, as confirmed by the respective curricula attached to the present Report.

Within the scope of its activities, the Committee for Risk Assessment must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

Among the competences of the Committee for Risk Assessment, the following are highlighted:

- advise the Board of Directors on risk appetite, risk strategy, risk capacity and risk culture, including the Bank's policies for identifying, managing and controlling the risks;
- assist the Board of Directors in the supervision of the execution by the top management of the Bank's risk strategy;
- analyse if the conditions of the main products and services offered to customers take into consideration the Bank's business model and risk strategy;
- examine if the incentives established in the remunerations policy take into consideration the risk, capital, liquidity and expectations concerning income;
- monitor the management of material risks to which the Bank is exposed, particularly the large risks, using appropriate indicators and metrics;
- support the Board of Directors in the assessment of the risk strategies of the main subsidiaries abroad;
- assess the impact of changes to the Bank's perimeter on the Bank's risk profile and whether such changes are compatible with the approved risk appetite;
- monitor the effectiveness of policies, methodologies and models used to evaluate assets, especially observing the valuation results of the respective impairment;
- monitor the effectiveness of capital and liquidity contingency plans, as well as the business continuity plan;
- periodically monitor the report on the main risk indicators;
- engaging the provision of services by experts to assist one or several of its members in the exercise of his/her/their functions, taking into account the importance of the issues in question;
- decide on the Group Codes that are within its competence.

In the exercise of its functions, the Committee for Risk Assessment has the specific competences delegated by the Board of Directors, namely:

- monitor and intervene in the process of identification of risks and of development of the risk strategy both in the Bank and in the Group, issuing an opinion to the Board of Directors on its adequacy, notwithstanding the competences of the responsible bodies of the local entities;
- monitor and intervene in the process to review the Group's Risk Appetite Framework, issuing an opinion for the Board of Directors on its adequacy and monitor the evolution of the Risk Appetite Statement;
- follow-up capital (ICAAP) and liquidity (ILAAP) planning processes issuing an opinion for the Board of Directors with the respective conclusions;
- analyse and approve the conclusions of the regular procedures for monitoring ICAAP and ILAAP;
- approve the scenarios proposed for internal stress tests, as well as the respective results;

- monitor and intervene in the process to revise the Recovery Plan, issuing an opinion for the Board of Directors;
- monitor the evolution of the process for preparing and executing the NPEs reduction plan;
- ensure that the risk management activities are subject to periodical revisions and possess technical independence and also that the individual in charge of the risk management function may report directly to the Audit Committee and cannot be dismissed without the prior approval of that Committee;
- giving an opinion on the technical and professional adequacy of the candidate to Risk Officer;
- issuing an opinion on the Bank's Risk Guidelines and on the Compliance Policies Manual or on changes to be introduced therein.

For the exercise of its functions, the Committee for Risk Assessment has access to information on the Bank's risk situation and is entitled to determine the nature, quantity, format and frequency of the information concerning risks that it should receive. This Committee also implements internal procedures for communication with the Board of Directors and Executive Committee.

The Committee will inform the Board of Directors of its activities by means of a detailed quarterly report, without prejudice to the duty of reporting to the Chairperson of the Board of Directors any and all situations the Committee finds and deems to be of high risk.

During 2019, the Committee held fourteen meetings and minutes of meetings were drawn from all the meetings and received the logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the head of this office.

Attendance of the Audit Committee meetings by each of its members is shown in the following table:

Members of the Committee for Risk Assessment	Number of Meetings Attended	Effective Participation Index
Teófilo César Ferreira da Fonseca	14	100.00%
Ana Paula Alcobia Gray	13	92.85%
José Manue Alves Elias da Costa (*)	12 (**)	100.00%
Wan Sin Long	12	85.71%

(*) Suspended functions due to health reasons, during December

(**) Attended all meetings where the mandate was not suspended

The Regulations of the Committee for Risk Assessment are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_CNR.pdf

b) Committee for Nominations and Remunerations

The Committee for Nominations and Remunerations, established in accordance the provisions of article 115-B and H of the Legal Framework for Credit Institutions and Financial Companies, is composed of three to five non-executive directors, appointed by the Board of Directors.

The composition of the Committee for Nominations and Remuneration is in accordance with the provisions of the Committee's regulations since all its members are non-executive directors and any member is also a member of the Bank's Audit Committee.

During 2019, the Committee for Nominations and Remunerations was composed as follows:

Chairman: José Manuel Alves Elias da Costa (Independent)

Members: Lingjiang Xu (Non Independent)

Teófilo César Ferreira da Fonseca (Independent)

Within an universe of three members that compose the Committee for Nominations and Remunerations, two members (66.66%) are qualified as independent.

All the members of this Committee possess the knowledge, competences and professional experience suitable for the good exercise of their functions.

Within the scope of its activities, the Committee for Nominations and Remunerations must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

Among the competences of the Committee for Nominations and Remunerations, the following are especially important:

- at least once a year, approve or review the Remuneration Policy of the Members of Corporate Bodies and of the Staff and its execution regulation, securing the long-term interests of the shareholders, the investors and other stakeholders, as well as an appropriate management of the risk, the capital and liquidity;
- regarding the members of the corporate bodies, submit the conclusions of the work carried out pursuant to the previous paragraph to the Remunerations and Welfare Board, aiming at the preparation of a joint proposal, which will be addressed to the Annual General Meeting;
- under proposal of the Executive Committee, approve the decisions regarding any type of remuneration of the Heads of Division reporting directly to the Board of Directors and of those responsible for risk taking and for control functions;
- resolve on the appointment of all employees who are managers reporting directly to the Board of Directors or to any of its Committees, including the Executive Committee;
- monitor the independence of employees responsible for risk taking and control functions from the areas they control, including the powers given to them;
- proceed, every year, with the performance evaluation of the Heads of Compliance, Audit and Risk;
- verify the implementation of and the compliance with the remuneration policies and procedures adopted by the competent corporate body;
- receive and assess the results of the Organisational Environment Questionnaires;
- decide on the Group Codes that are within its competence;
- monitor, every year, the human resources and staff management policy.

In general, exercise all the competences attributed to the Committee for Nominations and Remunerations under the provisions of the Legal Framework for Credit Institutions and Financial Companies and remaining domestic and EU legislation in force.

The Committee for Nominations and Remunerations is also competent to, on a yearly basis and if, necessary, submit for approval by the Board of Directors a regulation for the execution of the Board of Directors' Succession Plan, describing the concepts that should preside to the selection of members of the management body.

For the correct performance of its functions, the Committee for Nominations and Remunerations, may use all technical means that it deems fit, including resorting to external advisers; all expenses shall be paid by the Bank.

Regarding the competences of the Committee for Nominations and Remunerations to carry out the assessment of the performance of the executive directors, please see the information provided in Item 24.

During the 2019 financial year, the Committee adopted four unanimous resolutions in writing and met twelve times, having been written up and approved minutes of meetings and had the logistic and technical support of the Company Secretary Office. The Company Secretary acted as the Committee's secretary.

Attendance of the Committee for Nominations and Remunerations meetings by each of its members is shown in the following table:

Members of the Committee for Nominations and Remunerations	Number of Meetings Attended	Effective Participation Index
José Manue Alves Elias da Costa (*)	10 (**)	100.00%
Lingjiang Xu	12	100.00%
Teófilo César Ferreira da Fonseca	12	100.00%

(*) Suspended functions due to health reasons, during December

(**) Attended all meetings where the mandate was not suspended

The Regulations of the Committee for Nominations and Remunerations is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Regimento_CNR_EN.pdf

c) Committee for Corporate Governance, Ethics and Professional Conduct

The Committee for Corporate Governance, Ethics and Professional Conduct is composed of three to five non-executive members, appointed by the Board of Directors.

During 2019, the Committee for Corporate Governance, Ethics and Professional Conduct was composed as follows:

Chairman: Lingjiang Xu (Non Independent)

Members: José Manuel Alves Elias da Costa (Independent)

Valter Rui Dias de Barros (Non- Independent)

Within an universe of three members that compose the Committee for Corporate Governance, Ethics and Professional Conduct , one member (33.33%) is qualified as independent.

All the members of the Committee for Corporate Governance, Ethics and Professional Conduct have professional qualifications acquired through academic qualification, professional experience or specialised training appropriate to the performance of their duties, as confirmed by the respective curricula attached to the present report.

Within the scope of its activities, the Committee for Corporate Governance, Ethics and Professional Conduct must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

The competences of the Committee for Corporate Governance, Ethics and Professional Conduct include the following, in particular:

- recommend the adoption by the Board of Directors of policies, compliant with ethical and professional conduct principles, rules and procedures necessary to comply with the provisos of these Regulations and with the applicable legal, regulatory and statutory requirements, as well as with recommendations, standards and best domestic and international practices in corporate governance;
- supporting the Board of Directors in the evaluation of the systems that identify and solve conflicts of interests;
- issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles;

- every time it deems necessary, submit to the Board of Directors a report on the evaluation and monitoring of the structure, ethical and professional conduct principles and corporate governance practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these issues;
- cooperate in the making of the Corporate Governance Annual Report concerning issues for which it is responsible;
- issue an opinion on the Annual Sustainability Report, concerning issues for which it is responsible;
- every time it deems necessary, submit to the Board of Directors a proposal on the guidelines for the Company's policies, based on a culture identified with the ethical and professional conduct principles targeted at contributing for the pursuit of social responsibility and sustainability goals. Proposing, particularly, guidelines for the social responsibility and sustainability policies of the Company, including, among other, the values and principles for safeguarding the interests of the shareholders, investors and of those interested in the institution and also principles of social charity and environmental protection;
- perform any other competences or responsibilities delegated to the Committee for Corporate Governance, Ethics and Professional Conduct by the Board of Directors;
- decide on the Group Codes that are within its competence.

In the financial year of 2019, the Committee for Corporate Governance, Ethics and Professional Conduct adopted a unanimous resolution in writing and met two times and minutes of meetings were drawn from all the meetings. It received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

Attendance of the Committee for Corporate Governance, Ethics and Professional Conduct meetings by each of its members is shown in the following table:

Members of the Committee for Corporate Governance, Ethics and Professional Conduct	Number of Meetings Attended	Effective Participation Index
Lingjiang Xu	2	100.00%
José Manue Alves Elias da Costa (*)	2	100.00%
Valter Rui Dias de Barros	2	100.00%

(*) Suspended functions due to health reasons, during December

The Regulations of the Committee for Corporate Governance, Ethics and Professional Conduct are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

28. Composition of the executive Board and/or details of the board delegate/s, where applicable.

The composition of the Bank's Executive Committee is as follows:

Chairman:	Miguel Maya Dias Pinheiro
Vice-Chairmen:	Miguel de Campos Pereira de Bragança
	João Nuno de Oliveira Jorge Palma
Members:	José Miguel Bensliman Schorcht da Silva Pessanha
	Maria José Henriques Barreto Matos de Campos
	Rui Manuel da Silva Teixeira

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers

The competences of each of the specialised committees created within the Board of Directors are as follows:

Audit Committee - On this matter, see the information presented in item 21. - Audit Committee

Executive Committee - On this matter, see the information presented in item 21. - Executive Committee

Committee for Risk Assessment - On this matter, see the information presented in item 27. a).

Committee for Nominations and Remunerations - On this matter, see the information presented in items 24, 25 and 27 b).

Committee for Corporate Governance, Ethics and Professional Conduct - On this matter, see the information presented in item 27. c).

III. SUPERVISION

a) Composition

30. to 32. Identification, composition and qualification concerning the independence requirement of the body and supervision - the Audit Committee

See the information presented in items 10, 17, 18, 21. – Audit Committee and 26.

33. Professional qualifications, as applicable, of the members of the Board of Auditors, the Audit Committee, the Supervisory Board or the Financial Matters Committee and other curricula data deemed relevant, being allowed a remittance to an item of the report where that information is already disclosed

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report.

These data are updated whenever justified and remain available at all times at the Bank's website at the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

b) Functioning

34. Availability and place where the rules on the functioning of the Board of Auditors, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21 - Audit Committee.

35. The number of meetings held and the attendance report for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21 - Audit Committee.

36. The availability of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of these Boards throughout the financial year, and reference to the section of the report where such information already appears

On this matter, see the information presented in item 26.

d) Competence and duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

The Bank follows best practices in terms of assured independence in the contracting of services rendered by the external auditors, namely, in international terms, Commission Recommendation 2005/162/EC of 15 February 2005, Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, amending Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 (8th EU Company Law Directive), on statutory audits of annual accounts and consolidated accounts, Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Finally, at national level, the commercial legislation, the recommendations and regulations of the Comissão do Mercado de Valores Mobiliários (CMVM), Law nr. 248/2015 of 9 September, which approved the Legal Framework for the Supervision of Audit, and the stipulations, as specifically applicable, in the Statute of the OROC (Portuguese Chartered Accountants Association) approved by Law 140/2015 of 7 September, which partially transposes to the internal legal system the aforesaid Directive 2014/56/EU and assures the implementation of Regulation (EU) 537/2014. The Bank's Articles of Association explicitly list, among the competences of the Audit Committee, that of supervising the independence of the Statutory Auditor and External Auditor, in particular with respect to the provision of additional services.

The Audit Committee, as the Group's supervisory body, has promoted the adoption of rules that assure the independence of the external auditors, and compliance with such rules is assessed and examined on an annual basis, in relation to the Group's various bodies and, at the same time, aimed at avoiding the possible creation of situations of conflicts of interest within the entity providing the Group's legal review of accounts or audit services, creating preventive mechanisms for the approval of additional services and fees.

The Audit Committee also has powers to supervise the engagement of external auditors to provide, to the Bank or to any of the companies that are part of Group Banco Comercial Português, any of the services envisaged in the internal regulations Group Regulations – GR0022 – Policy for the Approval of Services provided by External Auditors.

Through said Regulations that embody the principles presented in the national and international regulations, the Group endorses and systematises a series of rules regarding:

- the classification of the services rendered by the external auditors:
- the definition of the set of services that are not Audit, which the external auditor is not allowed to provide to any entity of the Group;
- definition of the set of services that are not related to Legal Review or Audit, which may be provided to the Group under specific stipulated circumstances;
- approval by the Audit Committee of all services engaged to be provided by the external auditor, creating different rules for the authorizations according to the type of services in question;
- provision to the Audit Committee of internal control information on the established principles and guidelines.

The Audit Committee issues an opinion on the work plans and on the resources allocated to the internal control services, including the control on the compliance with the rules the Company has to observe (compliance services and internal audit). The Audit Committee is the recipient of the reports made by these services, including matters related with the provision of accounts, identification and resolution of conflicts of interests and detection of potential irregularities.

In line with the guidelines ESMA/70/151/1439 de 05/04/2019, the Policy for the Prevention and Management of Conflicts of Interest (GR0038) is object of an annual review for confirmation of its adequacy to the respective legal and regulatory framework and purpose, without damaging an eventual further revisions when deemed justified.

The Audit Committee also continuously controls and monitors the effectiveness of the ICS (Internal Control System), of the RMS (Risk Management System), as regards the process of preparation and disclosure of financial information, and the Internal Audit function,

38. Other duties of the supervisory body and, where appropriate, the Financial Matters Committee

On this matter, see the information presented in item 21 – Audit Committee and preceding item 37.

IV. STATUTORY AUDITOR (including the Policy for the Selection and Evaluation of External Auditors and of the Statutory Auditor (ROC)

The Policy for the Selection and Evaluation of the External Auditors and of the Statutory Auditor is part of the internal service order no. 0209.

This one defines

(i) The criteria and the process for the selection of the statutory auditor;

(ii) The methods used by the company to communicate with the statutory auditor;

(iii) The supervisory procedures designed to ensure the independence of the Statutory Auditor;

(iv) Other than auditing services which can not be provided by the statutory auditor.

The selection of the Statutory Auditor is based on the criteria and requirements mentioned below which are taken into account by the Audit Committee in the evaluations it carries out, either within the scope of the selection of candidates to present to the General Meeting of Shareholders, or in the subsequent evaluations it makes, at least once a year.

Quality of the Service Provided

The Statutory Auditor must show that he/she has the sufficient knowledge, qualifications and experience to provide a high quality service, being, namely, relevant, the following criteria and requirements:

- the reputation of the statutory auditor, being considered the way he/she exercises the profession as well as the capacity to make objective decisions, weighted and assertive, adopting behaviours and enjoy public reputation able of giving confidence to the market;
- timely compliance with agreed calendars and deadlines;
- being proactive in the endeavour to, in a timely manner, get information related with business risks or other so as to identify and resolve any issues in due time, adjusting itself rapidly to alterations in risks, studying and presenting credible alternatives for debate ?
- provision of quality audit services, at a controlled cost and with reasonable fees regarding any additional services provided.

Resources allocated to the Audit

Regarding the resources allocated to the services provided by the Statutory Auditor to BCP, the following should be evaluated:

- the technical competence of the statutory auditor and respective team, as well as the capacity to apply his/her knowledge in order to provide a service of quality within the agreed scope, as well ensure a realistic, technically grounded and independent analysis;
- the adequacy of knowledge versus the size of the Bank, the business risks, the specific systems and operations inherent to the complexity of the activities pursued by the company.

Communication and Interaction

Concerning the communication and interaction between the bank and the statutory auditor, the first should evidence the capacity and concern in keeping the Ban adequately informed of the developments introduced in the accounting principles and frameworks and in the rules to be observed by the Bank and entities of the Group, including eventual relevant impacts on the activity pursued by the statutory auditor.

Independence, Objectivity and Professional Scepticism

The statutory auditor must be independent and, in the periodical evaluations it is subject to, are taken into consideration, namely, the following requirements:

- integrity and objectivity, as well as an attentive and interrogatory attitude;
- the absence of conflicts of interests;
- independence
- the experience to identify, communicate and adequately solve issues with a technical nature that may arise in the course of the works.

39. Identification of the statutory auditor and its representative partner statutory auditor

The current effective Statutory Auditor is Deloitte & Associados – SROC, S.A., registered in the OROC under no. 43 and in CMVM with no. 231 represented by its partner Paulo Alexandre de Sá Fernandes, ROC nr. 1456 and alternatively by Jorge Carlos Batalha Duarte Catulo, ROC n.º 992.

40. State the number of years that the statutory auditor consecutively carries out duties with the company and/or group

The company Deloitte & Associados SROC, S.A was elected for the first time on 21 April of 2016 and re-appointed for the two-year period 2019/2020; therefore it performs functions consecutively for 4 years and is currently in its second term-of-office.

