Report & Accounts

1Q '20

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Pursuant to article 10 of the Regulation 7/2018 of the CMVM, please find herein the transcription of the

Q1 2020 Report & Accounts

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 Q1 2020 Report Accounts is a translation of the "Relatório e Contas do 1º Trimestre de 2020" 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 2018" 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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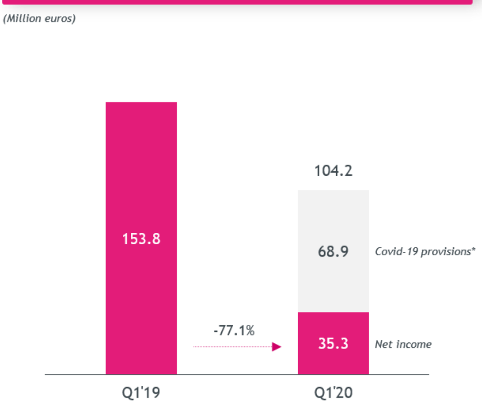
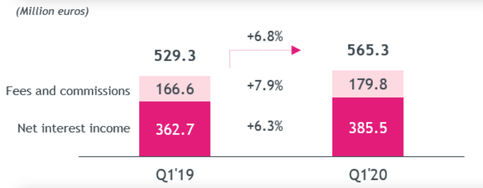
Information on the BCP Group

BCP in Q1 2020

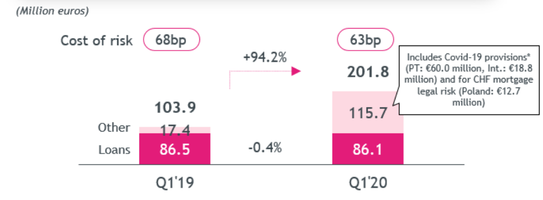
Net income



Core income (net interest income + commissions)



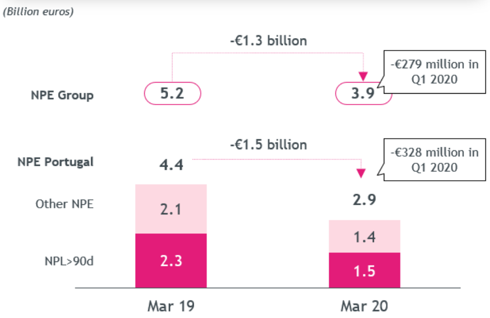
Impairment and provision charges



Notice: Net income would have decreased by 32.3% without Covid-19 provisions.

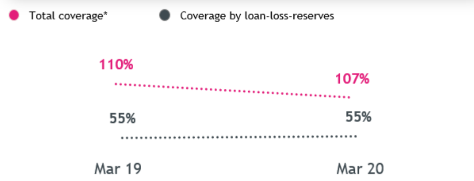
*Impact after of taxes. Total Covid-19 provisions: €78.8 million, of which €60.0 million in Portugal and €18.8 million in the international operations (€10.2 million, net of non-controlling interests).

Improved credit quality

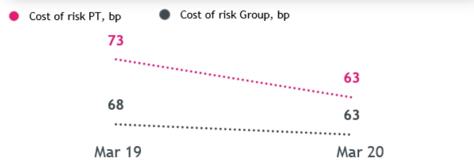


Decrease of NPEs (**-€1.3 billion from March 31, 2019**) and of cost of risk (63bp in in Q1 2020); strong coverage

NPE coverage



Cost of risk

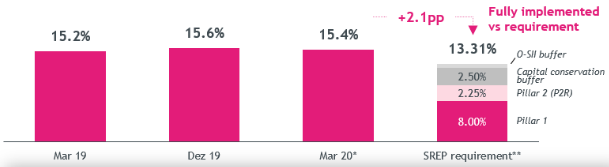


NPE include loans to Customers only.

*By loan-loss reserves, expected loss gap and collaterals.

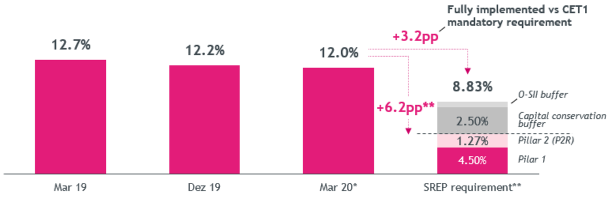
Total capital ratio

(Fully implemented)



CET1 capital ratio

(Fully implemented)

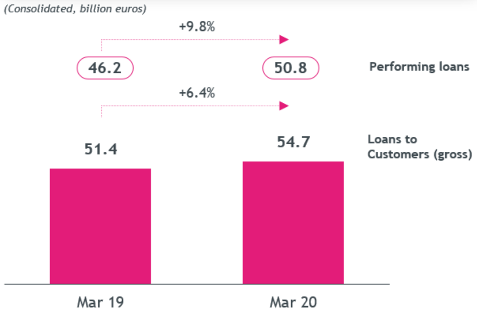


*Including unaudited net income for Q1 2020. | **Minimum phased-in regulatory requirements from March 12, 2020.

- **Capital ratio of 15.4%***, above regulatory requirements
- **Buffer of €1.0 billion** above the level at which there are restrictions on the maximum distributable amount of net income (MDA), in accordance with banking regulation
- **Difference from the fully implemented ratio to the requirement that has to be fulfilled with CET1 capital of €1.4 billion not considering the use of the capital conservation and of the O-SII buffers, €2.8 billion if such buffers are used**

Increasing performing loans portfolio

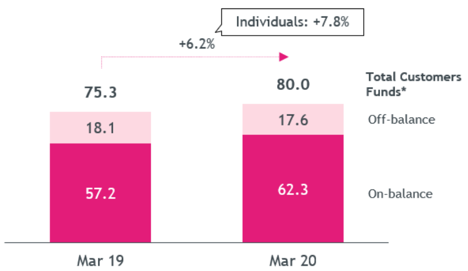
(Consolidated, billion euros)



Performing loans up by €4.5 billion from March 31, 2019 and by €239 million from end-2019

Increasing total Customers funds

(Consolidated, billion euros)



Total Customers funds up by €4.7 billion from March 31, 2019

*Deposits, debt securities, assets under management, assets placed with Customers and insurance products (savings and investments).

Covid-19

Five priorities that guide BCP's actions in 2020

- Protect Employees
- Defend the quality of the balance sheet, liquidity and solvency of the Bank
- Support the economy, families, businesses and institutions
- Adapt business models and processes to the new normal
- Strengthen the social support component for the most vulnerable

Covid-19: quick adaptation to the context, protecting Employees and Customers and ensuring business continuity

Employees
Protection and prevention of contagion

- Use of protective equipment, reinforcement of disinfection and adaptation of facilities and internal circuits
- Identification and special protection of risk groups and implementation of quarantine policy
- Enhanced health care, including preferred access via remote channels
- Quick setting of telework, which covered 53% of Employees
- Preparation of phased return of Employees to the workplace in safe conditions

Customers
Availability of service in safe conditions

- 99% of branches operating with 87% of Employees *in situ*
- Active promotion of the use of the app and remote channels
- Dynamic management in the event of possible contagion implied closure, disinfection and prompt reopening of 20% of the branch network
- Prevention of contagion at branches, with the installation of protective equipment, limitations to the number of Customers inside the branch and the use of a mask

Business Processes
Operating continuity in a risk context

- Segregation and rotation of teams in critical areas
- Reinforcement of technological infrastructure to allow simultaneous, large scale teleworking
- Ensuring the reliability and quality of services from critical suppliers
- Reformulation of the objectives of the commercial network, focused on supporting Customers in overcoming emergency phase
- Robotization and deep learning allow scaling of operational capacity for applications to moratoriums and underwriting of credit lines

Supervision Authorities
Close and permanent monitoring

- Continuity of operation and critical functions
- Cybersecurity
- IT risk and resilience
- Liquidity
- Exposure to risk
- Measures to mitigate adverse impacts

Corporate governance structures manage crisis situation based on a model with three pillars