41. Description of other services rendered by the statutory auditor to the company

On this matter, see the information presented in item 46.

V. EXTERNAL AUDITOR

The Policy for the Selection and Evaluation of External Auditors is detailed in the internal service order no. 0209 already duly approached in Chapter IV.

42. Identification of the external auditor appointed for the purposes of article 8 and its corresponding representative partner statutory in the performance of duties, together with the CMVM's registry number

The Bank's external auditor and the statutory auditor is Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered in OROC under nr. 43 and registered in CMVM under nr. 2016/1389, represented permanently by its partner Paulo Alexandre de Sá Fernandes registered in OROC under nr. 1456 and in CMVM under nr. 2016/1066 and alternately by Jorge Carlos Batalha Duarte Catulo, registered in OROC under no. 992 and in CMVM under no.2016/0607.

43. Number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group.

The company Deloitte & Associados SROC, S.A was elected for the first time on 21 April of 2016 and re-appointed for the two-year period 2019/2020; therefore, it performs functions consecutively for 4 years and is currently in its second term-of-office.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

The Bank complies with the rotation rules laid down in Article 17 of Regulation (EU) No. 537/2014 of the European Parliament and Council, of April 16, 2014 and Article 54 of Law No. 140/2015 , of September 7 and, therefore, its External Auditor and the Statutory Auditor will not perform functions for more than three terms and the initial term of office combined with any renewal thereof shall not exceed the maximum duration of ten years.

45. Details of the Board responsible for assessing the external auditor and the regular intervals when said assessment is carried out

The Audit Committee is, under the terms of the Bank's Articles of Association, the body responsible for assessing the quality of the services rendered by the external auditor and respective partner Statutory Auditor, under the terms referred to in item 21 - Audit Committee and in item 37.

This assessment highlights the professionalism of the auditors, transparency, ethics, quality control and good performance. The Audit Committee permanently monitors the activity of the external auditor and respective partner statutory auditor, in particular appraising in particular the conclusions of the audit to the financial statements, on an individual and consolidated basis, analysing the conclusions of the Desktop Review of the financial statements of the 1st and 3rd quarters and the Limited Review of the half-year interim financial statements. It holds meetings with them whenever necessary.

The Audit Committee annually assesses the quality of the services provided by external auditors,regarding the quality of the service provided as well as of their independence, objectivity and critical requirements demonstrated in the performance of their duties. The Bank officials who maintain relevant contact with the Auditors take part in this evaluation.

See the information presented in item 21; - Audit Committee

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment. Apart from the Audit work, which includes legal review of accounts services and other reliability assurance services, the fees charged by KPMG include also the payment of the following services:

- Tax Advisory Services – tax advisory services to the Group in Portugal and abroad, in which the external auditor intervenes pursuant to a legal requirement;
- Services other than legal review of accounts, namely: (i) Reliability assurance services, (ii) Tax advisory services and (iii) Services other than legal review - provided within the scope of services other than legal review, which are permitted in accordance with the defined rules of independence and subject to monitoring by the Audit Committee.

With regard to the approval of the engagement of these services and indication of the reasons for their engagement, the bank maintains a very strict policy of independence in order to prevent any conflicts of interest in the use of the services of its external auditors. As auditor of the BCP Group Deloitte & Associados, SROC, S.A. (hereinafter referred to as "External Auditors") complies with the rules on independence defined by the Group, including those established by Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014, by Law 148/2015 of 9 September and by Law 140/2015, of 7 September (Statute of the OROC).

In order to safeguard the independence of the External Auditors, and the national and international good practices and standards, the Audit Committee approved a series of regulatory principles, as described below:

- The External Auditor and the companies or legal persons belonging to the same network ("Network") cannot render to the Bank or to the Group the services that may be considered forbidden under the terms of the Statute of the OROC. Although it is generally considered that the independence of External Auditor could be affected by the provision to the Group of services unrelated to legal review or audit, the Audit Committee identified a set of services that may be undertaken by the External Auditor without jeopardising its independence. These services are validated by the Group's Compliance Office and subject to approval or ratification, depending on the amount of the fees, of the Audit Committee;
- the provision of services which are not discriminated in the above mentioned number of services is object of specific approval by the Audit Committee prior to the signing of the contract in question.

On this matter, see the information presented in item 38.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May)

The amount of the annual remuneration paid in 2019 by the Company and/or legal persons in controlling or group relations, to the external auditor (Deloitte) and other natural or legal persons belonging to the same network[1], detailed with their respective percentages, is shown in the following table:

REMUNERATION PAID TO DELOITTE BETWEEN 1 JANUARY AND 31 December 2019

1) Remuneration paid to Deloitte for services rendered - 1 January to 31 December 2019	Euros					%		
Companies in Portugal	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Other Services
Banco Comercial Português, S.A.	2 284 000	932 000		121 950	3 337 950	68,4%	27,9%	3,7%
Banco de Invest. Imobiliário, S.A. **(1)**	30 000	38 000			68 000	44,1%	55,9%	
Banco ActivoBank, S.A.	30 000	22 500			52 500	57,1%	42,9%	
Millennium BCP - Prestação Serviços, ACE	29 000				29 000	100,0%		
Millennium bcp Imobiliária, S.A.	21 000				21 000	100,0%		
Interfundos-Soc. Gestora de Organismos de Invest. Coletivo, S. A	16 000	9 750			25 750	62,1%	37,9%	
BCP Capital Soc. Capital Risco	7 500	3 750			11 250	66,7%	33,3%	
Servitrust - Trust and Management Services, S.A.	2 500				2 500	100,0%		
Millennium BCP Participações Financeiras, SGPS, Soc. Unipessoal	6 500				6 500	100,0%		
Imabida - Imobiliária da Arrábida, S.A.	7 000				7 000	100,0%		
BCP África, SGPS, Lda. (formerly BII Internacional, SGPS, Lda)	15 000				15 000	100,0%		
Irgossai - Urbanização e Construção, S.A.	3 500				3 500	100,0%		
Millennium bcp - Serviços de Comércio Electrónico, S.A.	2 500				2 500	100,0%		
Millennium bcp Foundation	12 000				12 000	100,0%		
Magellan 3	35 400				35 400	100,0%		
Total	**2 501 900**	**1 006 000**		**121 950**	**3 629 850**	**68,9%**	**27,7%**	**3,4%**

(1) by a public deed signed on December 27, 2009, Banco de Investimento Imobiliário, S.A. ("BII") was incorporated by merger into Banco Comercial Português S.A. ("BCP"), with a global transfer of the respective assets and consequent extinction of BII as of December 31.

(2) corporate name until 27/02/2020: Interfundos – Gestão de Fundos de Investimento Imobiliário, S..A.

2) Remuneration paid to Deloitte for services rendered - 1 January to 31 December 2019	Euros					%		
Companies Abroad	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Other Services
Bank Millennium, S.A. (Poland)	592 923	154 548			747 471	79,3%	20,7%	
Millennium BIM, S.A. (Mozambique)	14 500	71 000		114 529	200 029	7,2%	35,5%	57,3%
Banque Privée BCP (Suisse), S.A.	11 500	15 000			26 500	43,4%	56,6%	
Millennium BCP Bank & Trust (Cayman Islands)	18 000	3 000			21 000	85,7%	14,3%	
BCP Finance Bank, Ltd. (Cayman Islands)	10 500	1 500			12 000	87,5%	12,5%	
BCP Finance Company (Cayman Islands)	7 500	1 500			9 000	83,3%	16,7%	
BCP Investment, B.V. (Netherlands)	15 000				15 000	100,0%		
BCP International B.V. (Netherlands)	17 000				17 000	100,0%		
Magellan 2 (Ireland)				3 750	3 750			100,0%
Magellan 3 (Ireland)	18 500			3 750	22 250	83,1%		16,9%
Total	**705 423**	**246 548**		**122 029**	**1 074 000**	**65,7%**	**23,0%**	**11,4%**

SUMMARY OF THE REMUNERATION PAID TO DELOITTE IN PORTUGAL AND ABROAD BETWEEN 1 JANUARY AND 31 December 2019

	Portugal	%	Abroad	%	Total	%
Legal review of accounts	2 501 900		705 423		3 207 323	
Reliability assurance services	1 006 000		246 548		1 252 548	
1. Total for Audit Services	**3 507 900**	**89,2%**	**951 971**	**88,64%**	**4 459 871**	**94,8%**
Tax Advisory Services	0		0		0	
Services Other than Legal Review of Accounts	121 950		122 029		243 978	
2. Total for Other Services	**121 950**	**10,8%**	**122 029**	**11%**	**243 978**	**5,2%**
	3 629 850	**100%**	**1 074 000**	**100%**	**4 703 849**	**100%**

C. INTERNAL ORGANISATION

I. Articles of Association

48. The rules governing amendment to the company's articles of association

Article 24 of the Bank's Articles of Association establishes the requirement of a constitutive quorum, above the legal one, of over one third of the share capital for the General Meeting of Shareholders to be able to validly meet and resolve on first call.

[1] For purposes of this information, "network" shall mean article 2, paragraph p) of the Legal Framework for the Supervision of Audit, approved by Law nr. 148/2015, of 9 September.

Regarding the resolution quorum, the Articles of Association only diverge from the law with respect to resolutions on the merger, demerger and transformation of the Company, which require approval by three quarters of the votes cast, and dissolution of the Company where a majority corresponding to three quarters of the paid-up share capital is required.

The Bank and the shareholders that approved the articles of association in force consider that, since Banco Comercial Português is one of the companies with the largest free float in the Portuguese Stock Exchange, it is important to ensure that, in any circumstance and not only in the case specifically mentioned in the law, the shareholders, regardless of their respective representativeness, receive the guarantee that, on first call, the items submitted to the appraisal of the General Meeting can only be resolved on if the capital is minimally represented.

Also regarding the deliberative quorum, the Bank and the shareholders that approved the articles of association in force, that determined structuring issues such as the merger, demerger or transformation of the company should not, for the sake of the shareholding stability and transparency in the decision-making process, such not be adopted at first call without achieving a broad consensus among the shareholders.

II. Communication of Irregularities

49. Reporting means and policy on the reporting of irregularities in the company and prevention of conflicts of interest

The Bank upholds a culture of responsibility and compliance, preventing conflicts of interest and recognising the importance of an appropriate framework and processing of the communication of irregularities. For this purpose, BCP implements suitable means for receiving, treating and filing communications of irregularities allegedly committed by members of governing bodies and employees of the Bank and companies included in the BCP Group.

The policy of communication of irregularities is regulated in an internal service order OS0131 - Communication and reporting of irregularities and is available at the Bank's website:

http://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Reg_Comunicacao_Irreg/

In accordance with the policy for the communication and reporting of irregularities of the bank, are considered irregularities the acts and omissions, intentional or negligent, related with the management, accounting organization and the internal supervision of the Bank, which are able of , seriously:

- Breach the law, regulations and other rules in force;
- Endanger the assets of clients, shareholders and of the Bank;
- Damage the BCP's reputation.

The Bank implements the appropriate means for the reception, handling and archive of the communications of irregularities allegedly committed by members of the corporate bodies or by employees of the companies part of Group Banco Comercial Português or any other person within the scope of the provision of services to any of the companies part of Group Banco Comercial Português.

For that purpose the Bank observes, on an ongoing basis, the principles and requirements set forth in article 116-AA of the Legal Framework for Credit Institution and Financial Companies, in article 305-F of the Securities Code and in section 13 of the guidelines issued by EBA, ion internal governance (EBA/GL/2017/11) of 26 September 2017.

Hence and in accordance with the Regulations OSO131, those entitled to communicate irregularities are:

- the employees, agents, commissioners or any other person that renders services, either permanently or occasionally, to the Bank or to any entity of the Group, (ii) shareholders and (iii) any other person.
- the shareholders;
- any other individuals The Employees have the duty to report to the Audit Committee any irregularity occurred that they are aware of , in particular, those who manage people or exercise functions in the areas of the three defence lines of the bank, internal audit, risk management or compliance.

The irregularities can be reported by any means of written communication, addressed to: Comissão de Auditoria – Av.ª Prof. Dr. Cavaco Silva (TagusPark), Edifício 1, 2744-256 Porto Salvo, or to the e-mail address: comunicar.irregularidade@millenniumbcp.pt.

The Audit Committee is responsible for managing the communication of irregularities system and for assuring the confidentiality of the communications; this Committee receives support from its own Secretariat.

Once a communication is received, the Audit Committee shall undertake all efforts deemed necessary to assess if there are sufficient grounds to open an investigation and may establish a prior contact with the author of the communication, if known. If there are sufficient grounds, the Audit Committee will develop all necessary investigations to become totally aware of all facts and it may request the support of the Audit Division, Risk Office, the Compliance Office or any other divisions or areas of the Bank. Once the investigation is over, the Audit Committee shall make a report for the internal transmission of its conclusions so that the appropriate diligences may be adopted to correct the irregularity and sanction it, if need be. It must also report it to external entities whenever so is justified by the specific situation.

The communications received, as well as the reports thereto connected are mandatorily kept for a minimum period of five years in paper or in a durable format enabling their full and unaltered reproduction, pursuant to the provisions in article 120 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC).

The confidentiality of the communications will be ensured and the same cannot be used as grounds for any disciplinary, civil or criminal proceedings, or the adoption of discriminating practices forbidden by law.

During 2019, the inbox received 13 (thirteen) messages and a letter addressed to the Audit Committee but not all were included within the scope of participation of irregularities. However, they were all investigated and handled.

The Bank makes and presents to Banco de Portugal an annual report describing the specific, independent and autonomous means used to receive, investigate and file the participations of serious irregularities related with its administration, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies and in the Regulations (EU) 575/2013, of 26 June.

The Bank also sets forth the principle of participation of irregularities in its Code of Conduct which is available on its website at:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

The Bank's Code of Conduct establishes the fundamental principles and rules to be observed in the exercise of the activity developed by the entities that form Group Banco Comercial Português and the principles underlying the conduct, good practices and observance of the institutional values by the universe of people that form the Group.

In its Code of Conduct, the Bank aims at regulating a behaviour of excellence by the members of the corporate bodies, of employees and of the service providers of Group Banco Comercial Português, establishing therein behavioural rules targeted at the consolidation of a brand of reference and prestige that its intends to preserve and perfect.

The Bank and its employees guide their actions on principles of respect for people's rights, of preservation of social and environmental sustainability, and of culture and institutional values, committing themselves to behave in an upstanding and honest manner in all relations they establish among themselves, with customers, or any other person or entity with whom they relate.

This Code of Conduct enshrines the most important values and the behaviour standards and corporate responsibility to be observed by all the companies part of Group BCP and enumerates the preventive measures aimed at preventing discrimination and harassment in the workplace, better detailed in the specific document called Code of Conduct on Equality, Harassment and Non-Discrimination, in force.

Knowledge of the Code of Conduct by all its addressees is guaranteed by its regular reporting by the internal media, its permanent publication in a prominent place in the Bank's internal communication system via intranet, and by regular e-learning training for all its addressees.

The Bank's Audit Division, in its supervision of the Bank's operations, ensures the identification of irregular situations and issues recommendations for their correction.

The code of Conduct of Group BCP, states mandatorily that, the members of the management and supervisory bodies, as well as the employees, should avoid any situation that may give rise to conflicts of interest within the scope of their functions, so that they may act with full independence of mind, impartiality and exemption and that the members of the management and supervisory bodies cannot intervene in the appraisal and approval of operations, professional status of employees and procedures for the acquisition of goods and services in which there is a risk of conflicts of interest.

The Bank also disposes of a Group Code (GR0038) that defines the principles and the main processes adopted to identify and manage conflicts of interest that occur within the Group.

The Group Code above-mentioned implements in the Bank and in Group BCP, namely, the guidelines issued by the

European Banking Authority (EBA/GL/2017/11), on internal governance, identifies the control procedure to enable an efficient and prudent management of situations of conflict of interests at an institutional or personal level, including the segregation of functions, the information barriers and the specific process of transactions with the so called "related parties", in order to simultaneously defend and protect the interests of all stakeholders and the interests of the Bank and of the Group.

The Group Code also formalizes the governance principles applicable within the scope of the provision of services and investment activities and ancillary services identified, respectively, in articles 290 and 291 of the Securities Code and formalizes the governance principles applicable internally, within the scope of the policy for the management of conflicts of interests.

The Compliance Office is responsible for the development of the approaches and methods that allow for the identification of real or potential conflicts of interest, in compliance with the Conflicts of Interest Policy. The Compliance Office, at least one a year, develops a global analysis to identify and assess the materiality of the situations of conflict of interests at an institutional levels and reports to the Executive Committee and to the Audit Committee the respective conclusions, identifying the measures required to correct the identified situations.

The Group Code on the prevention and management of conflicts of interests is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/Politicas-de-Compliance.aspx

In addition, the Regulations of the Board of Directors in its article 14 (4) determines, in the event that some of its members considers as being prevented from voting due any incompatibility or conflict of interests, that he/she has the duty to previously inform the Chairperson of that impediment and dictate for the minutes of meeting a statement regarding such situation.

III. Internal control and risk management

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems.

The Group's internal control is based upon a risk management system that identifies, evaluates, follows-up and controls the risks the Group is exposed to. The same is based on an information system and an efficient communication and on an effective monitoring process enabling to ensure the adequacy and efficiency of the internal control system.

Within that context, Banco Comercial Português, in accordance with the objectives defined in Notice 5/2008 of Banco de Portugal, ensured the creation of specific areas to manage compliance and internal audit risks - the Risk Office, the Compliance Office and the Audit Division.

The corrdinating-managers of these Divisions are those responsible, at Group level, for the conformity of the functions of the internal control system, through which the objectives outlined in Banco de Portugal Notice 5/2008 are achieved, namely:

- respect for all the applicable legal or regulatory provisions;
- efficient performance of the activity;
- That there is financial and management information that is complete, material, reliable and updated.

The Executive Committee of the Board of Directors also created the Compliance and Operational Risks Commission The competences concerning the internal control system of this specialized commission are, among other,

- Monitoring the making of the Internal Control Report as well as the evolution and resolution of the deficiencies identified within the scope of the assessment on the functioning of the Internal Control System;
- analyse and decide on proposals for improving and alter the processes (reinforcement of the internal control environment.

The divisions that are part of the internal control system have the technical and human resources that match the Bank's size and also the degree of complexity and significance of the risks inherent to the several business and business support activities.