- ***Governance***

  Executive Committee monitors emergency situation, makes strategic decisions and introduces required adjustments to commercial activity

  Reinforced and permanent interaction with the Board of Directors and its commissions

- ***Operational continuity***

  Crisis Management Office operating since March 6th, comprised of the Executive Committee, health technicians and critical areas

  Quick analysis of information, quick decision and agile implementation of main measures

- ***Monitoring of the international portfolio***

  Sharing resources and experiences with learning best practices

  Chief Risk Officer integrates Crisis Management Offices in Poland, Mozambique and Switzerland

Covid-19: Supporting the economy and the communities BCP serves, preserving the quality of the balance sheet and the sustainability of the Bank

	Measures	Indicators
Companies	• Credit lines with State guarantee to support treasury (€6.6 billion) • Own lines of €1 billion • Capital and interest moratoriums (Decree-Law 10-j / 2020) • Waving of commissions on acceptance of purchases through MBWay, suspension of POS's monthly fees for Customers impacted by the crisis and earlier payment to suppliers	**More than 12,400 applications to Covid-19 lines were already approved by SGMs** • More than €2.2 billion of approved financing 34.0% of the total amount made available • **More than €650 million disbursed** **More than 23,700 moratoriums approved**
Families	• Capital and interest moratoriums (Decree-Law 10-j / 2020) • Private sector moratoriums (protocol of the Portuguese Banking Association) • Suspension of spread aggravation due to non-compliance with contractual conditions in all mortgage loans • Reduced fees on integrated solutions, provision of insurance with Covid-19 coverage and access to online doctor	**More than 76,700 moratoriums approved**

Reinforced commitment to People and Society

Community

- Donation for the acquisition of means to fight Covid-19 and to the Curry Cabral Hospital; delivery of medical equipment to the National Health Service; € 230,000 contribution to the purchase of 100 ventilators by the Portuguese Banking Association for donation to the NHS; participation in the European Union's "Global Response to Covid-19" initiative; Millennium bim donation to Maputo's Central Hospital
- Reinforcement of the support to the Food Bank against Hunger through the Millennium bcp Foundation
- Support to the Field Hospital at Lisbon University stadium to respond to the COVID-19 pandemic

The Bank's future profitability depends on the viability and sustainability of its Customers

Main highlights (1)

Euro million

	31 Mar. 20	31 Mar. 19	Change 20/19
BALANCE SHEET			
Total assets	81,499	77,118	5.7%
Loans to customers (net)	52,507	48,561	8.1%
Total customer funds	79,955	75,286	6.2%
Balance sheet customer funds	62,306	57,235	8.9%
Deposits and other resources from customers	60,815	55,758	9.1%
Loans to customers (net) / Deposits and other resources from customers (2)	86.3%	87.1%	
Loans to customers (net) / Balance sheet customer funds	84.3%	84.8%	
RESULTS			
Net interest income	385.5	362.7	6.3%
Net operating revenues	597.8	597.7	0.0%
Operating costs	286.4	259.5	10.3%
Operating costs excluding specific items (3)	276.9	253.1	9.4%
Loan impairment charges (net of recoveries)	86.1	86.5	-0.4%
Other impairment and provisions	115.7	17.4	>200%
Income taxes	65.6	65.4	0.3%
Net income	35.3	153.8	-77.1%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	2.9%	3.2%	
Return on average assets (ROA)	0.2%	1.0%	
Income before tax and non-controlling interests / Average net assets (2)	0.5%	1.3%	
Return on average equity (ROE)	2.4%	10.6%	
Income before tax and non-controlling interests / Average equity (2)	6.3%	14.2%	
Net interest margin	2.1%	2.2%	
Cost to income (2)	47.9%	43.4%	
Cost to income (2) (3)	46.3%	42.3%	
Cost to income (Portugal activity) (2) (3)	42.8%	40.2%	
Staff costs / Net operating revenues (2) (3)	26.2%	24.5%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	63	68	
Non-Performing Exposures / Loans to customers	7.2%	10.1%	
Total impairment (balance sheet) / NPE	55.5%	54.6%	
Restructured loans / Loans to customers	5.0%	6.9%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	218%	253%	
Net Stable Funding Ratio (NSFR)	132%	134%	
CAPITAL (4)			
Common equity tier I phased-in ratio	11.9%	12.7%	
Common equity tier I fully implemented ratio	12.0%	12.7%	
total fully implemented ratio	15.4%	15.2%	
BRANCHES			
Portugal activity	501	539	-7.1%
International activity	1,000	562	77.9%
EMPLOYEES			
Portugal activity	7,193	7,262	-1.0%
International activity (5)	11,303	9,023	25.3%

Notes:

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 published in the consolidated financial statements. 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) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
3) Excludes specific items: negative impact of 9.5 million euros in the first quarter of 2020, of which 2.6 million euros related to restructuring costs recognized as staff costs in the activity in Portugal and 6.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary, mainly as staff costs (5.5 million euros) and as other administrative costs (1.3 million euros). In the first quarter of 2019, the impact was also negative, in the amount of 6.5 million euros, mainly related to restructuring costs, recognized as staff costs in the activity in Portugal. In the profitability and efficiency indicators of the first quarter of 2020, the specific items included in the net operating revenues, of non-material amount, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary are also not considered.
4) As of 31 March 2020, and 31 March 2019, ratios include the positive cumulative net income of each period. Ratios as of 31 March 2020 are estimated and non-audited.
5) Of which, in Poland: 8,556 employees as at 31 March 2020 (corresponding to 8,412 FTE - Full-time equivalent) and 6,319 employees as at 31 March 2019 (corresponding to 6,183 FTE - Full-time equivalent).

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 3.9 billion in March 2020). 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. At the General Shareholders' Meeting held on May 20, 2020, the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., were re-appointment of for the four-year term of office 2020/2023 (Chairman: Mr. Pedro Rebelo de Sousa and Vice-Chairman: Mr. Octávio Castelo Paulo).

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 March 2020, 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.

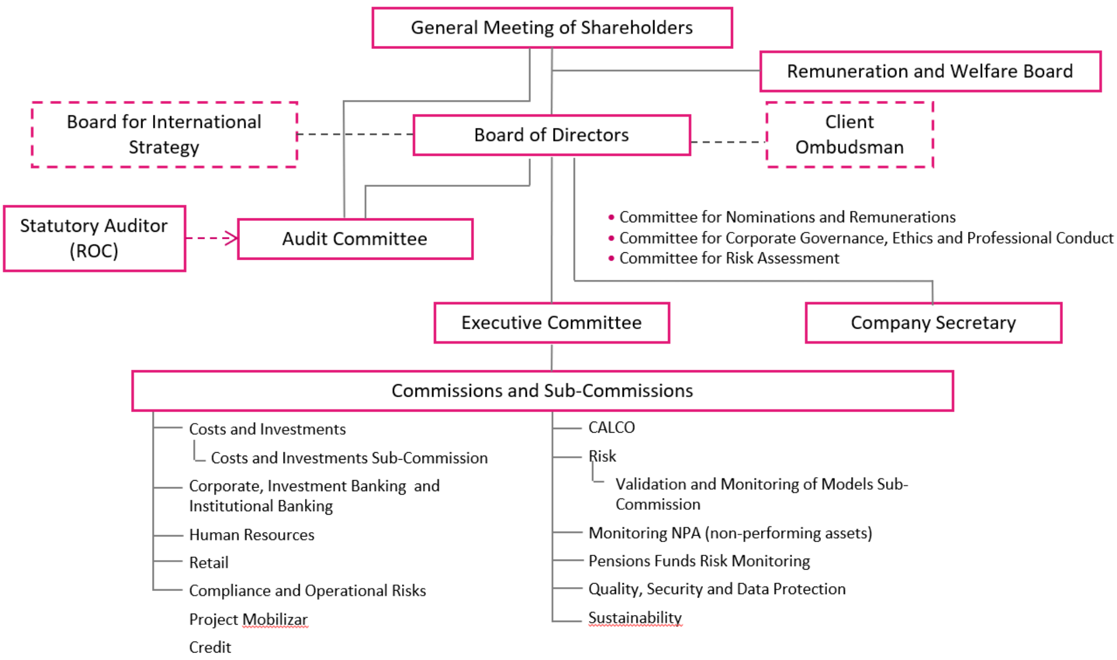
The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

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 Comitee 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 Q1 2020

In the context of the actual COVID-19 pandemic situation, we must point out some initiatives carried out by Millennium bcp to support the economy and the community:

- Launch of solutions for individuals and companies promoted by the Portuguese Government and APB;
- Participation in the donor conference, being part of the Portuguese contribution to the EU's effort to find a vaccine and treatment for COVID-19;
- Support to the NHS through initiatives such as the "United for Survival" campaign, the conversion of Curry Cabral Hospital and the construction of the Lisbon Hospital Contingency Structure, among others;
- Integration into the Portugal #EntraEmCena movement, which brings together artists and public and private companies, in support of Culture;
- Millennium bcp Foundation supports the Food Emergency Network of the Food Bank against Hunger, reinforcing its annual contribution.