These Divisions are dimensioned to operate within the scope of an extensive volume of regulation - both external and internal - arising from regulations aimed at demarcating the banking activity within the limits of prudence, safety and control set by regulators and by the Bank's management body. Thus, when allocating resources to the mentioned areas, the Bank adopts the principle of proportionality, matching the mobilised resources to the size and granularity of the risks and other constraints of its activities, for the sake of effectiveness, business sustainability and scrupulous compliance with the established rules.

The number of employees placed in each one of the 3 areas specifically involved, under analysis and whose functions are executed in accordance with the highest standards of independence, objectivity, impartiality, integrity and professional competence, reached, on 31/12/2019, to:

- Risk Office 56
- Compliance Office: 44
- Audit Division: 47

A) Risk Office

The main function of the Risk Office is to support the Executive Committee in the development and implementation of risk management and internal control processes, as described in greater detail in the chapter on Risk Management of the Management Report 2019.

The Risk Office is a paramount area of the second line of defence of the internal control system of Group BCP, assuming functions of supervision, making and implementing risk management policies and procedures, establishing, for example, limits to the assumption of risks and improving the respective appropriate execution and compliance.

The Head of the Risk Office is appointed by the Board of Directors after listening to the Committee for Nominations and Remunerations and obtaining a technical opinion from the Committee for Risk Assessment.

In the performance of its functions, the Risk Officer reports hierarchically to the Executive Committee and functionally to the Committee for Risk Assessment.

Within the scope of functional reporting, the Risk Officer regularly reports to the Executive Committee, to the Audit Committee and to the Board of Directors management information on the main risks faced by the Bank and by the Group.

The Risk Officer has direct access to the Chairpersons of the Board of Directors and of the Committee for Risk Assessment and Audit Committee.

The Committee for Risk Assessment issues an opinion of the annual work plan of the Risk Office, being also the recipient of the current status reports on the their making as well as on the evolution shown by the resources allocated to the risk management function.

Risk Officer: Luís Miguel Manso Correia dos Santos

B) Compliance Office

The main mission of the Compliance Office is to develop the implementation of internal and external ruling that rule the Group's activity and watch out for their respective compliance by all the institutions of the Group, as well as of the relevant contractual commitments and ethical values of the organization, ensuring the existence of an internal control culture in order to to mitigate the risk of such institutions being sanctioned or imputed significant losses, in terms of both reputation and assets.

The Compliance Office, included in the Group's organizational structure, which is based on the so called "Model of 3 lines of defence", guarantees the execution of typical functions of the 2nd line of defence, including the compliance functions, as a function of conformity regarding the several specific risks, namely the legal risk (non-compliance with applicable laws and regulations) and operational risks.

To the Compliance Office pertains, in particular:

- exercising the functions attributed to it by the Portuguese law or by another source of law.
- exercising the functions attributed to it by the Bank's corporate bodies.

In the exercise of the above mentioned competences, the performance of the Compliance Office is based on a risk approach at the level of business, customers and transactions.

The Compliance Office informs the Chairperson of the Board of Directors is also informed, within the maximum period of two business days, of any failure reputed to be of high risk.

The regulations issued by the Compliance Office, within the scope of the competences attributed to it by law or other source of law, are mandatory, except if a decision to the contrary is made by the internal decision bodies competent for that purpose and through the written authorization from two Directors, being one of them the one responsible for the area involved. Are excluded from this scope, the regulations regarding the duties of abstention, refusal and communication foreseen in Law 83/2017, of 18 August, that cannot be reversed.

While exercising the respective functions and within its powers, the Compliance Office is empowered to suspend any and all transactions or processes it deems to be against the rules in effect.

The Compliance Office is responsible for communicating to the administration body of all situations of non-compliance detected in the exercise of its functions that may cause the institution to undertake an administrative offence or any other illicit action and incur in significant asset or reputation losses It also makes and sends to the Board of Directors, at least every six months, a report identifying the situations of non-compliance that occurred and the recommendations and rulings issued to correct the identified compliance issues or deficiencies.

The Compliance Office shall actively intervene in the employee training policy, namely by providing training sessions on compliance to the entire Group, by maintaining a high level of intelligence on compliance-related matters, namely on anti-money laundering and counter terrorism financing - AML/CTF issues and by fostering a culture of internal control within the Group.

In order to guarantee the adequacy and independence of the compliance function, Banco Comercial Português, S.A.:

- Creates the Compliance function and provides it with the necessary and sufficient autonomy;
- Appoints, through its Board of Directors and, following a proposal made by the Executive Committee and after getting a favourable prior opinion from the Committee for Nominations and Remunerations, an individual responsible for the function, providing him/her with all the necessary powers for the performance of his/her functions in an independent manner, particularly regarding access to relevant information.

The Head of the Compliance Office (Compliance Officer):

- is appointed by the Board of Directors after getting the favourable opinion from the Committee for Nominations and Remunerations, reports to the Executive Committee, namely to the director responsible for the Compliance Office, reporting functionally to Audit Committee;
- is responsible for the compliance with the rules on the prevention of money laundering and terrorism financing and may appoint a specific individual in charge of a direct monitoring of the operations and transactions related with this theme (AML Officer), who reports direcly to him/her;
- is also responsible for the follow-up and monitoring of the Compliance activities and policies at the Group's level;
- Does not have any responsibility whatsoever, functional or hierarchical, in the business areas;
- While performing his/her functions, the Compliance Officer sends to the management body (Executive Committee) and to the supervisory body (Audit Committee(every quarter, reports on his/her activity, describing the deficiencies identified and reporting of situations of non-compliance. With the same periodicity, he/she sends to the Chairperson of the Board of Directors and every six monts to the Board of Directors, a report on the main compliance risks at the level of the Bank and of the Group.

The Audit Committee issues an opinion on the work plan carried out by the Compliance Office, and this Committee is also the recipient of a report on the works carried out by the compliance function, among which one may highlight those related with financial statements, conflicts of interests and detection of irregularities.

Compliance Officer: Pedro Manuel Francisco da Silva Dias

C) Audit Division

The Audit Division is responsible for the Internal Audit function of Banco Comercial Português. This Division carries out its mission by adopting principles of internal auditing which are internationally recognised and accepted, issuing recommendations based on the outcome of the assessments made, aimed at adding value to the organisation and improving the control and quality of the Bank's operations, contributing to the achievement of its strategic interests and ensuring that:

- the risks are duly identified and managed, and the implemented controls are correct and proportional to the risks;
- the system of assessment of the Bank's capital is adequate in relation to its level of exposure to risk;
- the operations are recorded correctly and the operational, financial and managerial information is rigorous, reliable and provided in due time;
- the safeguarding and security of the interests and assets of the Bank and Group or which were entrusted to them are duly ensured;
- the Employees perform their duties in conformity with the internal policies, rules and procedures and with the legislation and other applicable regulations;
- the resources are economically acquired, efficiently used and adequately protected;
- legal and regulatory matters of significant impact on the organisation are recognised, clearly understood and integrated in operative processes;
- the programmes, plans and objectives defined by the management are followed;
- the different governing bodies interact in an adequate and efficient manner.

The activity of the Audit Division contributes to the pursuit of the objectives defined in Banco de Portugal Notice 5/2008 for the internal control system of institutions covered by the Legal Framework for Credit Institutions and Financial Companies, ensuring the existence of:

- an adequate control environment;
- a solid risk management system;
- an efficient information and communication system;
- an effective monitoring process.

The Head of the Audit Division is appointed by the Board of Directors after getting the opinion from the Committee for Nominations and Remunerations and the technical opinion from the Audit Committee, reporting to the Chairperson of the Board of Directors and functionally to the Audit Committee.

The Strategic Plan and the Annual Activities Plan of the Audit Division as well as eventual alteration proposals are approved by the Audit Committee, after obtaining the approval from the Chairperson of the Board of Directors and the opinion from the Executive Committee.

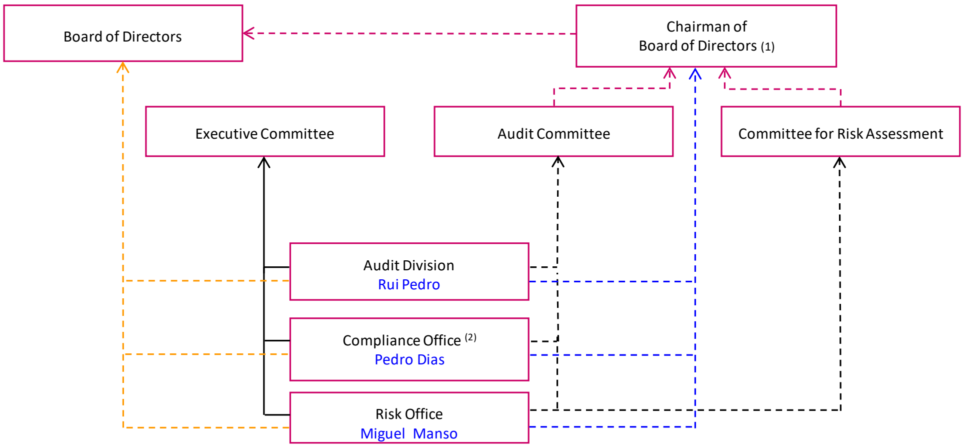
The Audit Committee presents regularly to the Executive Committee, the Board of Directors and ti its Chairperson, reports on the monitoring of the activity developed, in accordance with the periodicity defined at each moment, with information on the execution of the Activities Plan, main deficiencies detected and respective recommendations and status of the recommendations not yet implemented.

In addition, the Audit Division informs the Chairoerson of the Board of Directors, the Chairperson of the Audit Committee and the Chairperson of the Executive Committee on themes under their responsibility taht present material relevance for the accomplishment of the mission of those bodies, namely on any high-risk deficiency identified.

Head: Rui Manuel Pereira Pedro.

51. Details, even including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company

Currently the hierarchical and/or functional dependence of the Audit Division, Compliance Office and Risk Office in relation to other corporate bodies or committees is presented in the table below:



(1) Director responsible - Nuno Amado: Dir. Audit Div; José Miguel Pessanha: Compliance Office and Risk Office
(2) All matters regarding professional conduct and ethical matters are reported by the Compliance Office to the Commission for Corporate Governance, Ethics and Professional Conduct.

hierarchical report
functional report
exceptional functional report

52. Other functional areas responsible for risk control

Together with the control areas that compose the risks management system - the Risk Office and the Compliance Office (as defined in Chapter III of the Notice 5/2008 of Banco de Portugal) - and the area responsible for evaluating the adequacy and efficiency of the internal control system - the Audit Division (as per article 22 of Chapter V of that same Notice), there is an information and communication system which supports decision-making and control processes, both at an internal and external level, for which the Accounting and Consolidation Division and the Research, Planning and Assets and Liabilities Management Division are responsible, which ensures the existence of substantive, current, timely and reliable information, enabling an overall and encompassing view of the financial situation, development of activity, compliance with the defined strategy and objectives, identification of the institution's risk profile, and performance and prospects of evolution of the markets.

The financial information and management process is assisted by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institution and its subsidiaries, in accordance with the determinations and policies issued by the Executive Committee.

Hence, the Risk Office, Compliance Office, Accounting and Consolidation Division, Research, Planning and Assets and Liabilities Management Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at a Group level, both of accounting nature and relative to support to the management and risk monitoring and control, which should cover, namely:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required;
- the identification and control of the intra-Group operations;
- assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms.

Still within the scope of the risks control environment, one must mention the role performed by several specialized offices which are first line structures directly reporting to the administration:

- The Office for the Validation and Monitoring of Models,which is the structure responsible for the monitoring and validation of the internal models for the assessment of risks and metrics used by the Bank and, the mission of which is to ensure, in an independent manner, the quality and suitability of the risk management framework at the level of the internal models, metrics and completeness of the records thereto related;
- Regulatory and Supervisory Monitoring Office whose mission is to assist the Executive Committee in issues deriving from the evolution shown by the regulatory framework and the practice of supervision and promote the coordination and / or participation, in articulation with other Divisions of the Bank, in transversal projects and / or with external entities, promoting the dissemination of knowledge and the involvement of the competent areas of the Bank, in order to achieve a specialized follow-up of the information and of interactions established with authorities, definition of a positioning and compliance with information duties towards supervisory and regulatory entities;
- The Personal Data Protection Office, whose head is the Data Protection Officer of the Bank who has the mission of controlling the conformity of policies and procedures of the Bank with the ones from the Legal Framework of Data Protection and other data protection requirements from the EU or from EU Member-States, including awareness and training of employees involved in personal data processing operations.

Regarding credit risk, the Credit Division also performs risk assessment and control duties pursuant to its main competences:

- appraise and issue opinions or decisions on credit proposals submitted by the Bank's business areas, as well as credit restructuring proposals submitted by the Bank's recovery areas, pursuant to the competences defined in internal regulations;
- monitor and follow-up of the loan portfolio of Customers managed in the commercial areas, anticipating possible situations of default and promoting restructuring solutions whenever necessary and applicable;
- start up and/or participate in Bank-wide projects aimed at the improvement of credit and operating risk in the underlying internal processes/procedures, including opinions on products or services with credit risk;
- develop, monitor, adjust or implement algorithms and automatic procedures to support the credit decision, detection of fraud, prevention of default, efficiency in collection and recovery.

In addition there is also the Rating Division, which participates in the control of risks associated to loans, where its primary responsibility is the attribution of risk levels to Companies which are Bank Customers, assuring that they are appropriately assessed on an ongoing basis. In order to assure the sound pursuit of this responsibility, specialised competences in the assessment of particular segments were developed within the Rating Division, namely *Small, Mid* e *Large Corporate*,Real Estate promotion, *Project Finance*, State-owned companies and Funds. At the same time, the Rating Division systematically analyses the evolution of risk levels in order to assess the adequacy of the rating models used and identify matters for their fine-tuning.

53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity

On this issue, see the information provided in the Annual Report 2019, in the chapter on Risk Management.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

On this issue, see the information provided in the Annual Report 2019, in the chapter on Risk Management.

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

In the context of the Internal Control System and, more specifically, of the Risk Management System, the Board of Directors acquires adequate knowledge of the types of risks to which the institution is exposed and of the processes used to identify, assess, monitor and control these risks, as well as the legal obligations and duties to which the institution is subject, being responsible for ensuring that the Bank has effective internal control systems and promotes the development and maintenance of an appropriate and effective risk management system.

Hence, the administration body of Banco Comercial Português, namely through its Executive Committee (and respective specialised commissions), Audit Committee and Committee for Risk Assessment:

- defines and reviews the overall and specific objectives with respect to risk profile or level of tolerance to risk and relative to the decision levels of the functional areas where these decisions are applicable;
- approves policies and procedures which are specific, effective and adequate for the identification, assessment, monitoring and control of the risks to which the institution is exposed, ensuring their implementation and compliance;
- verifies the compliance with the risk tolerance levels and risk management policies and procedures, assessing their efficacy and continuous adequacy to the institution's activity, so as to enable the detection and correction of any failures;
- ensures that the risk management activities have sufficient independence, status and visibility and are subject to periodic reviews;
- issues opinions on the reports prepared by the Risk Management and Compliance areas, namely, on the recommendations for the adoption of corrective measures;
- ensures the effective implementation of its guidelines and recommendations so as to introduce corrections and/or improvements in the Risk Management System.

The management body is also responsible for ensuring the implementation and maintenance of information and reporting processes which are suitable to the institution's activity and risks, for defining the accounting policies to be adopted, for establishing the guidelines and for defining the decisions which, in the context of such policies, must be taken, in order to ensure the reliability of the financial reporting.

Therefore, and at a more operational level, it is responsible for approving the reporting or external disclosure outputs produced for this effect.

Regarding the Internal Control Report stipulated in Banco de Portugal's Notice 5/2008, in CMVM's Regulation 3/2008, and in article 245-A (1) (m) of the Securities Code, the responsibilities of the Board of Directors, through its Audit Committee - and of the Statutory Auditor are:

- on an individual basis: issue of a detailed opinion substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/ adequacy of the Internal Control System, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of individual financial information (Financial Reporting);
- on a consolidated basis: issue of an opinion by the Group's parent company, substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/adequacy of the Control System, which should include a reflection on the coherence of the internal control systems of the branches/subsidiaries, including those abroad and off-shore establishments, where this opinion may be based on the respective opinions prepared for the effect by the supervisory bodies of each branch/subsidiary, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of consolidated financial information (Financial Reporting).

IV. Investor Support

56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details.

The Board of Directors of the bank is responsible, namely, for ensuring the implementation and maintenance of information and reporting processes which are suitable to the institution's activity and risks, for defining the accounting policies to be adopted, for establishing the guidelines and for defining the decisions which, in the context of such policies, must be taken, in order to ensure the reliability of the financial reporting. Therefore, and at a more operational level, it is responsible for approving the reporting or external disclosure outputs produced for this effect.

Through the Investor Relations Division, the Bank establishes permanent dialogue with the financial world – Shareholders, Investors, Analysts and Rating Agencies, as well as with the financial markets in general and respective regulatory entities.

a) Composition of the Investor Relations Division

The Investor Relations Division is composed of a head and a staff of three employees who share the Division's tasks in order to ensure the best service in market relations.

b) Duties of the Investor Relations Division

The main duties of the Investor Relations Division are:

- promoting comprehensive, rigorous, transparent, efficient and available relations with investors and analysts, as well as with the financial markets in general and respective regulatory entities, namely with respect to the disclosure of privileged information and mandatory information, including the coordination and preparation of the Bank's report and accounts;
- monitoring the update of the evolution of the shareholder structure;
- representation of the Bank in conferences and other types of events targeting investors of debt or shares;
- collaboration with the commercial areas in the provision of institutional information and disclosure of the Group's activity;
- management of the relations established with Rating Agencies, including the preparation and sending of relevant information on a regular basis or related to important events.

c) Type of information provided by the Investor Relations Division

During 2019, as in previous years, the Bank pursued broad activity related to communication with the market, adopting the recommendations of the CMVM (Portuguese stock market regulator) and the best international practices in terms of financial and institutional communication.

For purposes of compliance with the legal and regulatory obligations in terms of reporting, the Bank discloses quarterly information on the Bank's results and activity, holding press conferences and conference calls with Analysts and Investors involving the participation of members of the Board of Directors.

It also provides the Annual Report, Interim Half-year and Quarterly Reports, and publishes all the relevant and mandatory information through CMVM's information disclosure system.

In 2019 the Bank made more than 230 communications to the market, of which 40 regarding privileged information, participated in several events and attended 13 conferences and 8 *roadshows* in Europe and USA, where it presented institutional papers and held one-to-one meetings with investors and meetings with more than 300 investors, figures that reveal the interest of investors in the Bank.