SUBSQUENT EVENTS

- On April 3, Fitch Ratings affirmed BCP's Long-Term Rating of 'BB' ("IDR" – Issue Default Rating) and its Intrinsic Rating of 'bb' ("VR" - Viability Rating), and revised the Outlook to Negative from Positive, reflecting the uncertainty related to the coronavirus crisis. Assigned a 'BB-' rating to the Bank's senior non-preferred debt and a 'B+' rating to its tier 2 debt, according to Fitch's new rating methodology for banks. Assigned a 'BB+'/'B' rating to the Bank's deposits, one notch above the Long-Term IDR, reflecting the view of Fitch Ratings that depositors enjoy a superior level of protection.
- On April 8, Standard & Poor's affirmed the long-term rating of the Bank at 'BB' ("ICR" - issuer credit rating) and its intrinsic rating at 'bb' ("SACP" – stand-alone credit profile), and has revised the long-term outlook to Stable from Positive, based on the uncertainty related to the coronavirus outbreak.
- On April 21, BCP changed the conditions related to the issue of Covered Bonds with ISIN PTBCQLOE0036, namely the amount, from €2,000,000,000 to €4,000,000,000, aiming to increase the assets portfolio eligible for discount with the ECB.
- On May 20, completion, exclusively through electronic means, with 61.31% of the share capital represented, of the Annual General Meeting of Shareholders of BCP, SA, with the following resolutions being worth mentioning:
    - Approval of the management report, the individual and consolidated annual report, balance sheet and financial statements of 2019, including the Corporate Governance Report;
    - Approval of the proposal for the appropriation of profit regarding the 2019 financial year;
    - Approval of the remuneration policy of Members of Management and Supervisory Bodies;
    - Re-appointment of the elected members of the Board of the General Meeting of Shareholders of Banco Comercial Português, S.A., for the four-year term of office 2020/2023: Chairman: Pedro Rebelo de Sousa and Vice-Chairman: Octávio Castelo Paulo.

BCP SHARES

The first quarter was characterized by significant declines in the main capital markets. The Euro Stoxx 600 Banks index depreciated 38.7%.

The dissemination of the Coronavirus worldwide was declared a pandemic by the World Health Organization, with economic and social impacts. European governments have imposed lock downs, restricting the movement of people and halted economic activity in some sectors. Economic activity was negatively affected. Central banks acted with measures of economic support, with cuts in interest rates and stimulus packages. Several measures to support the economy were launched by Governments at the European level, namely, in Portugal, credit lines were launched with State guarantee, moratoriums for companies and private individuals and support for families affected by the crisis, with part of the lay- charges borne by the State and also in cases where people had to be stay home in quarantine.

BCP SHARES INDICATORS

	Units	2019	2018
ADJUSTED PRICES			
Maximum price	(€)	0.2108	0.2470
Average price	(€)	0.1668	0.2354
Minimum price	(€)	0.1004	0.2207
Closing price	(€)	0.1025	0.2303
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15114
Shareholder's Equity attributable to the group	(M€)	6,055	6415
Shareholder's Equity attributable to ordinary shares	(M€)	6,055	6415
VALUE PER SHARE			
Adjusted net income (EPS) (1) (2)	(€)	0.023	0.042
Book value (3)	(€)	0.374	0.398
MARKET INDICATORS			
Closing price to book value	(PBV)	0.26	0.54
Market capitalisation (closing price)	(M€)	1,549	3481
LIQUIDITY			
Turnover	(M€)	517	576
Average daily turnover	(M€)	8.1	9.2
Volume (2)	(M)	3,521	2453
Average daily volume (2)	(M)	55.0	38.9
Capital rotation (4)	(%)	23.3%	16.2%

(1) Considering the average number of shares outstanding
(2) Ajusted by the share capital increase completed in February 2017
(3) Considering the average number of shares minus the number of treasury shares in portfolio
(4) Total number of shares traded divided by the average number of shares issued in the period

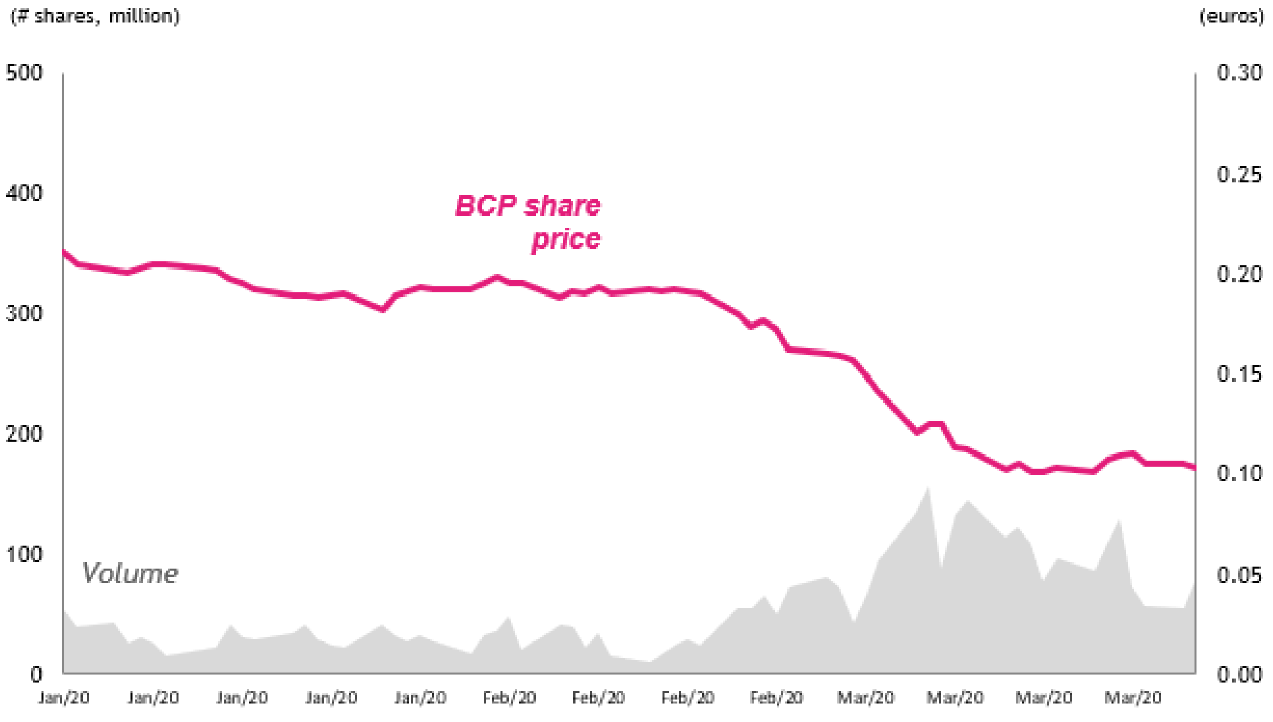
BCP shares closed Q1 2020 having depreciated 49.5%, which compares to a 38.7% decrease of the European banks index.

BCP's share performance reflected the uncertainties related to the appearance, spread and socio-economic impact of the Covid-19 pandemic, with the scenario of a global recession increasingly certain. Additionally, it also reflected specific factors associated with the Bank's operations, in particular, related to the Polish operation, with the uncertainty associated to the foreign currency loans granted by Polish banks in the pre-financial crisis period.

In the international environment we highlight :

- Completion of the United Kingdom's exit from the European Union (Brexit), contributing to the reduction of uncertainty in the markets;
- Disclosure of GDP's evolution in the Eurozone, which showed a slowdown in economic growth in the Q4 2019, having been the weakest growth rate since the Q1 2013;
- Risk of global recession in 2020, related to the lock down caused by the response to the Covid-19 pandemic, as a result of the virus' spread worldwide.
- In BCP's specific factors we highlight :
- The announcement of 2019 results, which, despite the one-offs, increased when compared to the previous year;
- Uncertainty regarding the foreign currency loans situation, in Poland.

The current average price target of €0.21, represents a 105% potential appreciation, compared to the BCP share's closing price at March 31, 2020.



Source: Euronext, Thomson Reuters

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
(Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun tional Holdings Ltd	4,118,502,618	27.25%	27.25%
TOTAL FOR FOSUN GROUP	**4,118,502,618**	**27.25%**	**27.25%**
ol - 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%**
ɔck*	451,995,799	2.99%	2.99%
TOTAL FOR BLACKROCK	**451,995,799**	**2.99%**	**2.99%**
ɔup Pensions Fund **	311,616,144	2.06%	2.06%
TOTAL EDP GROUP	**311,616,144**	**2.06%**	**2.06%**
OF QUALIFIED SHAREHOLDERS	**7,888,801,188**	**52.20%**	**52.20%**

ordance with the announcement on April 29, 2020 (last information available).

ation 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

Economic environment

The International Monetary Fund (IMF) expects a strong fall in the world's GDP in 2020 (-3%) resulting from the COVID-19 pandemic. In 2021 it is probable that the recession gives way to a recovery trend. These forecasts are subject to important risks, including the intensity and duration of the pandemic, the effectiveness of the programs of support to the economic activity that have been presented by the fiscal and monetary authorities and the evolution of the funding conditions in the international financial markets.

In the Euro Area, GDP decelerated once again, growing 1.2% against the 1.9% recorded in the preceding year. This loss of vigour stemmed essentially from the intensification of the recession in the manufacturing sector already in place in 2018. The economic outlook in the EMU started the year of 2020 timidly positive but was obliterated by the propagation of the COVID-19 in Europe. Thus, despite the uncertainty regarding the quantitative impact of the pandemic, the growth of GDP in the Euro Area in the first quarter was very negative. The European Central Bank (ECB) response to this environment was forceful, namely through the strengthening of the magnitude and scope of the public and private debt securities purchase programs.

In the US there was a loss of economic dynamism throughout 2019, with GDP growth falling from 2.9% to 2.3%, due to the dissipation of the effects of the strong fiscal stimuli package. The improvement of the data in the first months of the current year was dramatically reverted with the pandemic outbreak and the consequent imposition of the lockdown. As a result, GDP contracted at an annualized rate of 4.8% while private consumption fell 7.6%, in a context of massive employment losses. Faced with the deterioration of the general context, the Federal Reserve took a wide set of initiatives, ranging from the reduction of its key interest rate from 1.00% to 0.00%, the reintroduction of a program of debt securities purchases, and extended Dollar swap lines to several central banks.

The financial markets ended the second decade of the century on a high note, with the main financial asset classes recording substantial appreciations. But as in any other dimension of the economic life of the countries, the financial markets were inexorably struck by the pandemic, with strong corrections in the first weeks of March that weren't even more pronounced and prolonged due to the energetic reaction of central banks. The unavoidable rise of public indebtedness stemming from the pandemic led to a worsening of the risk premia of the government bonds of EMU's periphery, whilst the disruptions in the Euro short funding market translated into higher Euribor rates at every maturity.

In Portugal, the perspectives that GDP would grow around potential level have been abruptly shattered by the COVID-19 pandemic. According to the IMF GDP should drop 8% in 2020, which would represent an unprecedented recession, resulting from the disruptions to global supply chains, the adverse impact of the tourism sector downturn on the Portuguese economy, the disruptions in the international financial markets and the drop in the confidence levels of the economic agents, which should translate into an expressive reduction of investment and consumption. In this context, the Portuguese government presented a comprehensive package of measures to support economic activity with the aim of attenuating the seriousness of the recession that will characterize 2020. For 2021, the IMF foresees a vigorous recovery of GDP growth (5.0%). The deterioration of the economic outlook and the climate of strong uncertainty in the financial markets have been penalising the risk premia of the Portuguese public and private debt, albeit in a relatively moderate fashion due to the ample package of monetary stimuli measures put forward by the ECB.

In Poland, the trajectory of strong growth that has been in place since 2014 should be interrupted in 2020. The adverse effects of the COVID-19 pandemic should lead to a contraction of real GDP of 4.6%, according to the IMF. Against this background, the central bank announced a public debt securities purchase program in the secondary market and reduced the key interest rate to a historical low (0.50%). The uncertainty regarding the evolution of the economic situation and the instability in the international financial markets was reflected in a depreciation of the Zloty to levels in excess of 4.50 against the Euro.

In Mozambique, the IMF expects that GDP grows by 2.2% in 2020, similar to what has been observed in 2019. However, the Mozambican economy could be negatively affected by the reduction of commodity prices in the international markets (namely mineral coal and aluminum) and by the possibility of diminished external capital flows. In Angola, the economic recession that the country has been facing should extend to 2020, aggravated by the strong fall in oil prices due to the recession of the world's economy. In this environment, the depreciating trend of the Kwanza intensified at the end of the first quarter.

Business Model

Nature of the 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.

Distintice 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 position of leadership 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 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 March 2020, Millennium bcp was the largest Portuguese privately-owned bank on business volumes with a relevant position in the countries where it operates.

On 31 March 2020, operations in Portugal accounted for 68% of total assets, 68% of total loans to Customers (gross) and 71% of total customer funds. The Bank had over 2.4 million active Customers in Portugal and market shares of 17.3% and 17.8% of loans to Customers and customer deposits, respectively in February 2020.

At the end of March 2020, Millennium bcp is also present throughout the world through its banking operations, representation offices and/or commercial protocols, serving over 5.6 million 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 over 1.3 million Customers and is the leading bank in this country, with 19.8% of loans and advances to Customers and 24.5% of deposits, in February 2020. 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 multichannel 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. In February 2020, Bank Millennium had a market share of 5.7% in loans to Customers and of 6.3% 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 9 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 channels

In the first quarter of 2020, the Bank continued to growth its Active Digital Customer base.

For individual Customers, the digital customer base continued to grow, representing 54% of total Customers and mobile Customers at the end of the first quarter of 2020, representing 38% of total Customers at the end of the first quarter of 2020. The growth of users of the App channel contributed decisively to the growth of mobile Customers (compared to the same period last year). The number of mobile Customers increased 37% over the previous year. Of note was the 68% growth in logins, 72% in digital sales, 75% in payments and 108% in transfers. 33% of Customers are already users of the app.

The digital channels recorded strong growth, with emphasis on the increase in the interaction of Customers with the Bank. Contacts via mobile increased 68% compared to March 2019.

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 more than 40% in Portugal since 2011 and a circa of 60% reduction in the Group's NPE since 2013 (from Euros 13.7 billion to Euros 3.9 billion in March 2020).

Three distinctive competences acted as the main pillars of this recovery: a Customer oriented relationship model, market leadership 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.