In order to deepen its relations with its shareholder base, the Bank maintained a telephone line to support shareholders, free of charge and available from 09:00 to 19:00 on business days.

The relationship with the Rating Agencies consisted in the holding, in 2019, of the following meetings:

- With S&P (1 March), with the DBRS (14 March), with Fitch Ratings (23 September) and with Moody's (17 October);
- 12 conference calls with the above mentioned agencies that attribute rating to BCP, to debate the earnings disclosed every three months by BCP;
- 6 meetings with a commercial nature with each one of the rating agencies and also with other two that intended to commence covering BCP (Dagong and Scope Ratings);
- 2 conference calls to debate the proposal for revising the methods used to attribute ratings to banks by Fitch Ratings;
- Conference calls related with the issue of rating letters to thge Bank's debt issues held in 2019 (issues of Additional Tier 1 and Debt Tier 2);
- Revision of the a Credit Opinions, Press Releases and Rating Reports issued by the Rating Agencies throughout the year.

All the information of relevant institutional nature disclosed to the public is available on the Bank's website, in Portuguese and English, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Pages/Inv.aspx

c) Investor Relations Division contact information

Phone: + 351 21 113 10 84

Fax: + 351 21 113 69 82

Address: Av. Prof. Doutor Cavaco Silva, Edifício 1 Piso 0B, 2740-256 Porto Salvo, Portugal

e-mail: investors@millenniumbcp.pt

The company's website: www.millenniumbcp.pt

57. Market Liaison Officer

The Bank's representative for market relations is Bernardo Roquette de Aragão de Portugal Collaço.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

During 2019, the Bank received, essentially via e-mail and telephone, a variety of requests for information from shareholders and investors. These requests were all handled and replied to, mostly within two business days. By the end of 2019, there were no outstanding requests for information relative to previous years.

V. Website

59. Address(es)

The Bank's website address is as follows: www.millenniumbcp.pt

60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available

The above information is available on the Bank's website, on the page with the following address:

http://www.millenniumbcp.pt/Institucional/governacao/

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available

The Bank's Articles of Association and the regulations of the governing bodies and specialised committees of the Board of Directors are available on the Bank's website at the following address:

http://www.millenniumbcp.pt//Institucional/governacao/

62. Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office or comparable structure, respective functions and contact details

The information on the identity of the members of the governing bodies is available on the Bank's website, on the page with the following address:

http://www.millenniumbcp.pt/Institucional/governacao/

The information on the identity of the representative for market relations, the Investor Relations Division, respective duties and contact details are available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements

The information on the financial statements relative to each financial year, semester and quarter of the last ten years (pursuant to article 245.1 of the Securities Code) is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

The calendar of corporate events is published at the end of every year, relative to the following year, and covers the planned dates of the General Meeting and presentation of quarterly results (to the press, analysts and investors). The publication is available on the Bank's website, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed

Whenever a General Meeting is convoked and on the date of the respective call notice, it is created in the website (www.millenniumbcp.pt), a temporary page to support the General Meeting of Shareholders containing all the preparatory information and supporting information for the General Meeting, together with an inbox - pmag@millenniumbcp.pt, to receive the shareholder's correspondence , namely a letter stating the intetion to participate in the meeting and proxy letters.

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

The historical records, including the call notice, the share capital represented, the proposals submitted and results of the voting, relative to the last ten years are available on the Bank's website, on the page with the following address:

http://www.millenniumbcp.pt//Institucional/Governação/AssembleiasGerais/

The Bank also discloses in the above mentioned address and keeps it for 10 years, the historical records with the deliberations taken at the company's general meetings, the share capital represented and the results of the voting.

D. REMUNERATIONS

I. Competence for determination

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

The Remuneration and Welfare Board (CRP), pursuant to sub paragraphs a) and b) of article 14 of the Bank's Articles of Association and under the competence delegated, for the four-year period of 2018/2021, by the General Meeting, is the competent body to determine the remuneration of the governing bodies, including the members of the Executive Committee and the terms of the supplementary pensions due to retirement, old age or invalidity of executive directors.

The Remuneration and Welfare Board, together with the Committee for Nominations and Remunerations is also competent to submit, to the Bank's General Meeting, a statement on the remuneration policy for the Bank's governing bodies.

The Remunerations and Welfare Board is also competent to analyse the regulations for the execution of the remuneration policy of the members of the corporate bodies which is sent, every year, by the Committee for Nominations and Remunerations and to execute a regular monitoring the evolution of the compliance with the Regulation of the Policy for the Remuneration of the members of the corporate bodies, informing the Board of Directors of its conclusions.

The Board of Directors, pursuant to article 7 (2.1.r) of its Regulations and as established in article 115-C (5) of the RGICSF, has exclusive competence to approve and review the Bank's remuneration policies and practices. In this duty, it is assisted by the Committee for Nominations and Remunerations which formulates and issues informed and independent judgements on the remuneration policy and practices and on the incentives created for purposes of risk, capital and liquidity management.

Addressed to the Remuneration and Welfare Board (RWB) and the Committee for Nominations and Remunerations (CNR), KPMG conducted an independent and specific audit, carried out in abidance by the International Standard on Related Services and by Art. 8 (4) of the Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012, on the remunerations that, during 2019, were paid to members of the different governing bodies and Coordinating Managers that report directly to the Board of Directors and to the Executive Committee.

In the Factual Conclusions Report issued pursuant to the validation of the remunerations established and received in 2019 by the holders of Bank's corporate offices and Coordinating Managers, KPMG concluded that the data reported to the RWB, CNR and Audit Committee was accurate and compliant and suited to the resolutions adopted by the corporate bodies with powers to do so.

II. Remuneration and Welfare Board

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor.

The remunerations commission, mentioned by article 399 of the Companies Code is elected by the General Meeting, adopts the denomination of Remunerations and Welfare Board being composed by three to five members.

Within the scope of its activities, the Remunerations and Welfare Board must take into consideration the long run interests of the shareholders, investors and of those interested in the institution and also the public interest and to prevent the decision-making of the management body from being overpowered by any person or small number of people jeopardizing the Bank's interests in general.

The Remuneration and Welfare Board was elected at the General Meeting of Shareholders held on 30 May 2018, with the exception of Mr. Nuno Almeida Alves who was elected on 22 May 2019, to exercise functions in the four--year period 2018/2021. Currently, the Remuneration and Welfare Board has the following composition:

Chairman:	Jorge Manuel Baptista Magalhães Correia
Members:	Ana Paula Alcobia Gray
	Nuno Maria Pestana de Almeida Alves

During the 2019 financial year, the Remunerations and Welfare Board adopted three unanimous resolutions in writing and met four times, having been written up and approved minutes of meetings and had the logistic and technical support of the Company Secretary Office. The Company Secretary acted as the Committee's secretary.

Attendance of the Remuneration and Welfare Board meetings by each of its members is shown in the following table:

Members of the Remuneration and Welfare Board	Number of Meetings Attended	Effective Participation Index
Jorge Manuel Baptista Magalhães Correia	4	100.00%
Ana Paula Alcobia Gray	4	100.00%
Nuno Maria Pestana de Almeida Alves(*)	1	100.00%

(*) The member of the Remuneration and Welfare Board was elected on 22 May 2019

The Regulations of the Remuneration and Welfare Board are available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_CRP_BCP.pdf

Traditionally, the members of the Remunerations and Welfare Board and the members of the Committee for Nominations and Remunerations attend the General Meetings of Shareholders held by the Bank. At the Annual General Meeting, held on May 22, 2019 all members of the Remuneration and Welfare Board and the members of the Committee for Nominations and Remunerations attended the meeting.

All the members of the Remuneration and Welfare Board exercising functions are independent regarding the executive members of the administration body., The Remunerations and Welfare Board aiming at developing its competences in line with best international practices on remuneration issues, being able, in accordance with its Regulations, to use all the technical means it deems appropriate, including the use of external advisers, paid by the Bank , contracted Mercer Portugal, an independent company and a leading worldwide company in human resources, for the provision of specialised technical advisory services, identifying a number of guidelines for the definition of the remunerations policy for the members of the corporate bodies and of material risk takers, observing the guidelines disclosed by the national and international supervisors, namely EBA.

As neither this consultant nor any of its senior staff have privileged relations with the Board of Directors, it is deemed that its engagement for the provision of the service, with the broad scope referred to in the preceding paragraph, can in no manner affect the independence of this consultant in relation to the Bank or its Board of Directors.

At the above-mentioned Annual General Meeting, an annual remuneration of 50,000 Euros was established for the Member, Nuno Maria Pestana de Almeida Alves, and 30,416.69 Euros were paid in 2019.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

The members of the Remunerations and Welfare Board exercise for several years, top positions in banking and financial companies or large listed companies, a fact that gives them professional experience, knowledge and the adequate profile in what concerns the remunerations policy, as may be seen in the respective curricula, see Annex II.

III. Structure of remunerations

69. Description of the remuneration policy for the management and supervisory bodies

The Remuneration and Welfare Board, after hearing the Committee for Nominations and Remunerations, submitted to the General Meeting of 22 May 2019, with a binding character, the Remuneration Model of the Board of Directors, including the Executive Committee, which was approved by 99.39% of the votes cast, being the meeting attended by shareholders or their representatives holding 64.58% of the share capital. The most relevant aspects are transcribed below:

"**1. Basic Principles**

The Remuneration Policy of the Members of Management and Supervision Bodies (MMSB) of Banco Comercial Português S.A. is based on a set of principles aiming to ensure:

- a governance model in line with best practices;
- a competitive fixed remuneration enabling to attract and retain competent professionals and a variable remuneration intended to stimulate individual and collective performance, as well as reward the results achieved;
- the attribution of benefits, namely in what concerns the retirement complement, aligned with best market practices;
- the alignment of the interests of all stakeholders, namely regarding the sustainability of the short, medium and long run earnings and a prudent management of risk, through deferment mechanisms, reduction and reversion of the variable remuneration;
- the compliance with regulations and applicable guidelines in terms of procedures and remuneration policy.

Hence, and in compliance with the law and the Articles of Association of Banco Comercial Português, S.A., it pertains to the Committee for Nominations and Remunerations (CNR) and to the Remunerations and Welfare Board (RWB) the definition the guidelines of the remuneration policy of the MMSB, submitting them to the General Meeting of Shareholders and, once approved by the latter, make the regulations for the establishment and execution of the above mentioned remuneration.

BCP resorted to an external independent entity so as to assess the competitiveness, against the domestic and international market, of the fixed and variable component of the remuneration, as well as of the benefits currently attributed to the MMSB.

The Remuneration Policy of the MMSB of BCP takes the following into consideration:

2. Establishment of the Remuneration

2.1. Non-Executive Directors:

The remuneration of the non-executive members of the Board of Directors is composed by a fixed annual remuneration divided into 12 monthly payments.

2.2. Executive Directors:

The remuneration of the Executive Directors of BCP includes a fixed and a variable component.

2.2.1. Fixed Component:

The fixed remuneration intends to adequately remunerate the function performed considering factors such as its nature and complexity, the required competences and the sustainability of the group's performance.

The fixed component represents an amount that is sufficiently high to ensure an appropriate balance between the fixed and variable components of the total remuneration.

The annual fixed remuneration results from the payment of 14 monthly wages.

2.2.2. Variable Component

The short and long term variable remuneration is aligned with the strategy defined for the Bank and with the Bank's objectives, values and long term interests.

The attribution of a variable remuneration is dependent on the sustainable growth of the Bank's income as well as on the market conditions and on the possible risks that may affect the business.

At least 40% of the variable remuneration is deferred throughout a minimum period of 3 years.

The variable remuneration also foresees reduction (malus) and reversion (clawback) mechanisms in order to be able to comply with the legal and regulatory requirements and also observe the recommendations and guidelines issued by the competent entities. The ability to totally or partially reduce (malus) the payment of a deferred remuneration, the payment of which is not yet an acquired right, as well as to, partially or totally retain the payment of a variable remuneration, the payment of which is an acquired right, (claw-back), is limited to extremely significant events, duly identified and wherein the individuals involved had a direct participation.

The application of the claw-back mechanism must be supplementary to the reduction (malus) mechanism, i.e. in case of occurrence of an extremely significant event, the application of the reduction mechanism (malus) shall be a priority and only when the latter is deemed used up and insufficient should one consider using the reversion mechanism (claw-back).

The addition of the portions of the variable remuneration of the several directors cannot exceed 2% of the consolidated earnings of the Group, nor 200% of the respective fixed remuneration. When the intention is that the variable remuneration exceeds 100% of the fixed remuneration of each director, the RWB must, in compliance with the applicable legislation, submit to the General Meeting of Shareholders a proposal along those lines.

The attribution of a variable remuneration is based on the different degrees of fulfilment of the previously defined quantitative and qualitative objectives, which are associated to objective, simple, transparent and measurable performance indicators. For that purpose, shall be taken into consideration indicators related with the creation of value for the shareholders, solvency and profitability, capital requirements, efficiency and liquidity.

The evaluation is carried out within an annual and multi-year framework, ensuring that the short and long term performance is taken into consideration, wherever possible coinciding with the duration of the terms-of-office of the Board of Directors.

The attribution of the variable remuneration is associated with the performance. Therefore, its value may vary from zero, if the degree of accomplishment of the goals is under the defined threshold, and a maximum that cannot exceed twice the fixed component of the remuneration. For that purpose, a maximum level of achievement is defined, from which the variable remuneration will not increase (cap).

The variable remuneration should be composed by a portion in cash and a portion in shares or equivalent instruments issued by BCP.

The payment of the variable remuneration will also observe the deferment rules and the reduction (malus) or reversion (claw-back) mentioned above.

The variable remuneration, regardless of having already been paid and whether acquired rights have already been established, or not, is subject to reduction or reversion mechanisms whenever it is proven that the Executive Director participated in or was responsible for an action that resulted into significant losses for the Bank or ceased to comply with the adequacy and good repute criteria.

No guaranteed variable remuneration shall be granted, except when hiring a new Executive Director and only in the first year of activity and it will only be granted if the institution has a solid and strong capital base.

The variable component is subdivided into two components, one annual (Annual Variable Remuneration - AVR) and a long-term one (Long-Term Variable Remuneration - LTVR).

a) Annual Variable Remuneration (AVR)

The annual variable remuneration of each Executive Director should be paid 50% in cash and 50% in shares or equivalent instruments issued by BCP, after the approval of the financial statements of the year it concerns and taking into account the degree of compliance with the objectives defined for that purpose.

The payment of that remuneration is also conditioned to a set of conditions related with the Bank's sustained performance.

b) Long-Term Variable Remuneration (LTVR)

The long term variable remuneration of each Executive Director is attributable depending on the degree of fulfilment of the Bank's long-term economic and financial objectives, defined for that purpose.

The LTVR applies to the period of the term-of-office, beginning on 1 January 2018, and the consequent payment is made in shares or equivalent instruments issued by BCP.

3. Other benefits

The directors are entitled to a health insurance and, when applicable, to a credit card and mobile phone, as applicable to all other employees of the Bank.

The executive directors, as well as the non-executive directors exercising functions under an exclusive regime, are entitled to a complement due for retirement, old age and disability and the Bank may enter into insurance contracts in favour of such directors.

4. Final Provisions

4.1 Insurances

The Directors must subscribe to a director bond in abidance by article 396 of the Companies Code.

In addition, the Bank subscribes to a Directors & Officers insurance policy following market practices.

The Directors or the Bank are not allowed to use risk hedging mechanisms or similar mechanisms, on their behalf, as provided in article 115-E (15) of the Legal Framework for Credit Institutions and Financial Companies.

4.2 Remuneration earned due to the performance of other functions related with BCP

Considering that the remuneration of the executive directors, as well as the one of the non-executive directors exercising functions under an exclusive regime is intended to directly compensate the activities they carry out directly at the Bank or in related companies (namely companies in a control or group relation with BCP) or in corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remunerations received annually for such duties by each Member of the Executive Committee will be deducted from their respective Annual Fixed Remuneration.

It is the obligation and responsibility of each director to inform the Bank of any additional compensation he/she may have received, for the purposes of complying with the procedure established above.

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking

On this issue, see item 69.

71. Reference, where applicable, to there being a variable remuneration component and information on any potential impact of the performance appraisal on this component

The variable component of the remuneration is associated with the performance. Therefore, its total value may vary from zero, if the degree of accomplishment of the goals is under the defined threshold, and a maximum that can exceed twice the fixed component of the annual remuneration. For that purpose, a maximum level of achievement is defined, from which the variable remuneration will not increase (cap).

The calculation of the AVR amount is based on the results of the performance evaluation throughout the AVR evaluation period and stems from the sum of two autonomous and independent components:

- 80% of the amount is based on the evaluation of the level of compliance with the quantitative objectives (corporate KPIs);
- 20% of the amount is based on the evaluation of performance of each director regarding the qualitative objectives.

Hence, the rule established in the Regulations for the Execution of the Remuneration Policy of the members of Management and Supervision Bodies, is that no guaranteed variable remuneration shall be granted, except when hiring a new executive director and only in the first year of activity and it will only be granted if, pursuant to an opinion from the Audit Committee and the Committee for Risk Assessment, the institution has a solid and strong capital base.

In accordance with the Bank's articles of association, the establishment of the remuneration shall be made for each director individually, taking into account, notably, the medium and long-term interests of the Bank and the aim of not encouraging excessive risk-taking. The Articles of Association also set forth that the addition of the variable remuneration components of the several directors must abide by the legal limits, cannot exceed 200% of the respective fixed remuneration or 2% of the Group's consolidated earnings, and the respective attribution and establishment must observe the applicable rules, namely those regarding deferment, balance between o cash and other instruments, reversion (clawback) and reduction (malus) mechanisms.

The evaluation is carried out within an annual and multi-year framework, ensuring that the short and long term performance is taken into consideration, wherever possible coinciding with the duration of the terms-of-office of the Board of Directors.

The qualitative evaluation of the Chairperson of the Executive Committee (CEO) will pertain to the Committee for Nominations and Remunerations, after listening to the Chairperson and to the non-executive Vice-Chairpersons of the Board of Directors. The qualitative evaluation of the remaining members of the Executive Committee pertains to the Committee for Nominations and Remunerations, pursuant to a proposal made by the CEO, after listening to the Chairperson and the non-executive Vice-Chairpersons of the Board of Directors.

The variable remuneration, both annual and long-term, may not be attributed under exceptional conditions, namely if, after an opinion from the Audit Committee and from the Committee for Risk Assessment, it is found that there is not a strong base of own funds or if its attribution could unduly limit the Company's ability to strengthen it.