Financial Information

Results and Balance Sheet

The first quarter of 2020 was marked by the spread of COVID-19, which was declared a pandemic in the course of March, forcing most countries to adopt exceptional measures, with a great impact on the lives of people and companies. The Executive Committee of Millennium bcp has always remained fully operational and activated the crisis office to coordinate the prompt reaction to this extraordinary situation, in order to, on the one hand, safeguard its Employees, and, on the other hand, to ensure the continuity of business. Recognizing the increased importance of proximity to its Customers in this period, Millennium bcp kept almost all branches in operation, while at the same time actively promoting the use of remote channels. In response to the emerging needs in this period, commercial activities were directed towards measures to support families and companies, namely, in offering treasury and financing solutions. In the permanent monitoring by the supervisory authorities, Millennium bcp has shown its solid position to face the economic shock and to continue to support its Customers.

In May 2019, Bank Millennium, SA, a subsidiary owned 50.1% by Banco Comercial Português, S.A., has completed the acquisition of 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, the acquisition method set out in IFRS 3 - Business Combinations establishes that the acquired assets and the liabilities assumed shall be recognized based on their fair value at the acquisition date. It should be noted that, at this stage, the settlement process is not yet concluded and may result in additional adjustments to the purchase price. In accordance with IFRS 3, the effective settlement will be completed no later than one year from the control acquisition date which occurred on 31 May 2019. From this date, financial statements of the Group reflect the consolidation of Euro Bank S.A.

Following the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA), the relevant indicators that allow a full understanding of the evolution of the Group's economic and financial position are detailed at the end of this document, being reconciled with the accounting values published in the consolidated financial statements.

RESULTS

The **core net income** of Millennium bcp amounted to 278.9 million euros in the first quarter of 2020, increasing 3.4% from the 269.8 million euros achieved in the same period of the previous year. Excluding specific items, related to restructuring costs and also to the costs with the acquisition, merger and integration of Euro Bank S.A., in the amounts of 9.5 million euros and 6.5 million euros recognized in the first three the months of 2020 and 2019, respectively, the core net income showed a growth of 4.4%, from 276.2 million euros on 31 March 2019 to 288.4 million euros at the end of the first quarter of 2020. The expansion of core net income mainly reflects the growth in net interest income and commissions.

The consolidated **net income** in the first quarter of 2020 stood at 35.3 million euros, being strongly influenced by the impact of the current extraordinary situation, resulting from the COVID-19 pandemic, as it led to the need to book additional provisions for the associated risks, both in the activity in Portugal and in the international activity. Thus, the decline from 153.8 million euros recorded in the same quarter of the previous year, was largely due to the increase of 98.3 million euros showed by other impairments and provisions, which also include the reinforcement of the extraordinary provision booked for claims related to mortgage loans granted in Swiss francs by the Polish subsidiary. The evolution of the consolidated net income since the first quarter of 2019 was also influenced by the gain of 13.5 million euros, recognized in February of that year, following the sale of the Planfipsa Group, reflected as discontinued operations.

In the activity in Portugal[1], net income, until March 2020, totaled 16.2 million euros, below the 94.3 million euros achieved in the same period of 2019, mainly due to the impact of the constitution of a provision for risks associated to COVID-19 pandemic, in the amount of 60.0 million euros. The evolution of net income in Portugal also reflects the contraction of net interest income, as a result of the current macroeconomic context characterized by a scenario dictated by the persistence of reference interest rates at negative levels, and the performance of other net operating income, as in the first quarter of 2019 the sale of properties generated significant gains, which were

[1] Not considering income arising from operations accounted as discontinued operations, amounting to 13.5 million euros recorded in the first quarter of 2019.

not repeated in 2020. These effects were partially offset by the decrease in loans impairment.

In the international activity, excluding specific items related to the costs incurred with the acquisition, merger and integration of Euro Bank S.A.[2], core net income grew 19.2% compared to the first quarter of 2019, reaching 135.7 million euros in the first three months of 2020, with the increase in operating costs being largely outweighed by the good performance of core income.

Net income of the international activity amounted to 19.1 million euros in the first quarter of 2020, which compares to 46.1 million euros recorded in the same quarter of the previous year. This evolution was largely due to the constitution of the provision for risks related to the COVID-19 pandemic, in the amount of 18.8 million euros (13.8 million euros in the Polish subsidiary and 5.0 million euros in the subsidiary in Mozambique). The evolution of net income in the international activity was determined by the performance of the Polish subsidiary, which, in addition to the provision for risks associated to the pandemic caused by COVID-19, was also influenced by the impact of the acquisition of Euro Bank S.A. and by the reinforcement of the provision for legal risks associated with the mortgage loans granted in Swiss francs. The contribution of the operation in Mozambique, as well as the results generated by the participation in Banco Millennium Atlântico were also lower than those achieved in the first quarter of 2019.

Net interest income showed a favorable evolution, increasing 6.3% compared to the 362.7 million euros recorded in the first three months of 2019, reaching 385.5 million euros in the same period of 2020. The contribution of international activity was decisive for this evolution, although it was partially offset by the performance of the activity in Portugal.

In the activity in Portugal, net interest income totaled 186.4 million euros in the first quarter of 2020, which compares to 201.5 million euros recorded in the same quarter of the previous year. This evolution was largely due to the reduction in the income generated by the securities portfolio, namely by the Portuguese public debt portfolio. The reduction in the portfolio of Portuguese Treasury securities in the last quarter of 2019, due to the disposals made, penalized the net interest income at the beginning of the year, and the volume of new acquisitions made in the first quarter of 2020 was not sufficient to offset this effect, mainly due to the lower yields implicit in the acquired portfolio.

On the other hand, the commercial business continues to show different dynamics as regards net interest income. The positive effect of the increase in the volume of performing loans, reflecting in large part the promotion of commercial initiatives to support families and companies with sustainable business plans, was not sufficient to outweigh the negative effects of the reduction of the non-performing portfolio and of lower interest rates that reflect the unfavorable context of historically low rates. Customer deposits continued to show a positive contribution to the evolution of net interest income, with additional savings in the cost of time deposits, despite the increase in the respective volumes.

The evolution of net interest income compared to the same period of the previous year, also reflected the lower income from the liquidity surplus in credit institutions.

In the international activity, net interest income showed a growth of 23.5% compared to the 161.2 million euros recorded in the first quarter of 2019, reaching 199.1 million euros at the end of March 2020. This evolution was driven by the Polish subsidiary and reflects, in part, the impact of the integration of Euro Bank S.A. commercial business, namely the personal credit portfolio that generates higher commercial margins. On the other hand, the net interest income of the operation in Mozambique showed a reduction when compared to the first quarter of 2019, essentially reflecting the effect of lower volumes of credit following the conservative approach adopted in the credit granting process.

Net interest margin of the Group, in the first quarter of 2020, stood at 2.1%, slightly below the 2.2% recorded in the same quarter of the previous year. In the activity in Portugal, net interest margin, constrained by the negative interest rates context, showed a slight decrease compared to the 1.8% posted in the first three months of 2019, standing at 1.5% in the first quarter of 2020. On the other hand, in the international activity, net interest margin showed an inverse trend, evolving from 3.0% in the first quarter of 2019 to 3.1% in the same period of 2020, benefiting from the effect of the acquisition of Euro Bank S.A. from May 2019.

[2] In the amount of 6.9 million euros in the first quarter of 2020, mainly recognized as staff costs and in the amount of 0.5 million euros in the first quarter of 2019, recognized as other administrative costs.

AVERAGE BALANCES

Euro million

	31 Mar. 20		31 Mar. 19	
	Amount	Yield %	Amount	Yield %
Deposits in banks	5,087	1.0	3,201	1.2
Financial assets	15,550	1.4	15,946	1.8
Loans and advances to customers	52,641	3.2	48,206	3.2
INTEREST EARNING ASSETS	**73,278**	**2.7**	**67,353**	**2.7**
Non-interest earning assets	9,124		9,459	
	82,402		**76,812**	
Amounts owed to credit institutions	6,626	0.2	7,564	0.2
Deposits and other resources from customers	61,366	0.5	55,610	0.5
Debt issued	3,269	1.2	2,989	1.1
Subordinated debt	1,547	4.8	1,221	4.4
INTEREST BEARING LIABILITIES	**72,807**	**0.6**	**67,384**	**0.6**
Non-interest bearing liabilities	2,146		2,009	
Shareholders' equity and non-controlling interests	7,449		7,418	
	82,402		**76,812**	
Net interest margin		2.1		2.2

Note: Interest related to hedge derivatives was allocated, in March 2020 and 2019, to the respective balance sheet item.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, totalled 10.8 million euros in the first quarter of 2020, compared to 18.7 million euros in the same quarter of the previous year. This evolution was determined by the performance of equity accounted earnings recognized in the international activity, namely the lower appropriation of results generated by Banco Millennium Atlântico, mainly reflecting the macroeconomic context in Angola, characterized by a situation of economic recession, as well as the effect of the devaluation of the kwanza.