Thus, in accordance with provisions of the Regulations for the Execution of the Remuneration Policy of the members of Management and Supervision Bodies, the variable remuneration, regardless of acquired rights have already been established, or not, is subject to reduction or reversion mechanisms whenever it is proven that the Executive Director, with malicious intent or gross negligence, participated or was responsible for a performance resulting in significant losses for the Company or ceased to comply with the adequacy and good repute criteria. The ability to totally or partially reduce (malus) the payment of a deferred remuneration, the payment of which is not yet an acquired right, as well as to, partially or totally retain the payment of a variable remuneration, the payment of which is an acquired right, (claw-back), is limited to extremely significant events, duly identified and wherein the individuals involved had a direct participation.

The application of the claw-back mechanism must be supplementary to the reduction mechanism, i.e. in case of occurrence of an extremely significant event, the application of the reduction mechanism (malus) shall be a priority and only when the latter is deemed used up and insufficient should one consider using the reversion mechanism (claw-back).

The occurrence of the situations described in this article is supervised by the Committee for Nominations and Remunerations and the application of those mechanisms shall only be made after listening to the Remunerations and Welfare Board and the Chairperson of the Board of Directors.

The attribution of the variable remuneration is subject to the positive performance of own funds under a prudential perspective and may not be considered, pursuant to a joint and grounded decision made by the Remunerations and Welfare Board and the Committee for Nominations and Remunerations, extraordinary operations that, for their size and/or impact, affect the capital.

72. The deferred payment of the remuneration’s variable component and specify the relevant deferral period.

In accordance with the Regulations for the Execution of the Remuneration Policy of the members of Management and Supervision Bodies applicable to the financial year to which this report relates to, was deferred in 50% throughout a three-year period and paid a third each year, being the payment made 50% in cash and 50% in company shares, in the deferred portion and in the non-deferred portion.

The number of shares of the Company to attribute to each executive director results from the the quotient between the value of the annual variable remuneration, net of taxes and contributions, estimated after the assessment of the performance and the price of attribution of the shares of the Company estimated regarding each evaluation period.

The non-deferred component of the annual variable remuneration was paid in June, the month following the date of approval of the Earnings by General Meeting of Shareholders.
If the member of the Executive Committee leaves office, for any reason other than removal with just cause, after the end of the evaluation period but before the payment of the annual variable remuneration, the annual variable remuneration will be paid in full, corresponding to that evaluation period, in compliance with the deferment periods and composition (cash or shares).

Likewise, the payment of the annual variable remuneration corresponding to the evaluation period during which the termination of functions of the member of the Executive Committee occurs, shall not be due, except in situations of termination of functions by agreement, retirement, death, disability or any other cause for the cessation of the term of office due to a cause not imputable to the Executive Director, namely the alteration of the control of the Company, among other, following a takeover bid or other fact outside the Executive's Director will, in which case the Remuneration and Welfare Board may resolve on a *pro rata temporis* attribution.

The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director’s functions.

73. The criteria whereon the allocation of variable remuneration on shares is based, and also on maintaining company shares that the executive directors have had access to, on the possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value

The variable remuneration, both annual and long-term, may not be attributed under exceptional conditions, namely if, after an opinion from the Audit Committee and from the Committee for Risk Assessment, it is found that there is not a strong base of own funds or if its attribution could unduly limit the Company's ability to strengthen it.

The attribution of the variable remuneration is subject to the positive performance of own funds under a prudential perspective and may not be considered, pursuant to a joint and grounded decision made by the Remunerations and Welfare Board and the Committee for Nominations and Remunerations, extraordinary operations that, for their size and/or impact, affect the capital.

No guaranteed variable remuneration shall be granted, except when hiring a new executive director and only in the first year of activity and it will only be granted if, pursuant to an opinion from the Audit Committee and the Committee for Risk Assessment, the institution has a solid and strong capital base. Until his date, no guaranteed variable remuneration was attributed to executive directors.

The shares of the Company attributed as annual variable remuneration are subject to a retention policy for a period of one year commencing on the date the annual variable remuneration is paid; therefore, the executive director will not be able to sell them, except for the provisos of the following numbers, during the 12 months following their delivery.

The executive director may sell or encumber the shares equivalent to the totality of taxes and contributions to pay due to the attribution of the shares.

If the Executive Director is not elected for a new term of office, the unavailability regime will cease to be in effect and the totality of the shares may be sold or encumbered as of the date of termination of his/her term of office.

Only for purposes of estimating the attributable variable remuneration, the amounts corresponding to the pension supplementary regimes are not considered annual fixed remuneration.

The variable component of the remuneration is associated with the performance. Therefore, its total value may vary from zero, if the degree of accomplishment of the goals is under the defined threshold, and a maximum that can exceed twice the annual fixed remuneration.

The variable remuneration will be paid 50% in cash and 50% in BCP shares, not only in the deferred portion but also in the non-deferred portion in what concerns the annual variable remuneration.

Each beneficiary cannot, in any case whatsoever, receive a variable remuneration that, after the number of share is converted (evaluated at the average closing price of the Company during the two months prior to being made available) reach a total exceeding 200% the respective annual fixed remuneration, either in an year when there is only annual variable remuneration or in years when there are annual variable remuneration and long-term remuneration.

When the variable remuneration, estimated in accordance with the previous number, exceeds the component of the value of the annual fixed remuneration, the same will have to be approved by the General Meeting of Shareholders, following a joint proposal from the Remunerations and Welfare Board and the Committee for Nominations and Remunerations.

As provided for in Article 115-E (15) of the Legal Framework for Credit Institutions and Financial Companies, the Executive Directors or the Company, on their behalf, are not allowed to use risk hedging mechanisms or similar mechanisms.

74. The criteria whereon the allocation of variable remuneration on options is based and details of the deferral period and the exercise price

During the financial year to which this report relates to, the Bank did not attribute a variable remuneration on options to the executive members of the Board of Directors.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits

On this issue, see item 76.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis

The arrangement for retirement due to old age or invalidity of members of the Executive Committee is defined in article 17 of the Articles of Association, transcribed below, and in the document approved at the General Meeting held on 30 May 2018.

"1. The directors shall benefit from the social security regime applicable in each case.

2. The directors are also entitled to a supplement to the retirement or disability pensions and the Bank may enter into insurance contracts in favour of such directors.

3. At the beginning of each term of office and by agreement with each director, the insurance policy may be replaced by contributions to a pension fund of defined contributions.

4. The amount of the contributions of the Bank, within the scope of the two previous paragraphs, shall be established on a yearly basis by the Remuneration and Welfare Board.

5. The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director's functions.

6. The right to the supplement shall only become effective if the beneficiary retires due to old age or disability, under the terms of the social security regime applicable to him/her.

7. At the time of the retirement, the beneficiary may choose to redeem the capital.

8. In case of death before retirement, the right to receive the accrued capital shall remain effective pursuant to the applicable provisions established by the contract or by law."

No additional benefit is foreseen for directors in the event of early retirement.

The retirement supplements paid the the 2019 financial year are described in the following table:

Chairman and Executive Members of the Board of Directors	Position	Retirement Supplement (€)	Income tax withheld from Retirement Supplement (€)	Amount transferred to the Pension Fund (€)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	83,950.00	38,026.00	45,924.00
Miguel Maya Dias Pinheiro	Vice-Chairman of the BofD and Chairman of the EC	129,999.96	58,620.00	71,379.96
Miguel de Campos Pereira de Bragança	Vice-Chairman of the Executive Committee	103,999.98	45,124.00	58,875.98
João Nuno de Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	103,999.98	46,172.00	57,827.98
Rui Manuel da Silva Teixeira	Member of the Executive Committee	91,000.00	41,218.00	49,782.00
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	91,000.00	41,218.00	49,782.00
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	90,997.34	36,142.00	54,855.34
	Total	**694,947.26**	**306,520.00**	**388,427.26**

The Retirement Regulations of the Executive Dorectors is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/

IV. Disclosure of remunerations

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same

In the financial year of 2019, the amount of the fixed remuneration paid as a whole and individually to members of the company's board of directors (executive and non-executive) is shown in the following table:

A - Annual Fixed Remuneration

		Annual Fixed Remuneration				
		A	B	A + B		
Non-Executive Members of the Board of Directors	**Position**	**Paid Directly by BCP (€)**	**Paid Through Other Companies [a] (€)**	**Remuneration of the Corporate Bodies set BCP (€)**	**Income tax withheld (€)**	**Note:**
Nuno Manuel da Silva Amado	Chairman of the Board of Directors	660,712.19	29,287.81	690,000.00	299,301.00	
Jorge Manuel Baptista Magalhães Correia	Vice-Chairman of the Board of Directors	110,000.04	0.00	110,000.04	43,440.00	
Ana Paula Alcobia Gray	Member of the Board of Directors	125,000.04	0.00	125,000.04	44,124.00	
José Manuel Alves Elias da Costa	Member of the Board of Directors	132,916.63	0.00	132,916.63	46,915.00	Suspended functions during the month of December
Julia Gu	Member of the Board of Directors	33,333.32	0.00	33,333.32	8,332.00	No longer receiving remunerations, at her request, as of May
Lingjiang Xu	Member of the Board of Directors	125,000.04	25,659.88 [b]	150,659.92	50,616.00	
Teófilo César Ferreira da Fonseca	Member of the Board of Directors	155,000.04	0.00	155,000.04	63,696.00	
	Sub-total	**1,341,962.30**	**54,947.69**	**1,396,909.99**	**556,424.00**	
Members of the Audit Committee						
Cidália Maria Mota Lopes	Chairwoman of the Audit Committee	168,083.37	0.00	168,083.37	66,497.00	Started being remunerated for the position of Chairwoman of the Audit Committee:, as of May 22, 2019
Fernando da Costa Lima	Member of the Audit Committee	8,680.55	0.00	8,680.55	3,428.00	Remunerated only in the month of December, the month in which he took office.
Valter Rui Dias de Barros	Member of the Audit Committee	135,000.00	0.00	135,000.00	33,744.00	
Wan Sin Long	Member of the Audit Committee	150,000.00	0.00	150,000.00	37,498.00	Change in remuneration due to the cumulative performance of functions in the Audit and Risk Assessment Committees, as from January 2019.
	Sub-total	**461,763.92**	**0.00**	**461,763.92**	**141,167.00**	
Members of the Executive Committee						
Miguel Maya Dias Pinheiro	Vice-Chairman of the BofD and Chairman of the EC	625,383.09	24,616.89	649,999.98	327,564.00	
Miguel de Campos Pereira de Bragança	Vice-Chairman of the Executive Committee	480,410.89	39,589.15	520,000.04	248,170.00	
João Nuno de Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	520,000.04	0.00	520,000.04	271,454.00	
Rui Manuel da Silva Teixeira	Member of the Executive Committee	454,228.86	771.14	455,000.00	242,326.00	
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	426,410.89	28,589.11	455,000.00	229,719.00	
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	454,986.69	0.00	454,986.69	195,901.00	
	Sub-total	**2,961,420.46**	**93,566.29**	**3,054,986.75**	**1,515,134.00**	
	Total values of BCP's Corporate Bodies	**4,765,146.68**	**148,513.98**	**4,913,660.66**	**2,212,725.00**	

[a] - the amounts indicated are net amounts, as provided for in the Regulations for the Execution of the Remuneration Policy of the members of Management and Supervision Bodies.
[b] - this amount was not deducted from the remuneration paid at BCP, as provided for in the Regulations for the Execution of the Remuneration Policy of the members of Management and Supervision Bodies.

In the 2019 financial year, the amount of variable remuneration attributed to the executive members of the Board of Directors (executive Committee) of the Bank is shown in the following table:

B –Annual Variable Remuneration

		Annual Variable Remuneration (AVR)					
		Non-deferred AVR				Deferred AVR	
Executive Members of the Board of Directors (Executive Committee)	Position	Payment made in Cash (€)	No. Shares [(a)] made available (quant.)	Payment made in Shares[(b)] (€)	Income Tax withheld from AVR (Cash + Shares) (€)	Payment to be made in the next 3 years in Cash (€)	No. Shares [(a)] to be made available in the next 3 years (quant.)
Miguel Maya Dias Pinheiro	Vice-Chairman of the BofD and Chairman of the EC	56,553.00	219,709.00	44,359.25	45,511.00	56,553.00	219,708.00
Miguel de Campos Pereira de Bragança	Vice-Chairman of the Executive Committee	51,217.75	198,981.00	40,174.26	39,663.00	51,217.75	198,981.00
João Nuno de Oliveira Jorge Palma	Vice-Chairman of the Executive Committee	51,217.75	198,981.00	40,174.26	40,577.00	51,217.75	198,981.00
Rui Manuel da Silva Teixeira	Member of the Executive Committee	45,227.00	175,707.00	35,475.24	36,557.00	45,227.00	175,707.00
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	45,227.00	175,707.00	35,475.24	36,557.00	45,227.00	175,707.00
Maria José Henriques Barreto Matos de Campos	Member of the Executive Committee	18,844.50	73,210.00	14,781.10	15,164.00	18,844.50	73,212.00
	Total	**268,287.00**	**1,042,295.00**	**210,439.36**	**214,029.00**	**268,287.00**	**1,042,296.00**

[(a)] - average closing price of BCP shares from November 1, 2017 to December 31, 2017: **€ 0.2574**.
[(b)] - closing price of BCP shares on October 23, 2009: **€ 0.2019**.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control.

Considering the provisions in the remuneration policy for members of the Board of Directors transcribed above in item 69, which establish that the net value of the remunerations earned annually by each Executive Director, on account of duties performed in companies or governing bodies to which they have been appointed through indication or in representation of the Bank, shall be deducted from the values of the respective annual fixed remuneration, see the table above of item 77-A which quantifies these deductions.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded.

During the financial year to which this Report refers, no remuneration in the form of profit-sharing and/or bonuses was paid.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year.

During the financial year to which this Report refers, no indemnity was paid or owed to former directors relative to their termination of office during the year.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June

See the table of item 77. A - Annual Fixed Remuneration

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

In defining the remuneration of the elected members of the Board of the General Meeting, the Remuneration and Welfare Board took into consideration, for the term of office that began in May 2017, the amounts paid for this position by the major listed companies based in Portugal and similar in size to BCP, having established the annual remuneration of the Chairperson of the Board of the General Meeting at 42,000 Euros and the one of the Vice-Chairperson at 27,600 Euros.

V. Agreements with remunerative implications

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component.

This issue is ruled by the provisos of article 403 (5) of the Companies Code. herein transcribed: "If a dismissal is not grounded on a fair cause, the director will be entitled to a compensation for damages, in accordance with the agreement established with him/her or as generally permitted by law. That compensation cannot exceed the amount of remunerations he/she would presumably receive until the end of the period of time for which he/she was elected. "

Apart from those herein mentioned, no contractual conditions or limitations have been established for compensation payable for dismissal without fair cause.

On these issues, see items 71 and 72.

84. Reference to the existence and description, with indication of the amounts involved, of agreements between the company and members of the management board and directors, in observance of number 3 of article 248-B of the Securities Code, which establish compensation in the case of resignation, dismissal without fair grounds or termination of the work relation following a change in the control of the company (article 245-A/1/l))

There are no agreements between the Company and members of the management board, directors, pursuant to number 3 of article 248-B of the Securities Code, or any other employee who reports directly to the management which establish indemnities in the event of resignation, dismissal without fair cause or termination of employment relations following a change in the control of the company, exception made those determined by the general applicable law.

VI. Plans for the attribution of shares or stock options

85. Details of the plan and the number of persons included therein

Regarding the issues addressed in items 85 to 88, currently there are no plans with these features; hence, this chapter VI is not applicable to the Bank.

86. to 88. Not applicable

E. TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

The members of the governing bodies as well as the holders of qualifying stakes and entities related to them are identified and marked with special alerts in the Bank's computer records.

The internal rules on granting credit foresees specific procedures for the progression of the proposals regarding these entities, in particular, their approval by the Board of Directors and the issue of a prior opinion of the Audit Committee pursuant to an opinion issued by the Compliance Office relative to the compliance of the proposed transactions with the internal rules, legal and regulatory provisions, and all other applicable conditions.

Proposals relative to this particular group are submitted to the Audit Committee by the Executive Committee, which, in turn, receives the proposals from the Credit Commission.

This commission's functions are to assess and decide on credit granting to Customers of Banco Comercial Português, in accordance with the competences established by an internal regulation ('Credit Granting, Monitoring and Recovery'). Moreover, this commission also issues advisory opinions on credit proposals from Group subsidiary companies abroad.

The Credit Commission is composed of the totality of the members of the Executive Committee and may function with a minimum of three directors and one of them should be responsible for the proponent area. Apart from these, the Risk Officer, the Compliance Officer, the Company's Secretary, the Heads of the proponent areas, the 'Level 3' managers, the subsidiary entities' Credit Commission members (whenever there are proposals originated in those entities) and the Heads of commercial areas are also part of the Credit Commission. The Heads of the following Divisions are also members of this commission: Credit; Specialised Monitoring; Legal Advisory and Litigation; Investment Banking; Real Estate Business; Rating; Specialised Recovery and Retail Recovery.

The Director responsible for Risk, the Risk Officer, the Compliance Officer and the Head of Internal Audit are not entitled to vote but have the right to veto.

The Board of Directors, in accordance with its competences, conferred to it by its Regulations, reserved for itself the necessary and sufficient powers for the following acts:

- approve, after obtaining a prior opinion from the Audit Committee, the agreements established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management and supervision body, directly or through third parties, provided that any one of the following conditions applies: (i) the object of the agreement is not encompassed in the Bank's business; (ii) o the material engagement limit for assets and services exceeds the total amount of €100,000/year per group of suppliers part of the same economic group or client group, for the same type of assets and services; (iii) no special advantage is given to the party to the agreement in question;
- approve, after obtaining a prior opinion from the Audit Committee, credit operations, regardless of their form, to: (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, and to (iii) natural or legal persons related to either of them.

In what regards credit transactions, the Service Order OS0016 sets forth that the Bank is not allowed to grant loans, directly or indirectly, in any form or of any kind (including acting as guarantor) to the members of its management and supervision bodies or to companies or legal persons directly or indirectly controlled by them.

In accordance with the above-mentioned Service Order, the granting of any type of credit (including the provision of guarantees) to:

- entities wherein the members of the Bank's management and supervision bodies are managers or have a qualifying holding that does not ensure a controlling position, directly or indirectly;
- shareholders holding 2% or more of the Bank's share capital and to related entities;

Is subject to the following special procedures:

- approval by a majority of at least two thirds of the members of the Board of Directors and the Members related to the entities involved in the loan application are not allowed to vote;
- the documentation on these loan applications to be sent by the Credit Division to the Executive Committee for appraisal and afterwards being sent to the Board of Directors must include an opinion issued by the Bank's Audit Division verifying compliance with the applicable internal regulations, legal and statutory provisos and all other conditions applicable to them;
- the documentation regarding each loan application to be sent to the Board of Directors for final appraisal must include a prior favourable opinion issued by the Audit Committee.

The operations involving related parties are approved at a meeting of the Board of Directors by a majority of, at least, two thirds of the members.

All the members of the Audit Committee are part of the Board of Directors and, as such, participate at the meeting and in the adoption of the resolution. Therefore, this Committee takes cognizance in loco of the decision made by the Board of Directors, not being justified,for being redundant, any other communication to the Audit Committee.

When an operation with a related party is being debated, the Chairwoman of the Audit Committee, qualified as independent member of the Board of Directors, or in her absence a member appointed for that purpose, informs the Board with detail on the contents of the prior opinion of the Audit Committee.

Lastly and also in accordance with the provisions of the Regulations of the Board of Directors, the members of the Board of Directors and o the supervisory bodies cannot take part in the analysis and in the decision-making process of credit granting operations to companies mentioned in the previous paragraph of which they are managers or wherein they hold stakes and any of these situation requires the approval by, at least, a majority of two thirds of the remaining members of the administration body and a favourable opinion from the Audit Committee.

90. Details of transactions that were subject to control in the referred year.

In 2019, were subject to control by the Compliance Office and the Audit Committee of the Board of Directors 16 opinions on credit operations and three on contracting of products or services relative to members of the management and supervisory bodies and shareholders with stakes greater than 2% of the Banks' share capital and entities related to them, of a total value of approximately 3,976 million Euros. The indicated amount includes extensions and reviews of limits.

91. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings or entity-relationships with the former, as envisaged in Article 20 of the Securities Code.

Any business to be conducted between the Company and owners of qualifying holdings or entities which are in any relationship with them, are the object of appraisal and exclusive deliberation by the Board of Directors, supported by analyses and technical opinions issued by the Audit Committee, which in turn take into account approvals given by the Credit Division, in the case of credit operations, or by the Procurement Division and/or other areas involved in the contract, in the case of contracts for the supply of products and services. All the operations, regardless of their respective amount, and according to item 10 above, require a prior opinion issued by the Compliance Office in relation to the legal and regulatory compliance of the proposed operations.

II. Elements relative to business

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

On this issue, see the information provided in the Annual Report for 2019, in appraisal 51 of the Notes to the Consolidated Financial Statements.

Part II

Evaluation of the Compliance with the Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.

The Bank assesses the compliance and justifies the non-compliance with the recommendations and sub-recommendations of the Corporate Governance Code from IPCG in the following table:

EVALUATION OF THE COMPLIANCE WITH THE RECOMMENDATIONS AND SUB-RECOMMENDATIONS FROM THE CORPORATE GOVERNANCE CODE FROM IPCG

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
I.1.1.(1) **I.1.1.(2)** **I.1.1.(3)**	I.1.1. The company shall establish mechanisms to ensure, in an appropriate and rigorous manner, the production, processing and timely disclosure of information to its corporate bodies, shareholders, investors and other stakeholders, financial analysts and the market in general.	Items: 21- Board of Directors, 55 to 58, 65 and Recommendations: I.3.1., I.3.2.	Compliant
I.2.1.(1) **I.2.1.(2)**	I.2.1. Companies should establish criteria and requirements regarding the profile of new members of the corporate bodies appropriate to the function to be performed, and in addition to individual attributes (such as competence, independence, integrity, availability and experience), these profiles should consider diversity requirements, paying particular attention to gender, which may contribute to improving the performance of the body and the balance in its composition.	Items:16, 17, 19, 24, 26 and 33, 36 and Recommendation: V.4.1.	Compliant
I.2.2.(1) I.2.2.(2) I.2.2.(3) I.2.2.(4) I.2.2.(5) I.2.2.(6)	I.2.2. The management and supervisory bodies and their internal committees shall have internal regulations - in particular on the exercise of their duties, chairmanship, frequency of meetings, functioning and framework of duties of their members - and detailed minutes of their meetings shall be drawn up.	Items: 21, 22, 23, 27 and 34	Compliant
I.2.3.(1) I.2.3.(2) I.2.3.(3)	I.2.3. The internal regulations of the management and supervision bodies and of their internal commissions must be fully disclosed on the company's website.	Items: 21 to 23, 27, 34 and 61	Compliant
I.2.4.(1) I.2.4.(2)	I.2.4. The composition, number of annual meetings of the management and supervisory bodies and their internal committees shall be disclosed on the company's website.	Items: 21, 23, 27 and 67	Compliant
I.2.5.(1) I.2.5.(2)	I.2.5. The company's regulations shall provide for the existence and ensure the functioning of mechanisms for the detection and prevention of irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing), which guarantees the appropriate means for the communication and treatment of such irregularities, safeguarding the confidentiality of the information transmitted and the identity of the notifier, whenever this is requested.	Item: 49	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
I.3.1.	I.3.1. The articles of association or other equivalent means adopted by the company shall establish mechanisms to ensure that, within the limits of the applicable legislation, members of the management and supervisory bodies are permanently guaranteed access to all information and employees of the company for the evaluation of the company's performance, situation and development prospects, including, in particular, the minutes of meetings, documentation supporting the decisions taken, the call notices and the filing of meetings of the executive management body, without prejudice to access to any other documents or persons from whom clarifications may be requested.	Items: 21, 23, 26 and Recommendation: I.1.1.	Compliant
I.3.2.	I.3.2. Each body and committee of the company must ensure, in a timely and adequate manner, the flow of information, from the respective call notices and minutes, necessary for the exercise of the legal and statutory powers of each of the other bodies and committees.	Items: 21, 22 and 27	Compliant
I.4.1.	I.4.1. An obligation should be put on members of corporate bodies and committees to inform, in a timely manner, their respective body or committee of the facts that may constitute or give cause to a conflict between their interests and the company's interest.	Items: 10, 20, 49, 89 to 91	Compliant
I.4.2.	I.4.2. Procedures shall be adopted to ensure that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and clarifications requested by the body, the committee or its members.	Item: 20	Compliant
I.5.1.(1) I.5.1.(2)	I.5.1. The management body should define, with binding prior opinion of the supervisory body, the type, scope and minimum value, individual or aggregate, of the transactions with the related parties that: (i) require the prior approval of the management body; (ii) and those that, because they are of a higher value, also require a prior favourable opinion from the supervisory body.	Items:10, 37, 89 to 91	Compliant
I.5.2.(1) I.5.2.(2)	I.5.2. The management body should, every six months, report to the supervisory board all the businesses covered by Recommendation I.5.1.	Items:10, 89 to 91	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
II.1.(1)	II.1. The company should not set an excessively high number of shares required to confer the right to one vote, and should make its choice explicit in the governance report whenever it implies a deviation from the principle that each share corresponds to one vote.	Items: 5, 12, 14 and 48	Compliant
II.1.(2)		Not applicable	
II.2.	II.2. The Company should not adopt mechanisms that hinder the taking of deliberations by their shareholders, in particular establishing a deliberative quorum higher than that established by law.	Items: 5, 12, 14, 48	Non compliant but explained
II.3.	II.3. The company must implement adequate resources to exercise the right to use correspondence vote, including by electronic means.	Item: 12. (First part)	Compliant
II.4.	II.4. The company shall implement adequate means for shareholders to participate in the meeting by electronic means.	Item: 12. (Paragraph 4 et seq.)	Non compliant but explained
II.5.(1) II.5.(2)	II.5. Articles of association of the company which foresee the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that, at least every five years, the alteration or maintenance of this statutory provision will be subject to deliberation by the General Meeting – without requirement of a quorum larger than that legally established – and that, in this deliberation, all the votes cast will count, without the application of this limitation.	Items: 5 and 13	Non compliant but explained
II.6.(1) II.6.(2)	II.6. Defensive measures should not be adopted that determine payments or the incurrence of expenses by the company in the event of the transfer of control or change of the composition of the management body, and which might hinder the economic interest in the transfer of shares and the free appraisal by the shareholders of the Director's performance.	Item: 4	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
III.1.	III.1. Without prejudice to the legal functions of the Chairman of the Board of Directors, if the latter is not independent, the independent directors shall appoint a lead independent director among themselves, to: (I) act, whenever necessary, as a contact person with the Chairperson of the Board of Directors and with the other Directors, (ii) make sure that they have the necessary conditions and means to carry out their duties; and (iii) coordinate them in the performance assessment by the management body provided for in the recommendation V.1.1.	Item: 18	Non compliant but explained
	III.2. The number of non-executive members of the management body, as well as the number of members of the supervisory body and the number of members of the Financial Matters Committee must be appropriate to the size of the company and the complexity of the risks inherent to its activity, but sufficient to efficiently ensure the functions entrusted to them.	Items:18 and 21	Compliant
III.2.(1)		Item: 18	
III.2.(2)		Item 21 - Audit Committee	
III.2.(3)		(Not applicable)	
III.3.	III.3. In any case, the number of non-executive directors must exceed that of executive directors.	Item: 18	Compliant
III.4.	III.4. Each company shall include not less than one third but always a plural number of non-executive directors who meet the requirements of independence. For the purposes of this recommendation, a person is considered independent as long as he/she is not associated with any group of specific interests in the company, or is not in a position susceptible to affect his/her ability to make an impartial analysis or decision, in particular due to: i. Having exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company; ii. Being an employee of the company over the last three years or a company which is in a controlling or group relationship; iii. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person; iv. Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a director; v. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors of the company, of a legal person holder of a qualifying stake in the company or of natural persons directly or indirectly holding qualifying stakes; vi. Being the holder of a qualifying stake or representative of a shareholder with qualifying stakes.	Item: 18	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
III.5.	III.5. The provisions of paragraph (i) of recommendation III.4 shall not preclude the qualification of a new director as independent if, between the termination of his duties in any company body and his new designation, at least three years have elapsed -off period).	Item: 18	Not applicable
III.6.(1) III.6.(2)	III.6. Non-executive directors should participate in the definition, by the Board of Directors, of the strategy, main policies, corporate structure and decisions that should be considered strategic for the company due to their amount or risk, as well as in the evaluation of their compliance	Item: 21 - Board of Directors	Compliant
III.7.(1) III.7.(2)	III.7. The supervisory board shall, within the framework of its legal and statutory powers, collaborate with the executive board of Directors in defining the strategy, main policies, corporate structure and decisions that should be considered strategic for the company due to their amount or risk, as well as in the evaluation of their compliance.	Items: 15, 17 and 21	Not applicable
III.8.(1) III.8.(2)	III.8. In compliance with the powers conferred upon it by law, the supervisory body should, in particular, monitor, assess and give opinion on the strategic guidelines and risk policy defined by the management body.	Items: 21 - Audit Committee, 27 a) and 37	Compliant
III.9.(1) III.9.(2) III.9.(3)	III.9. Companies must set up specialised internal committees appropriate to their size and complexity, covering, separately or cumulatively, matters of corporate governance, remuneration and performance evaluation, and appointments.	Items: 22, 24, 27 and 29	Compliant
III.10.(1) III.10.(2) III.10.(3)	III.10. The Audit Committee, Supervisory Board and Audit Board should issue statements on the work plans and resources allocated to the internal audit services and to the services which strive to ensure compliance with the regulations applied to the company (compliance services), and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential illegalities.	Items: 37, 50 to 52	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
III.11.(1) III.11.(2) III.11.(3)	III.11. The supervisory body and the financial matters committee shall monitor the efficiency of the systems and of risk management, internal control and internal audit and propose any necessary adjustments.	Items: 21, 37 and 50	Compliant
III.12.(1) III.12.(2)	III.12. The Supervisory Body should issue an opinion on the work plans and resources allocated to the internal control, including control of compliance with the regulations applied to the company (compliance services) and of internal audit, and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential irregularities.	Items: 21, 37, 50 and 51	Compliant
IV.1.(1) IV.1.(2)	IV.1. The management body must approve, by means of internal regulations or equivalent means, the performance of directors and the exercise by them of executive functions in entities outside the group.	Item: 21 – Executive Committee	Compliant
IV.2.(1) IV.2.(2) IV.2.(3)	IV.2. The management body should ensure that the company acts in accordance with its objectives and shall not delegate powers, in particular with regard to: i) definition of the strategy and main policies of the company; ii) organisation and coordination of the corporate structure; iii) matters that should be considered strategic due to their amount, risk or special characteristics	Item: 21 - Board of Directors	Compliant
IV.3.(1) IV.3.(2)	IV.3. The management body shall set objectives on matters of risk-taking and ensure that these objectives are met.	Item: 21 - Board of Directors and Audit Committee, and Item 27 a) Committee for Risk Assessment	
IV.4.	IV.4. The supervisory body shall organise itself internally by implementing periodic control mechanisms and procedures in order to ensure that the risks effectively incurred by the company are consistent with the objectives set by the management body	Item: 21 - Board of Directors and Audit Committee	Compliant
V.1.1.(1) V.1.1.(2) V.1.1.(3)	V.1.1. The management body should evaluate annually its performance, as well as the performance of its committees and of the delegated directors, taking into account compliance with the company's strategic plan and budget, risk management, the internal functioning of the management body and of its committees, as well as the relationship between the company's bodies and committees.	Items: 24 and 25	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
V.1.2.	V.1.2. The supervisory body shall supervise the management of the company and, in particular, annually evaluate compliance with the company's strategic plan and budget, risk management, the internal functioning of the management body and its committees, as well as the relationship between company bodies and committees.	Items: 21 - Audit Committee and 37	Compliant
V.2.1.(1) V.2.1.(2)	V.2.1. The establishment of remunerations should be made by a committee whose composition ensures its independence from management.	Items: 66 and 67	Compliant
V.2.2.(1) V.2.2.(2)	V.2.2. The remunerations commission shall approve, at the beginning of each term of office, the implementation and confirmation, on an annual basis, of the remuneration policy of the corporate bodies and commissions of the company, within the scope of which the respective fixed components are established, and, with regard to executive directors or directors temporarily in charge of executive tasks, if there is a variable component of the remuneration, the respective criteria for attribution and measurement, the limitation mechanisms, the mechanisms for the deferment of the payment of the remuneration, and the remuneration mechanisms based on options or shares of the company itself.	Items 27 b), 66, 67, 69. and 72 to 74 and 85	Compliant
	V.2.3. The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, should also contain:	Items: 66, 69, 77, 78, 80 and 85	Compliant
V.2.3.(1)	i. The total remuneration broken down by the different components, the relative proportion of the variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of society, and information on how performance criteria were applied.	Item: 77	
V.2.3.(2)	ii. Remuneration from companies belonging to the same group;	Items :77 and 78	
V.2.3.(3)	Iii. The number of shares and of options on shares granted or offered and the main conditions for the exercise of the rights, including price and the date of that exercise and any alteration in those conditions;	Items: 77 and 85	
V.2.3.(4)	i.v. Information on the possibility of claiming the repayment of a variable remuneration	Items: 69 and 71	

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
V.2.3.(5)	v. Information on any deviation from the procedure for implementing the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and an indication of the specific elements subject to derogation;	Items: 66 and 69	
V.2.3.(6)	vi. Information on the payability or non-payability of amounts relative to termination of duties of directors.	Items: 72 and 80	
V.2.4.(1) V.2.4.(2)	V.2.4. For each term-of-office, the remunerations Commission shall also approve the directors' pension scheme, if the articles of association do so allow, and the maximum amount of all compensation to be paid to the member of any body or committee of the company by virtue of the termination of duties.	Items: 66, 69 e 76, 80, 83 and 84	Compliant
V.2.5.	V.2.5. In order to provide information or clarification to the shareholders, the chairman or, in his or her absence, another member of the remunerations Commission shall be present at the annual general meeting and at any other meeting if the respective agenda includes a matter related to the remuneration of corporate bodies and commissions of the company or if such presence has been requested by shareholders.	Item: 67	Compliant
V.2.6.(1) V.2.6.(2)	V.2.6. Within the limits of the company's budget, the remunerations commission should be free to decide whether the company should hire consulting services necessary or advisable for the performance of its duties. The remunerations Commission shall ensure that the services are provided with independence and that the respective service providers will not be engaged for the provision of any other services whatsoever to the company itself or to others that are in a controlling or group relationship, without the express authorisation of the Commission.	Items: 25, 27-b) and 67	Compliant
V.3.1.	V.3.1. Bearing in mind the alignment of interests between the company and executive directors, a portion of their remuneration should be of a variable nature so as to reflect the sustained performance of the company and does not encourage excessive risk-taking.	Items: 69, 71 and 73	Compliant
V.3.2.(1) V.3.2.(2)	V.3.2. A significant part of the variable component shall be partially deferred over time, for a period of not less than three years, linking it to the confirmation of the sustainability of performance, as defined in company regulations.	Items: 69 and 72.	Compliant
V.3.3.	V.3.3. Does not exist		