In the activity in Portugal, equity accounted earnings totaled 9.3 million euros in the first quarter of 2020, standing at 1.5 million euros below the amount recorded in the same quarter of the previous year, influenced by the reduced contribution from the participation in Millennium Ageas, following the recognition of impairments for the devaluation of assets.

Net commissions showed a very favorable evolution, reaching 179.8 million euros in the first quarter of 2020, representing a growth of 7.9% compared to the first quarter of 2019, driven by the good performance of both the activity in Portugal and the International activity. This positive evolution was observed both in banking-related commissions and in market related commissions, with growth rates of 7.1% and 12.4%, respectively.

In the activity in Portugal, net commissions reached 119.3 million euros in the first three months of 2020, showing an increase of 3.8% compared to the 114.9 million euros recorded in the same quarter of the previous year. Both banking commissions and market related commissions contributed to this evolution by growing 1.9% and 19.2%, respectively, compared to the amounts posted in the first quarter of 2019. It should also be noted that the cards and transfers commissions as of the second half of March, incorporate the impact of exemptions granted in the context of the pandemic caused by COVID-19. The growth in market related commissions reflects an increase in commissions charged for custody services, for arranging new transactions and for distributing investment funds.

In the international activity, net commissions showed a significant growth of 17.0% compared to the 51.7 million euros recorded in the first three months of 2019, amounting to 60.5 million euros in the same period in 2020. This evolution was driven by the rise in banking commissions, both in the operation in Mozambique, and above all in the Polish subsidiary, the latter influenced by the impact of the acquisition of Euro Bank S.A. Regarding the Polish operation, it is important to highlight the growth in bancassurance commissions which reflects, not only the impact attributable to the integration of Euro Bank S.A., but also the increase in commissions on insurance sold to Bank Millennium customers, mainly associated with personal and mortgage operations. Market related commissions also proved to be higher than those recorded in the same quarter of the previous year, highlighting the good performance recorded in the Swiss operation.

Net trading income amounted to 61.4 million euros in the first quarter of 2020, above the 60.3 million euros recorded in the same quarter of the previous year, with the good performance of the activity in Portugal being partially offset by the reduction observed in the international activity.

In the activity in Portugal, net trading income rose 13.4% compared to the 40.0 million euros recognized in the first quarter of 2019, reaching 45.3 million euros in the same period of 2020, boosted by the income generated from foreign exchange operations, following the devaluation of the zloty, whose positive impact was, however, offset by the smaller gains with Portuguese public debt securities, which fell from 26.0 million euros in the first quarter of 2019 to 14.2 million euros in the first three months of 2020 and higher costs with the sale of credits classified as non performing exposures, which by 31 March 2020 had reached 14.4 million euros, compared to the 5.6 million euros recognized in the same period of the previous year.

In the international activity, the reduction of 21.0% showed by net trading income was mainly influenced by the performance of the Polish subsidiary, resulting from the lower results from the sale of securities.

Other net operating income, which, among others, includes the costs associated with mandatory contributions as well as with the resolution and the deposit guarantee funds, totaled a negative amount of 39.7 million euros up to March 2020[3], which compares to an also negative amount of 10.6 million euros recorded in the same period of 2019. This evolution was due to the performance of both the activity in Portugal and the international activity.

In the activity in Portugal, other net operating income increased from a positive 15.6 million euros recognized in the first quarter of 2019 to a negative 2.6 million euros in the first quarter of 2020, mainly due to the reduction in results from the sale of non-current assets held for sale, which, in the first quarter of 2019, had been influenced by the recording of significant gains from the sale of foreclosed properties.

In the international activity, other net operating income, stood at negative amount of 37.1 million euros in the first quarter of 2020[3], which compares to an also negative amount of 26.3 million euros recorded in the same period of 2019. This evolution was mainly due to the increase in mandatory contributions due by the Polish subsidiary, which increased from 31.6 million euros in the first quarter of 2019 to 36.3 million euros in the same period in 2020. The evolution of other net operating income in the international activity was also influenced by the reduction in gains from the sale of other assets that were recognized by the operation in Mozambique, in the first quarter of 2019.

OTHER NET INCOME

Euro million

	3M20	3M19	Chg. 20/19
DIVIDENDS FROM EQUITY INSTRUMENTS	**0.1**	**0.0**	**20.6%**
NET COMMISSIONS	**179.8**	**166.6**	**7.9%**
Banking commissions	150.8	140.8	7.1%
Cards and transfers	40.4	40.1	0.6%
Credit and guarantees	41.1	41.5	-1.1%
Bancassurance	32.7	28.5	14.7%
Current account related	30.1	27.5	9.4%
Other commissions	6.6	3.2	109.0%
Market related commissions	29.0	25.8	12.4%
Securities	16.8	14.3	17.1%
Asset management	12.3	11.5	6.7%
NET TRADING INCOME	**61.4**	**60.3**	**1.8%**
OTHER NET OPERATING INCOME	**(39.7)**	**(10.6)**	**<-200%**
EQUITY ACCOUNTED EARNINGS	**10.8**	**18.6**	**-42.1%**
TOTAL OTHER NET INCOME	**212.3**	**235.0**	**-9.6%**
Other net income / Net operating revenues	35.5%	39.3%	

[3] Excluding 0.1 million euros of costs related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary and considered specific items.

Operating costs, excluding the effect of specific items[4], totaled 276.9 million euros in the first three months of 2020, increasing by 9.4% from the 253.1 million euros recorded in the same period of the previous year. This evolution was due to the increase in the international activity, since in the activity in Portugal, operating costs were below the level recorded in the first quarter of 2019.

In the activity in Portugal, operating costs, not considering the effect of the specific items mentioned above, amounted to 153.0 million euros in the first quarter of 2020, showing a slight reduction (0.7%) compared to the amount recorded in the year-on-year quarter of 2019. This reduction results mainly from the decrease in other administrative costs, but also, although to a lesser extent, from the decrease in staff costs, being offset by the increase in depreciations for the year.

In the international activity, operating costs, excluding the effect of the specific items mentioned above, totaled 123.9 million euros in the first three months of 2020, increasing 25.1% from the amount recorded in the same quarter of the previous year. The observed increase was due, simultaneously, to the impact caused by the consolidation of Euro Bank S.A. in the Polish subsidiary and by the organic growth of Bank Millennium itself, which was felt in the evolution of staff costs, other administrative costs and depreciation. It should be noted that the operating costs of the operation in Poland, in the first quarter of 2020, incorporate savings in the amount of 5.4 million euros, as a result of the synergies obtained after the merger with Euro Bank S.A., reflecting a value already close to the costs recognized with the integration of the acquired Bank, at the same period.

Staff costs, not considering the effect of specific items (8.1 million euros in the first quarter of 2020 and 6.0 million euros in the first quarter of 2019), amounted to 156.6 million euros in the first quarter of 2020, reflecting a 7.1% growth compared to the 146.2 million euros recorded in the same quarter of 2019, determined by the performance of the international activity.

In the activity in Portugal, staff costs, excluding the impact of specific items, decreased by 1.0% compared to the amount recorded in the first quarter of 2019, totaling 90.2 million euros at the end of March 2020. The specific items previously mentioned are related to restructuring costs and totaled 2.6 million euros in the first quarter of 2020 and 6.0 million euros in the same quarter of the previous year. The evolution of staff costs, in the activity in Portugal, reflects the reduction, in net terms, in the number of employees, from 7,262 at the end of March 2019 to 7,193 employees at 31 March 2020, despite the hiring of employees with adequate skills to reinforce digital areas.