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
V.3.4.	V.3.4. When the variable remuneration includes options or other instruments directly or indirectly dependent on the value of the shares, the beginning of the exercise period shall be deferred for a period of not less than three years.	Item: 85	Not applicable
V.3.5.	V.3.5. The remuneration of the non-executive members should not include any component whose value depends on the performance or value of the company.	Item: 69	Compliant
V.3.6.	V.3.6. The company shall be equipped with the appropriate legal instruments so that the termination of functions before the end of the term-of-office does not give rise, directly or indirectly, to the payment to the director of any amounts other than those provided for by law, and shall make explicit the legal instruments adopted in the corporate governance report.	Items: 72, 76, 80, 83, and 84	Compliant
V.4.1.	V.4.1. The company should, under such terms as it deems appropriate, but in a manner that can de demonstrated, promote that proposals for the election of members of corporate bodies are accompanied by a justification on the suitability of the profile, expertise and curriculum to the function of each candidate.	Items: 17, 24 and 25	Compliant
V.4.2.	V.4.2. Unless the size of the company does not justify it, the function of monitoring and supporting the appointment of senior management should be assigned to a nominations committee.	Item: 27. b)	Compliant
V.4.3.	V.4.3. This committee includes a majority of independent non-executive members.	Items:17. and 27-b)	Compliant
V.4.4.	V.4.4. The nominations committee shall make its terms of reference available and shall, to the extent of its competence, lead transparent selection processes that include effective mechanisms for identifying potential candidates, and that those with the greatest merit, best suited to the requirements of the position and promoting adequate diversity, including gender, within the organisation should be chosen for proposal.	Items: 17, 24 and 25	Compliant
VI.1.(1) VI.1.(2)	VI.1. The Management body must discuss and approve the company's strategic plan and risk policy, including the definition of risk levels considered acceptable.	Items: 21-Board of Directors 27-a), 53 and 54	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
VI.2.(1) VI.2.(2) VI.2.(3) VI.2.(4) VI.2.(5)	VI.2. Based on its risk policy, the company must establish a risk management system, identifying (i) the main risks to which it is exposed in the development of its activity; (ii) the probability of their occurrence and their impact; (iii) the instruments and measures to be adopted with for the purpose of their mitigation; (iv) monitoring procedures for their follow-up; and (v) the supervisory procedure, periodic evaluation and adjustment of the system.	Items: 53 and 54	Compliant
VI.3.(1) VI.3.(2)	VI.3. The company shall evaluate annually the degree of internal compliance and the performance of the risk management system, as well as the prospects of changing the previously defined risk framework.	Item: 54	Compliant
VII.1.1.	VII.1.1. The internal regulation of the supervisory body shall require that it oversees the adequacy of the process of preparation and disclosure of financial information by the management body, including the adequacy of accounting policies, estimates, judgements, relevant disclosures and their consistent application between financial years, in a duly documented and communicated manner.	Items: 37 and 55	Compliant
VII.2.1.(1) VII.2.1.(2) VII.2.1.(3) VII.2.1.(4)	VII.2.1. Through internal regulations, the supervisory body must define: (i) The criteria and the process for the selection of the statutory auditor (ii) The methods used by the company to communicate with the statutory auditor (iii) The supervisory procedures designed to ensure the independence of the Statutory Auditor (iv) Other than auditing services which can not be provided by the Statutory Auditor	Items: 21-Audit Committee, 37, Chapter IV-Statutory Auditor and 45	Compliant
VII.2.2.(1) VII.2.2.(2)	VII.2.2. The supervisory body shall be the main interlocutor of the statutory auditor in the company and the first receiver of the respective reports, being entrusted, in particular, with proposing the respective remuneration and ensuring that the company provides the appropriate conditions for the provision of the audit services.	Items: 21-Audit Committee, 37, Chapter IV-Statutory Auditor and 45	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.	Table of Contents for the Items of Part I of the Report	Compliance
VII.2.3.	VII.2.3. The supervisory body should evaluate annually the work, independence and suitability for the performance of duties carried out by the statutory auditor and propose, to the competent body, the auditor's dismissal or the termination of the work contract whenever there is just cause for that.	Items: 21 - Audit Committee, 37 and 45	Compliant
VII.2.4.(1) VII.2.4.(2) VII.2.4.(3)	VII.2.4. The statutory auditor should, under his7her duties, verify the application of the remuneration policies and systems of the governing bodies, the efficacy and operation of the internal control mechanisms and report any failures to the supervisory body.		Not applicable
VII.2.5.	VII.2.5. The statutory auditor should cooperate with the supervisory body and should immediately provide information on any irregularities that it has detected, relevant to the performance of the functions of the supervisory body and any difficulties encountered in the performance of its duties.	Item: Chapter IV – Statutory Auditor	Compliant

ANNEXES

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ANNEX I

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Regarding the positions held simultaneously in other companies, in and outside the Group, and other relevant activities performed, see table 26 of this Report)

Non-Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

Nuno Manuel da Silva Amado

Personal Data

- Date of Birth: 14 August 1957
- Nationality: Portuguese

Positions held at the Bank

- Chairperson of the Board of Directors
- Member for the International Strategy Board
- Direct Responsibilities
- Board of Directors' Support Office
- Company Secretary's Office
- Audit Division
- Fundação Millennium bcp

Positions held in the Group

- Vice-Chairman of BIM - Banco Internacional de Moçambique, S.A.
- Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Chairman of the Board of Curators of Fundação Millennium bcp

Positions outside the Group

- Member of the Supervisory Board of EDP – Energias de Portugal, S.A.
- Member of the Board of Auditors of Fundação Bial
- Member of the General Board of Universidade de Lisboa
- Chairman of the Senior Board of the Alumni Clube ISCTE

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Advanced Management Programme from INSEAD, Fontainebleau

Professional experience in the last 10 years relevant to the position

- From August 2006 to January 2012 – Vice-Chairman of the Board of Directors of Portal Universia Portugal
- From August 2006 to January 2012 – General-Manager and Member of the Management Committee of Banco Santander Central Hispano
- From 2006 to January 2012 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Santander Totta, S.A.

- From August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, SGPS, S.A.
- From 28 February 2012 to 30 May 2018 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 - Vice-Chairman of the Board of Directors of Fundação Millennium bcp
- From March 27, 2015 until June 16, 2018 - Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.
- From 4 April 2016 to 27 March 2019 - Effective member of the Plenary, of the Interdisciplinary Specialised Committee for Birthrate (CEPIN) and of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social
- On 30 May 2018 elected Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Other

- On November 9, 2018 - Presented with Order of Infante D. Henrique - Grand Cross of Merit

Jorge Manuel Baptista Magalhães Correia

Personal Data

- Date of Birth: 05 November 1957
- Nationality: Portuguese

Positions held at the Bank

- 1st Vice-Chairman of the Board of Directors
- Chairman of the Remuneration and Welfare Board

Positions held outside the Group

- Member of the Board of Directors and member of the Corporate Governance Committee of REN – Redes Elétricas Nacionais, SGPS, S.A.
- Chairman of the Board of Directors of Luz Saúde, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Fidelidade - Companhia de Seguros, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Lisbon Law School
- Participation in multiple relevant professional training actions throughout the career in Portugal and abroad, namely with certification in “Enforcement Training Program 1994” da U.S. Securities and Exchange Commission (SEC), Washington, DC

Professional Experience in the Last Ten Years Relevant to the Position

- Since 1983 – Lawyer – Member of the Portuguese Lawyers Association I
- From May 2014 to August 2011 - Non-executive Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From January 2008 to May 2014 - Chairman of the Board of Directors of Companhia de Seguros Fidelidade - Mundial, S.A.
- From April 2011 to January 2016 - Chairman of the Board of Directors of Universal Seguros, S.A. (Angola)
- From October 2011 to March 2013 - Chairman of the Boards of Directors of HPP – Hospitais Privados de Portugal, S.A.
- From October 2011 to May 2013 - Vice-Chairman of the Board of Directors of Caixa Seguros e Saúde SGPS, S.A.

- From May 2014 to March 2017 - Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Companhia de Seguros Fidelidade, S.A.
- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee - Fidelidade Assistência Auto, S.A.
- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Multicare - Seguros de Saúde, S.A.
- From June 20014 to July 2018 - Chairman of the Board of Directors of Fidelidade Property International, S.A.
- From June 2014 to July 2018 - Chairman of the Board of Directors of Fidelidade Property Europe, S.A..
- On 30 May 2018 elected 1st Vice-Chairman of the Board of Directors and Chairman of the Remuneration and Welfare Board of Banco Comercial Português, S.A., for the term of office 2018/2021.

Ana Paula Alcobia Gray

Personal Data

- Date of Birth: 16 March 1962
- Nationality: Portuguese / South- African

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Risk Assessment
- Member of the Remunerations and Welfare Board

Academic and Specialised Qualifications

- Masters Degree in Business Management (MBA) from University of Witwatersrand
- Chartered Accountant (South Africa) - registered in the Ordem dos Revisores Oficiais de Contas (South African Chartered Accountants Association).
- Honours (post graduate) in Commerce from University of South Africa
- Honours (post graduate) In Accounting Science from University of South Africa
- Bachelor of Commerce from the University of South Africa

Professional Experience in the Last Ten Years Relevant to the Position

- From November 1996 to September 2015 – Group BAI (Lisbon, Portugal and Luanda, Angola) where he performed the functions of non-executive Vice-Chairwoman and executive director at the Group's banks.
- On 30 May 2018, elected Member of the Board of Directors and Member of the Remuneration and Welfare Board of Banco Comercial Português, S.A., for the term of office 2018/2021

José Manuel Alves Elias da Costa

Personal Data

- Date of Birth: 13 October 1952
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Nominations and Remunerations
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Risk Assessment

Academic and Specialised Qualifications

- Licentiate Degree in Finance by Instituto Superior de Economia de Lisboa

Professional Experience in the Last Ten Years Relevant to the Position

- From May 2002 to May 2016 - Member of the Executive Committee - Banco Santander Totta
- From May 2017 to August 2018 - Advisor - Banque de Dakar (BDK), Senegal
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Xiaoxu Gu (Julia Gu)

Personal Data

- Date of Birth: 05 September 1970
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors

Positions held outside the Group

- Since 2011 - Executive Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd.
- Since June 2015 - Non-Executive Member of the Board of Directors - Mybank
- Since January 2016 – Non-executive Chairwoman - Zhangxingbao (network Technology Co., Ltd)

Academic and Specialised Qualifications

- Masters in Business Management - East China Normal University
- Bachelor's Degree in Transportation Management - University Tongji (former Shanghai Tiedao University)

Professional Experience in the Last Ten Years Relevant to the Position

- From March 2010 to October 2011 - Non-Executive Director of Allinfinance (Allinpay's Subsidiary) and General Manager of Marketing Services Department of All in Pay Network Services Co., Ltd.
- From 2015 to 15 May 2018 – Chairwoman of the Board of Directors - Great China Finance Leasing (Shanghai) Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Chairwoman of the Board of Directors - Shanghai Hongkou Guangxin Microcredit Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Chairwoman of the Board of Directors - Guangzhou Fosun-Yuntong Microcredit Co., Ltd (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 –Member of the Board of Directors – Zhejiang Zheshang International Financial Asset Exchange Co., Ltd.
- From 2015 to 08 June 2018 – Chairwoman of the Board of Directors - Shanghai Xinglian Commercial Factoring Co., Ltd.
- From 2015 to July 2018 - Member of the Board of Directors - Zhejiang Mybank Co., Ltd.

- From 2015 to 28 July 2018 – Member of the Board of Directors - Minsheng E-Comerce Co., Ltd.
- From 2015 to 28 July 2018 – Chairwoman of the Board of Directors - Shanghai Fosunling Asset Management Co., Ltd. (Subsidiary of Zhangxingbao)
- From 2016 to 28 July 2018 – Chairwoman of the Board of Directors - SUM Payment Services Co., Ltd
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Lingjiang Xu

Personal Data

- Date of Birth: 13 July 1971
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Nominations and Remunerations

Positions held in the Group

- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions held outside the Group

- Non-Executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, SA
- Chairman of the Board of Directors of Longrun Portugal, SGPS, S.A.

Academic and Specialised Qualifications

- Bachelor's Degree in German Language of the Foreign Studies University, Beijing, China
- Master's Degree in World Economy - Nan kai University, Tianjin, China
- Master in Finance – London Business School, London

Professional Experience in the Last Ten Years Relevant to the Position

- From February 2006 to January 2010 – First Secretary of the Commercial Office of the Embassy of the People's Republic of China, in London
- From September 2011 to March 2012 - Director of Vermilion Partner LLP (London)
- From March 2012 to December 2013 - Partner to RH Regent Investment Management Co Ltd (Shanghai;)
- From February 2015 to February 2017 - Non-Executive Director of Luz Saúde, S.A.
- From May 2015 to February 2017 - Non-executive Vice-Chairman of the Board of Directors of Fidelidade - Assistência - Companhia de Seguros, S.A.
- From September 2015 to February 2017 - Non-Executive Director of the Board of Directors of Multicare - Seguros de Saúde, S.A.
- From October 2016 to March 2017 - Non-Executive Director of the company Chiado (Luxembourg), S.à.r.l.
- On 9 January 2017 he was co-opted by the Board of Directors of the Bank to exercise the functions of non-executive Director, until the end of the current triennial (2015/2017).
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Teófilo César Ferreira da Fonseca

Personal Data

- Date of Birth: 03 October 1966
- Nationality: Portuguese and Angolan

Positions held at the Bank

- Member of the Board of Directors
- Chairperson of the Committee for Risk Assessment
- Member of the Committee for Nominations and Remunerations

Academic and Specialised Qualifications

- Attendance of the Intensive Management General Program (50 hours), from the Porto Business School
- Licentiate Degree in Financial Management - ISAG-Instituto Superior de Administração e Gestão, Porto
- Post-graduate degree in International Business; Porto Business School
- Master's degree in Regional Economic in Integration and European Policies; Porto; Universidade Católica do Porto
- Post-Graduate degree in Management Audit; Lisbon; INDEG/ISCTE, Lisbon
- Bachelor's Degree in SME Management – ISVOUGA, Santa Maria da Feira

Professional Experience in the Last Ten Years Relevant to the Position

- From June 2005 to September 2010 - Deputy General Manager of the Corporate Development - Banco Caixa Geral Espanha
- From June 2007 to September 2010 - Deputy General Manager - CGD Branch in Spain
- From March 2009 to September 2010 - Manager - CGD's deployment project in Banco Caixa Geral Totta in Angola
- From October 2010 to October 2014 - Advisor of the Executive Committee (Chief of Transformation Officer) - Banco Caixa Geral Totta Angola
- From November 2014 to November 2017 - Deputy Manager - International Division of Group CGD
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Members of the Board of Directors (Members of the Audit Committee)

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

Cidália Maria Mota Lopes

Personal Data

- Date of Birth: 24 October 1971
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairman of the Audit Committee

Positions held outside the Group

- Professor at the Coimbra Business School – ISCAC on tax issues
- Invited Professor at Faculdade Economia – Universidade de Coimbra
- Member of the Scientific Board of the Portuguese Fiscal Association (AFP)

Academic and Specialised Qualifications

- Doctorate in Management from the Faculty of Economics of the University of Coimbra
- Master's Degree in European Economics from the School of Economics of the University of Coimbra
- Licentiate Degree in Economics from the School of Economics of the University of Coimbra.
- Post-graduate degree in Banking, Stock Exchange and Insurance Law from the Faculty of Law of the University of Coimbra.
- Participation in the Advanced Program for Non-Executive Directors from Instituto Português de Corporate Governance

Professional Experience in the Last Ten Years Relevant to the Position

- 2000 to 2015 – Trainer at the Portuguese Association of Certified Accountants (OCC)
- From 2009 to 2010 – Member of the working party for Fiscal Policy, Competitiveness and Efficiency of the Fiscal System in Portugal of the XVIII Constitutional Government
- From 1999 to 2018 - Published books and articles on tax issues, namely: A Fiscalidade das Pequenas e Médias Empresas – Estudo comparativo na União Europeia (1999); Quanto custa pagar impostos em Portugal? Os custos da tributação do rendimento (2008); Fiscalidade – Outros Olhares (2013) (coordinator); A Fiscalidade das Sociedades Insolventes (2015) (co-author) 1st edition (2017) and 2nd edition
- From 2010 to 2014 - Director of Coimbra Business School - Escola de Negócios de Coimbra
- From 11 May 2015 to 30 May 2018 - Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A.
- On 30 May 2018 elected Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A. And in 22 May 2019, elected Chairwoman of the Audit Committee for the term of office 2018/2021

Other

- 2009 - Received the Award Professor Doutor António de Sousa Franco, granted by the Chartered Accountants Association (OTOC), due to her paper: "Quanto custa pagar impostos em Portugal? – Os custos de cumprimento da tributação do rendimento" (How much does it cost to pay taxes in Portugal?)

Fernando da Costa Lima

Personal Data

- Date of Birth: 19 December 1956
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee

Positions held outside the Group

- Non-Executive Director of Euronext Lisbon
- Non-Executive Director of NetInvoice, S.A.
- Advisor at Comissão do Mercado de Capitais (CMC) Luanda, Angola

Academic and Specialised Qualifications

- Licentiate Degree in Economics, from the Faculty of Economics of the University of Porto
- Master in Business Administration from Universidade Nova de Lisboa

Professional Experience in the Last Ten Years Relevant to the Position

- From 2006 to 2017 – Central-Manager - Banco Português de Investimento S.A.
- From 2009 to 2017 - Responsible for Coordinating the Investment Banking Area at Banco de Fomento de Angola
- From 2012 to 2017 – Non-Executive Director of Banco Português de Investimento, S.A.
- On 23 April 2019 was co-opted as Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021 (initiated functions on 06.12.2019)

Valter Rui Dias de Barros

Personal Data

- Date of Birth: 19 September 1963
- Nationality: Angolan

Positions held at the Bank

- 2nd Vice-Chairman of the Board of Directors
- Member of the Audit Committee
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct

Positions held outside the Group

- Since November 2019 - Chairman of the Board of Directors of Recredit - Gestão de Activos, S.A. (Angola)

Academic and Specialised Qualifications

- Corporate Senior Management Programme - AESE and IESE, Luanda (Angola)
- Licentiate Degree in Electronic Engineering and Computing from the Faculty of Engineering of University of Porto
- Licentiate degree in Mathematics Applied to Computer Science - Faculdade de Ciências da Universidade do Porto

Professional Experience in the Last Ten Years Relevant to the Position

- From 1998 to 2011 - Professor at School of Economics and Management of Universidade Católica de Angola, Luanda (Angola)
- From December 2006 to December 2016 – Executive Director of Banco de Desenvolvimento de Angola, Luanda (Angola)
- From 2011 to 2012 - Professor in the Human Behaviour Area of the Organizations - ASM-Angola School of Management, Luanda (Angola)
- Since June 2017 to March 2018 - Advisor of the Minister of Finance - Ministry of Finance, Luanda (Angola)

- From June 2018 to November 2019 - Chairman of the Board of Directors of Instituto de Gestão de Activos e Participações do Estado (IGAPE), Angola
- On 30 May 2018 elected 2nd Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Wan Sin Long

Personal Data:

- Date of Birth: 20 May 1965
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee
- Member of the Committee for Risk Assessment

Positions held outside the Group

- Since March 2018 – Chairman of the Executive Board of Directors of Great Win Consultancy Limited

Academic and Specialised Qualifications:

- Master in Economics with specialization in International Finance - Graduate School of People's Bank of China, currently called PBC School of Finance - Tsinghua University
- Bachelor's Degree in Economics with specialisation in Banking and Public Finance - Anhui Institute of Finance and Trade, currently named University of Finance and Economy of Anhui

Professional Experience

- From September 2004 to August 2016 - Executive Director of the Board of Directors and member of the Advising Board of the Monetary Authority of Macau (AMCM), Macau Motor and Maritime Fund, Deposits Guarantee Fund of Macau, Advising Board for the Management of the Fiscal reserve of the Special Administrative Region of Macao (in the last two, since 2012)
- From July 2012 to July 2015 - Member of the Specialised Committee for the Implementation of the New Basel Agreement in the Chinese Banking Sector of China Banking Regulatory Commission
- From March 2017 to September 2018 – Chairman and CEO of Great Win Consultancy Limited and Vice-Chairman of Ultra Resource Technology Limited
- From March 2017 to 22 September 2018 - Chairperson & CEO of Great Win Investment Limited
- From March 2017 to September 30, 2018 - Chairperson & CEO of G&W Limited
- From July 2017 to 24 October 2019 – Chairman (non-executive) of the Board of Directors of Great Win Investment (Hengqin) Limited
- On 30 May 2018 elected Member of the Board of Directors of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on the page with the following address: http://www.millenniumbcp/institucional/governação/)

Miguel Maya Dias Pinheiro

Personal Data

- Date of Birth: 16 June 1964
- Nationality: Portuguese

Positions held at the Bank

- Chairman of the Executive Committee
- 3rd Vice-Chairman of the Board of Directors
- Member for the International Strategy Board

Direct Responsibilities

- CEO's Office
- Communication Division
- Human Resources Division
- Credit Division
- Digital Transformation Office

Positions held in the Group

- Manager of the company BCP África, SGPS, Lda.
- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Vice-Chairman of the Board of Curators of Fundação Millennium bcp.

Positions held outside the Group

- Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.
- Member of the Senior Board of the Alumni Clube ISCTE
- Member of the Advising Board of INDEG/ISCTE Executive Education
- Member of the Advisory Board of BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Corporate Senior Management Programme (PADE) - AESE
- Advanced Management Programme - INSEAD
- Corporate Governance Programme

Professional Experience in the Last Ten Years Relevant to the Position

- From 03 November 2009 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 11 November 2009 to 18 April 2011 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From December 2009 to May 2011 - Chairman of the Board of Directors of Banco ActivoBank, S.A.
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From March to June 2012- Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- From 23 April 2012 to 28 April 2016 - Chairman of the Board of Directors of Banco Millennium Angola, S.A.
- From 15 June 2012 to 16 June 2015 - Member of the Supervisory Board of Portugal Capital Ventures - Sociedade de Capital de Risco S.A., in representation of Banco Comercial Português, S.A.
- From May 2015 to May 2018 - Chairman of the Remunerations Commission of BIM - Banco Internacional de Moçambique
- From May 2015 to May 2018 - Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique
- From 11 May 2015 to 30 May 2018 - member of the Board of Directors and appointed Vice-Chairman of the Executive Committee for the 2015/2017 term of office
- From January to May 2018- Member of the Restructuring Committee of PNCB – Plataforma de Negociação Integrada de Créditos Bancários, ACE
- From 12 may 2015 to 30 October 2018 - Chairman of the Board of Directors of BCP Capital – Sociedade de Capital de Risco S.A.
- From 2 August 2012 to 14 October 2019 - Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, SA
- On 30 May 2018 was elected 3rd Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Miguel de Campos Pereira de Bragança

Personal Data

- Date of Birth: 25 June 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- Investor Relations Division
- Accounting and Consolidation Division
- Research, Planning and ALM Division
- Management Information Division
- Tax Advisory Division
- Legal and Litigation Advisory Division
- Means of Payment and Acquiring Division
- Bank Millennium (Poland)
- Banco Activobank, S.A.

Positions held in the Group

- Manager of the company BCP África, SGPS, Lda.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Manager of the company Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda.

Positions held outside the Group

- Non-executive Director of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A.
- Non-Executive Director of UNICRE – Instituição Financeira de Crédito, S.A., on behalf of Banco Comercial Português, S.A.
- Manager of Quinta das Almoínhas Velhas – Imobiliária, Lda.

Academic and Specialised Qualifications

- Licentiate Degree in Business Administration from Universidade Católica Portuguesa
- INSEAD, Fontainebleau, MBA Programme. Henry Ford II Award, attributed to the students with the highest final grade point average

Professional Experience in the Last Ten Years Relevant to the Position

- From 2008 to February 2012 – Director responsible for the Finance, Accounting and Management Control, Marketing and Products areas at Banco Santander Totta, S.A., Santander Totta SGPS, S.A.
- From 3 September 2010 to 11 February 2012 - Non-executive director of UNICRE – Instituição Financeira de Crédito, S.A.
- From 28 February 2012 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 30 May 2018 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 26 June 2012 to 30 December 2019 - Member of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- On 30 May 2018 elected Member of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021
- From 13 February 2013 to 21 February 2020 - Member of the Board of Fundação Casa de Bragança

João Nuno de Oliveira Jorge Palma

Personal Data

- Date of Birth: 16 February 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- International, Treasury & Markets Division
- Large Corporates and Corporate banking Divisions
- Investment Banking Division
- Companies Marketing Division
- Macau Branch
- Private Banking Division
- Banque Privée BCP (Suisse)
- Millennium bcp Bank & Trust
- China Desk

Positions held in the Group

- Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Economics from the School of Economics of Universidade Nova de Lisboa (FEUNL).
- Postgraduate studies in Business - PDE-VII Programa de Direcção de Empresas (Companies Management Programme) from AESE Business School in collaboration with IESE - Instituto de Estudos Superiores de Empresa of the University of Navarra (PADE) - AESE.

Professional Experience in the Last Ten Years Relevant to the Position

- From February 2008 to March 2010 – Member of the Board of Directors (Chief Financial Officer), of Group Caixa Geral de Depósitos - (Banco Caixa Geral, Spain)
- From March 2010 to December 2011 - Member of the Executive Board of Directors of (Chief Financial Officer), of Ren – Redes Energéticas Nacionais, SGPS, S.A.
- From January 2012 to July 2013 - Non-executive Chairman of the Board of Directors of Sogrupo IV – Gestão de Imóveis, ACE
- From January 2012 to July 2013 - Non- executive Chairman of the Board of Directors of Caixa Imobiliário, S.A.
- From January 2012 to July 2013 - Non- executive Chairman of the Board of Directors of Imocaixa, S.A.
- From January 2012 to August 2016 - Member of the Executive Board of Directors (Chief Financial Officer) of CGD – Caixa Geral de Depósitos, S.A.
- From April 2012 to November 2013 - Non-executive Member of the Board of Directors of PT - Portugal Telecom, S.A.
- From April 2012 to November 2016 - Non-executive Member of the Board of Directors of BCI – Banco Comercial de Moçambique, S.A.
- From August 2013 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.

- From September 2013 to August 2016 - Non- executive Chairman of the Board of Directors of Banco Caixa Geral, S.A., Spain
- From January 2014 to August 2016 - Non-Executive Chairman of the Board of Directors of Sogrupo Compras e Serviços Partilhados, SGPS, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Cares-Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Multicare – Seguros de Saúde, S.A
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Chairman of the Board of Directors of Caixa Gestão de Activos, SGPS, S.A.
- From June 2014 to August 2016 - Non-Executive Member of the Board of Directors of Parcaixa, S.A.
- From November 2014 to August 2016 - 1st Non-Executive Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta Angola, S.A. (later renamed Banco Caixa Geral Angola, S.A.)
- From December 2014 to August 2016 - Non-Executive Member of the Board of Directors of Partang, S.A.
- From December 2014 to August 2016 - Non- executive Vice-Chairman of the Board of Directors of Banco Caixa Geral Brasil S.A.
- On 9 January 2017 he was co-opted by the Board of Directors to exercise the functions of Member of the Board of Directors and Vice-Chairman of the Executive Committee until the end of the term-of office (2015/2017).
- On 30 May 2018 elected Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

José Miguel Bensliman Schorcht da Silva Pessanha

Personal Data

- Date of Birth: 30 July 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Risk Office
- Compliance Office
- Rating Division
- Office for Regulatory and Supervision Monitoring
- Office for the Validation and Monitoring of Models
- Personal Data Protection Office
- Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.

Positions held in the Group

- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ageas – Sociedade Gestora de Fundos de Pensões, S.A., (formerly denominated Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.)
- Chairman of the Audit Committee of the company Millennium bcp Ageas Grupo Segurador, SGPS, S.A.

Positions held outside the Group

- Member of the Board of Directors and Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.

Academic and Specialised Qualifications

- 1982 – Licentiate Degree in Economics, Universidade Católica Portuguesa
- 1984 – Master's Degree in Operational Investigation (academic portion) from Instituto Superior Técnico (Lisbon)
- 1986 - Master's Degree in Economics from Université Catholique de Louvain (Belgium)
- PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE)
- Eureko Program in INSEAD
- Invotan scholarship (NATO)
- Received a scholarship linked to the Award Joseph Bech, attributed by the Government of Luxembourg for commitment with the European Union

Professional Experience in the Last Ten Years Relevant to the Position

- From 2003 to 2015 - Group Risk Officer of Millennium BCP
- 2014 – Lecturer of the chair "Banking in a Global Context" at Universidade Católica Portuguesa
- On 11 May 2015 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2015/2017
- On 30 May 2018 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Maria José Henriques Barreto Matos de Campos

Personal Data

- Date of Birth: 21 August 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Companies Recovery Division
- Retail and Small Amounts Recovery Division
- Direct Banking Division
- Operations Division
- IT Division
- Procurement and Logistics Division
- Information Security Division
- Millenniumbcp Prestação de Serviços, ACE

Positions held in the Group

- Chairman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering and Telecommunications from Universidade de Aveiro

Professional Experience in the Last Ten Years Relevant to the Position

- From November 2001 to July 2011 - Head of IT of Bank Millennium S.A. , (Poland)
- From July 2006 to July 2011 - Director in charge for IT Europe of Millennium BCP
- From July 2011 to April 2018 - Member of the Board of Directors of Bank Millennium, S.A. (Poland).
- On 30 May 2018 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

Rui Manuel da Silva Teixeira

Personal Data

- Date of Birth: 04 September 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Retail Divisions
- Retail Marketing Division
- Segments Management Division
- Quality and Network Support Division
- Wealth Management Division

- Specialized Credit and Real Estate Division
- Specialised Monitoring Division
- Interfundos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.

Positions held in the Group

- Member of the Board of Directors of Millenniumbcp Ageas - Grupo Segurador SGPS, S.A.
- Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A.
- Member of the Board of Directors of Ageas – Sociedade Gestora de Fundos de Pensões, S.A. (Formerly Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.)
- Chairman of the Board of Directors of Interfundos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.

Positions held outside the Group

- Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- Member of the Remunerations Committee of SIBS, SGPS, S.A. (Em representação do Banco Comercial Português, S.A.).
- Member of the Remunerations Committee of SIBS, SGPS, S.A. (Em representação do Banco Comercial Português, S.A.)
- Chairman of the Board of the General Meeting of the Associação Porto Business School, in representation of Banco Comercial Português, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering from the Faculty of Engineering of University of Oporto
- Specialisation Course in Industrial Management from INEGI – Instituto de Engenharia Mecânica e Gestão Industrial

Professional Experience in the Last Ten Years Relevant to the Position

- From 2009 to 2010 – Vice-Chairman of the Executive Board of Directors of Bank Millennium S.A. (Poland), member of the European Banking Coordination Committee and member of the Supervisory Boards of Millennium Dom Maklerski SA, Millennium Leasing Sp Zoo and Millennium Lease Sp Zoo
- From May 2010 to April 2011 – Head of the Marketing Division, Member of the Retail and Companies Coordinating Committees and responsible, in addition, for the M Project.
- From 18 April 2011 to 28 February 2012 - Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 19 April 2011 to 19 October 2012 - Member of the Board of Directors of Fundação Millennium bcp
- From 28 January 2012 to 19 October 2017 - Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- From 2012 to 2018 Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- From 19 December 2012 to 18 May 2015 - Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
- From 25 January 2013 to 20 July 2017 - Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- From 11 May 2015 to 30 May 2018 - Member of the Board of Directors and of the Executive Committee
- From 26 May 2015 to 31 December 2018 - Chairman of the Supervisory Board of Banco ActivoBank, S.A.
- On 30 May 2018 elected Member of the Board of Directors and member of the Executive Committee of Banco Comercial Português, S.A. for the term-of-office 2018/2021

ANNEX II

CURRICULA VITAE OF THE MEMBERS OF THE REMUNERATION AND WELFARE BOARD OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: : http://www.millenniumbcp/institucional/governação/

Jorge Manuel Baptista Magalhães Correia

Refer to Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A.

Ana Paula Alcobia Gray

Refer to Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A.

Nuno Maria Pestana de Almeida Alves

Personal Data

- 60 years

Academic and Specialised Qualifications

- Licentiate degree in Naval Architecture and Maritime Engineering (1980)
- Master in Business Management by the University of Michigan (1985)
- Professional Experience in the Last Ten Years Relevant to the Position
- From 2006 to April 2018 – Chief Financial Officer da EDP (Energias de Portugal)
- From 2006 to April 2018 - Member of the Board of Directors of the main subsidiary companies of EDP, EDPR (Renováveis), EDP Brasil and EDP Espanha

ANNEX III

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: : http://www.millenniumbcp/institucional/governação/

Pedro Miguel Duarte Rebelo de Sousa

Position Held at the Bank

- Chairman of the Board of the General Meeting (term of office: 2017/2019)

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Faculty of Law of Universidade Clássica de Lisboa
- Post-graduate degree in Commercial and Corporate Law - Universidade Pontifícia Católica, Brasil
- Master's degree in Companies Management, from Fundação Getúlio Vargas – Business Administration School, São Paulo, Brazil

Management and Supervision positions held in other companies

- Non Executive members of the Board of Directors of Cimpor – Cimentos de Portugal, SGPS, S.A.

Other Relevant Positions

- Other relevant positions
- Member of the Sub-Committee for Latin America of the Atlantic Council, Washington DC
- Chairman of the Board of the General Meeting of Grémio Literário
- Chairman of the Board of the General Meeting of A. Santo, SGPS (Group Santo)
- Chairman of Círculo Eça de Queiroz – an institution serving the public interest
- Chairman of the Portuguese Institute of Corporate Governance
- Member of the Remunerations Commission of Novabase S.A.
- Director of the Câmara de Comércio Portugal-Holanda
- Chairman of the Board of the General Meeting of Sumolis Group Refrigor
- Chairman of the Board of the General Meeting of PWN – Professional Women`s Network Lisbon
- Chairman of the Board of the General Meeting of AMA – Agência para a Modernização Administrativa, I.P.
- Chairman of the Board of the General Meeting of Swipe News, S.A.
- Chairman of the Board of the General Meeting of CADIN – Centro de Apoio ao desenvolvimento Infantil (IPSS)
- Chairman of the Board of the General Meeting of Tecnovia Sociedade de Empreitadas, S.A.
- Chairman of the Board of the General Meeting of Tecnovia SGPS, S.A.
- Chairman of the Board of the General Meeting of Tecnovia Madeira
- Chairman of the Board of the General Meeting of Tecnovia Açores
- Chairman of the Board of the General Meeting of Associação Portugal India Business HUB
- Chairman of the Board of the General Meeting of Associação Turma do Bem (Portugal)
- Chairman of the Board of the General Meeting of Atitude/SSE – Associação pelo Desenvolvimento do Investimento Social
- Chairman of the Board of the General Meeting of Associação Mares Navegados
- Chairman of the Board of the General Meeting of AICD – Associação de Inserção por Centros Digitais de Informação
- Chairman of the Board of the General Meeting of Grande Enseada – Capital Partners, Sociedade de Capital de

Risco, S.A.

- Member of the Academia Lusíada de Letras, Ciências e Arte
- Curator of Fundação Luso Brasileira para o Desenvolvimento do Mundo de Língua Portuguesa
- Chairman of the General Board of the Portugal-Mozambique Chamber of Commerce
- Member of the General Board of the Portuguese Chamber of Commerce of S. Paulo

Professional Experience in the Last Ten Years Relevant to the Position

- From 1985 to 2017 – Curator of the Câmara de Comércio Portuguesa, São Paulo, Brasil
- From 1998 to 2010 – Non-executive Director of Intesa SanPaolo IMI International, Portugal
- From 1999 to 2009 – Partner of the law firm Simmons & Simmons, exercising the functions of Director of the firm from 2004 to 2009
- From 2004 to 2006 - Chairman of the Board of the General Meeting of PT Internacional
- From 2005 to 2006 - Chairman of the Board of the General Meeting of Galp, S.A.
- From 2005 to 2011- Chairman of the Supervisory Board of Banif Investimento, S.A
- From 2007 to 2012 – Director of the Portuguese Chamber of Commerce & Industry
- From 2009 to 2013 – Chairman of the Supervisory Board of Banco Caixa Geral Brasil. S.A.
- From 2011 to 2013 – Non-executive Director, Chairman of the Evaluation and Strategy Committee and member of the Board of Auditors of Caixa Geral de Depósitos, S.A.

Octávio Manuel de Castro Castelo Paulo

Position Held at the Bank

- Vice-Chairman of the Board of the General Meeting (term of office: 2017/2019)

Academic and Specialised Qualifications

- Licentiate Degree in Law from Universidade Lusíada de Lisboa

Management and Supervision positions held in other companies

- Independent non-executive Director of Standard Bank de Angola, currently exercising the position of Chairman of the Audit and Risk Commissions

Other Relevant Positions

- Partner of the law firm Rebelo de Sousa & Advogados (SRS), responsible for the Division of M&A, Corporate and Commercial, division yhat includes also the practice area of TMT (Telecommunications, Media and Technology)
- Chairman of the Board of the General Meeting of several companies

Professional Experience in the Last Ten Years Relevant to the Position

- Member of the Lawyers Association of Portugal since 1988 and of the Lawyers Association of Angola since 2010
- From 2003 to 2009 – partner of the international law firm Simmons & Simmons, headquartered in London
- From 2009 to 2011 - Chairman of the Portuguese Institute of Corporate Governance
- Coordinated operations for the privatization of state-owned companies, to be listed in the Stock Exchanges of Lisbon, London and New York
- Advisory services to companies for capital markets and mergers and acquisitions
- Advisory services to companies, open to public investment, or not, in Corporate Governance issues
- Chairman of the Audit Board of several companies
- Author and co-author of several works in the areas of Corporate Law and of Telecommunications Law.

2019 Report & Accounts

www.millenniumbcp.pt

Banco Comercial Português, S.A.,
Company open to public investment

Registered Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
Euros 4,725,000,000.00

Registered at
Commercial Registry Office of Oporto
under the Single Registration and
Tax Identification Number 501 525 882
LEI BCP: JU1U6S0DG9YLT7N8ZV32

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