In the international activity, not considering the impact of specific items related to costs with the acquisition, merger and integration of Euro Bank S.A. recognized by the Polish subsidiary in the first quarter of 2020, in the amount of 5.5 million euros, staff costs stood at 66.4 million euros. The increase of 20.5% from the 55.1 million euros recorded in the first quarter of 2019, was almost entirely due to the evolution in the Polish subsidiary, reflecting the increase in the number of employees, from 6,319 (6,183 FTE - full-time equivalent) on 31 March 2019 to 8,556 employees (8,412 FTE - full-time equivalent) at the end of the first quarter of 2020. This increase was determined by the inclusion of 2,425 employees from Euro Bank S.A., in May 2019. The number of employees at the Polish subsidiary has been progressively decreasing since the end of 2019 and still does not fully reflect the decision taken by Bank Millennium to reduce the staff by 260 FTE - full time equivalent.

The total number of employees assigned to international activity increased from 9,023 on 31 March 2019 to 11,303 employees on 31 March 2020.

[4] Negative impact of 9.5 million euros in the first quarter of 2020, of which 2.6 million euros related to restructuring costs recognized as staff costs in the activity in Portugal and 6.9 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized by the Polish subsidiary (5.5 million euros as staff costs, 1.3 million euros as other administrative costs and 0.1 million euros as depreciation). In the first quarter of 2019, the impact was also negative, in the amount of 6.5 million euros, of which 6.0 million euros related to restructuring costs, recognized as staff costs in the activity in Portugal and 0.5 million euros related to acquisition, merger and integration of Euro Bank S.A., recognized as other administrative costs by the Polish subsidiary.

Other administrative costs, excluding the impact of specific items, totaled 85.6 million euros in the first quarter of 2020, which compares to 80.0 million euros recorded in the same quarter of the previous year. The already mentioned specific items are related to costs arising from the acquisition, merger and integration of Euro Bank S.A., in the amount of 1.3 million euros in the first quarter of 2020 and 0.5 million euros in the same quarter of 2019, fully recognized by the Polish subsidiary. The evolution of other administrative costs, in consolidated terms, was determined by the performance of the international activity, whose increase absorbed the reduction observed in the activity in Portugal.

The favorable performance of other administrative costs in the activity in Portugal resulted in a 5.6% drop compared to the 46.3 million euros recorded in the first quarter of 2019, standing at 43.8 million euros at the end of the first quarter of 2020. This evolution was possible thanks to the disciplined management of recurring costs, which, together with the resizing of the branch network from 539 on 31 March 2019 to 501 at the end of March 2020, produced savings in items such as advisory services and water, electricity and fuel, among others with less expression, despite the increase recorded essentially in costs associated with information technology services and the strengthening of control functions.

In the international activity, other administrative costs, not considering the impact of the specific items above mentioned, amounted to 41.9 million euros in the first three months of 2020, which compares to 33.7 million euros recorded in the same period of the previous year. In the operation in Mozambique, other administrative costs remained in line with the amount posted in the first quarter of 2019, with the evolution of other administrative costs in the international activity being determined by the performance of the Polish subsidiary, strongly influenced by the impact of the acquisition of Euro Bank S.A. and by the organic growth of the current activity of the operation.

The acquisition of Euro Bank S.A. also influenced the number of branches of the international activity, which grew from 562 on 31 March 2019, to 1,000 at the end of March 2020, with an increase of 431 branches attributable to the Polish operation and with the subsidiary in Mozambique recording 7 more branches than on 31 March 2019. It should be noted that the number of branches in Poland, at the end of the first quarter of 2020, already reflects a reduction compared to the end of 2019 within the scope of the restructuring measures adopted following the integration of Euro Bank S.A.

Depreciations, excluding the specific items recognized by Bank Millennium, S.A. related to the acquisition of Euro Bank S.A., which, in this context, are not significant, totaled 34.7 million euros in the first three months of 2020, standing above the 26.8 million euros recorded in the same period of the previous year. This evolution mainly reflects the increase in international activity, although, to a lesser extent, depreciations in activity in Portugal also proved to be higher than that recorded in the first quarter of 2019.

In the activity in Portugal, depreciations amounted to 19.0 million euros in the first quarter of 2020, increasing from the 16.5 million euros recorded in the same quarter of 2019, mainly due to the investment in software and IT equipment, confirming the commitment of the Bank to technological innovation and the ongoing digital transformation.

In the international activity, depreciations, excluding the immaterial specific items recognized by the Polish operation related to the acquisition of Euro Bank S.A., totaled 15.7 million euros in the first quarter of 2020, increasing from the 10.3 million euros recorded in the same quarter of the previous year. This increase was mainly due to the performance of the Polish subsidiary and also, although to a lesser extent, of the subsidiary in Mozambique. In both cases, the commitment to digital transformation and technological innovation justifies most of the increase, with the Polish subsidiary also reflecting the impact of the acquisition of Euro Bank S.A.

OPERATING COSTS

Euro million

	3M20	3M19	Chg. 20/19
Staff costs	156.6	146.2	7.1%
Other administrative costs	85.6	80.0	7.0%
Depreciations	34.7	26.8	29.3%
OPERATING COSTS EXCLUDING SPECIFIC ITEMS	**276.9**	**253.1**	**9.4%**
OPERATING COSTS	**286.4**	**259.5**	**10.3%**
Of which (1):			
Portugal activity	153.0	154.0	-0.7%
Foreign activity	123.9	99.1	25.1%

(1) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) was slightly below (0.4%) the amount recognized in the first quarter of 2019, standing at 86.1 million euros at the end of March 2020. This evolution results, however, from two opposite impacts, since the favorable evolution of impairment for loan losses in the activity in Portugal was almost entirely offset by the increase observed in the international activity.

In the activity in Portugal, the good performance of impairment for loan losses resulted in a decrease of 14.1% compared to the 68.0 million euros recorded in the first quarter of 2019, totaling 58.4 million euros in the first quarter of 2020, reflecting the progressive reduction of the implicit risks in the loans portfolio.

In the international activity, loans impairment totaled 27.8 million euros in the first three months of 2020, standing above the 18.5 million euros recorded in the same period of the previous year. This increase was determined by the performance of the Polish subsidiary, which was influenced not only by the impact of the acquisition of Euro Bank S.A., but also by the effect of the first signs of the COVID-19 pandemic, with the operation in Mozambique contributing to offset this impact, by showing a lower impairment level than in the first quarter of 2019.

The cost of risk of the Group confirmed its gradual downward trend, from 68 basis points at the end of March 2019 to 63 basis points on the same date of 2020.

Other impairments and provisions stood at 115.7 million euros in the first quarter of 2020, which compares to 17.4 million euros recognized in the same quarter of the previous year, with this performance being strongly influenced by provisions in a total amount of 78.8 million euros for the risks associated with the actual context of COVID-19 pandemic.

In the activity in Portugal, the provision for risks associated with COVID-19 totaled 60.0 million euros, assuming itself as a determining factor for the evolution of other impairments and provisions, from 21.4 million euros in the first three months of 2019, to 82.2 million euros recognized in the same period of 2020.

In the international activity, the increase of 37.5 million euros recorded in other impairments and provisions resulted essentially from the performance of the Polish subsidiary, which, in addition to the provision related to the implicit risks of COVID-19 pandemic, in the amount of 13.8 million euros, also recorded an additional extraordinary provision in the amount of 12.7 million euros for mortgage loans granted in Swiss francs. The evolution of other impairments and provisions in the Polish subsidiary also reflects the effect of the reversal of provisions for tax contingencies that was recognized in the same period of the previous year. In the operation in Mozambique, the provision related to COVID-19 amounted to 5.0 million euros.

Income tax (current and deferred) amounted to 65.6 million euros in the first quarter of 2020, which compares to 65.4 million euros obtained in the same quarter of the previous year.

The recognized taxes include, in the first three months of 2020, current tax of 27.0 million euros (31.2 million euros in the first quarter of 2019) and deferred tax of 38.7 million euros (34.3 million euros in the first quarter of 2019).

The increase in deferred tax expense in 2020 versus 2019 results mainly from the reduction of deferred tax assets related to credit impairment temporary differences within the execution of the non-performing exposures reduction plan and the increase of provisions not deductible for taxation purposes.

BALANCE SHEET

Total assets of the consolidate balance sheet of Millennium bcp amounted to 81,499 million euros on 31 March 2020, increasing 5.7% compared to 77,118 million euros recorded on the same date of the previous year. This growth was mainly driven by the performance of international activity, also benefiting, albeit to a lesser extent, from the evolution of assets in the activity in Portugal.

In the activity in Portugal, the evolution of total assets, from 54,655 million euros on 31 March 2019, to 55,757 million euros at the end of March 2020, was essentially due to the increase in cash at Central Banks and in the loans portfolio, partially offset by the reduction in the portfolio of real estate foreclosed properties.

Regarding the evolution of total assets, the performance of the international activity was characterized by a growth of 14.6% compared to the amount posted on the same date of the previous year, reaching 25,743 million euros at the end of the first quarter of 2020. The expansion of the assets was determined by the activity of the Polish subsidiary, mainly reflecting the increase in the loans portfolio resulting not only from the impact of the acquisition of Euro Bank S.A., but also from the expansion of the commercial activity of Bank Millennium.

Consolidated **loans to customers** (gross) of Millennium bcp, as defined in the glossary, amounted to 54,685 million euros on 31 March 2020, showing a 6.4% growth compared to the 51,387 million euros recorded at the end of March of the previous year. This evolution was determined by the growth recorded in the international activity, namely in the Polish subsidiary where the growth of the ongoing business was boosted by the impact of the acquisition of Euro Bank S.A.

In the activity in Portugal, loans to customers (gross) amounted to 37,333 million euros at the end of March 2020, remaining in line with the amount recorded at the end of the first quarter of 2019, despite the reduction of 1,519 million euros of NPE, as a consequence of the success of the strategy of divestment in this type of assets, carried out by the Bank in recent years. That reduction was offset by the 1,534 million euros growth in the performing loan portfolio, reflecting a positive contribution to the dynamism of the Portuguese economy.

Loans to customers (gross) in the international activity increased 23.3% compared to 14,070 million euros as of 31 March 2019, rising to 17,352 million euros at the end of March 2020, boosted, as mentioned before, by the performance of Polish operation, which reflects not only the impact of the acquisition of Euro Bank S.A., but also the recurring activity of the subsidiary.

Consolidated loans to customers (gross) maintained a balanced level of diversification, with the relative weight of loans to individuals in the total portfolio slightly increasing, from 54.4% as at 31 March 2019 to 57.7% as at 31 March 2020, while the weight of loans to companies stood at 42.3% at the end of March 2020, compared to the 45.6% recorded at the same date of the previous year.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Mar. 20	31 Mar. 19	Chg. 20/19
INDIVIDUALS	**31,550**	**27,949**	**12.9%**
Mortgage	25,724	23,861	7.8%
Personal loans	5,826	4,087	42.5%
COMPANIES	**23,135**	**23,439**	**-1.3%**
Services	8,946	8,858	1.0%
Commerce	3,536	3,577	-1.1%
Construction	1,560	1,912	-18.4%
Others	9,092	9,093	0.0%
TOTAL	**54,685**	**51,387**	**6.4%**
Of which:			
Portugal activity	37,333	37,317	0.0%
International activity	17,352	14,070	23.3%

The **quality of the credit portfolio** continues to benefit from the focus on selectivity and monitoring of the credit risk control processes, as well as from the initiatives carried out by the commercial and credit recovery areas, in order to recover non-performing loans over the recent years.

The improvement in the quality of the loan portfolio can be seen through the favorable evolution of the respective indicators, namely the NPE ratio as a percentage of the total loan portfolio, which declined from 10.1% as at 31 March 2019 to 7.2% at the same date of 2020, essentially reflecting the performance of the domestic loan portfolio, whose NPE ratio showed a reduction from 11.9% to 7.8%.

At the same time, it should also be noted the generalized increase in the coverage by impairments in the activity in Portugal, namely the reinforcement in the coverage of NPL by more than 90 days, from 98.7% at the end of March 2019 to 107.7% as at 31 March 2020, and the reinforcement in the coverage of NPE, which stood at 55.1% at the end of the first quarter of 2020, compared to 52.1% at the same date of the previous year.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Mar. 20	31 Mar. 19	Chg. 20/19	31 Mar. 20	31 Mar. 19	Chg. 20/19
STOCK (M€)						
Loans to customers (gross)	54,685	51,387	6.4%	37,333	37,317	0.0%
Overdue loans > 90 days	1,435	1,816	-21.0%	1,016	1,534	-33.8%
Overdue loans	1,579	1,919	-17.7%	1,048	1,566	-33.1%
Restructured loans	2,746	3,536	-22.3%	2,228	3,023	-26.3%
Non-performing loans (NPL) > 90 days	2,055	2,778	-26.0%	1,493	2,340	-36.2%
Non-performing exposures (NPE)	3,928	5,178	-24.2%	2,918	4,437	-34.2%
Loans impairment (Balance sheet)	2,178	2,826	-22.9%	1,608	2,310	-30.4%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	2.6%	3.5%		2.7%	4.1%	
Overdue loans / Loans to customers (gross)	2.9%	3.7%		2.8%	4.2%	
Restructured loans / Loans to customers (gross)	5.0%	6.9%		6.0%	8.1%	
Non-performing loans (NPL) > 90 days / Loans to customers (gross)	3.8%	5.4%		4.0%	6.3%	
Non-performing exposures (NPE) / Loans to customers (gross)	7.2%	10.1%		7.8%	11.9%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	151.8%	155.6%		158.3%	150.6%	
Coverage of overdue loans	138.0%	147.3%		153.5%	147.5%	
Coverage of *Non-performing loans* (NPL) > 90 days	106.0%	101.7%		107.7%	98.7%	
Coverage of *Non-performing exposures* (NPE)	55.5%	54.6%		55.1%	52.1%	
EBA						
NPE ratio (includes debt securities and off-balance exposures)	5.2%	7.0%		5.8%	8.5%	

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

Total customer funds showed a favorable evolution, increasing 6.2% compared to the 75,286 million euros recorded on 31 March 2019, rising to 79,955 million euros at the end of March 2020. For this 4,669 million euros increase contributed mostly the good performance of balance sheet customer funds, namely deposits and other resources from customers, which occurred both in the activity in Portugal and in the international activity. It should be noted that the growth in deposits and other resources from customers more than offset the reduction in off-balance sheet customer funds, namely in assets under management and savings and investment insurance products, which largely reflects the losses in prices of assets following the impact of the COVID-19 pandemic on the financial markets and the world economy.

In the activity in Portugal, deposits and other resources from customers grew 2,141 million euros (5.6%) compared to the amount posted at the end of the first quarter of 2019, reaching 40,248 million euros on 31 March 2020, contributing to a large extent to the 4.1% increase showed by total customer funds that amounted to 56,558 million euros at the end of March 2020.

In the international activity, total customer funds reached 23,397 million euros on 31 March 2020, increasing 11.6% compared to 20,963 million euros recorded on the same date of the previous year, largely boosted by the increase of 2,916 million euros in deposits and other resources from customers, mainly due to the performance of the Polish subsidiary. The increase recorded by Bank Millennium was due not only to the impact of the acquisition of Euro Bank S.A., but also to the current activity of the subsidiary itself.

On 31 March 2020, balance sheet customer funds and deposits and other resources from customers represented 78% and 76%, respectively of total customer funds, with its weight increasing slightly compared to the same period of the previous year.

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 86% on 31 March 2020, with the same ratio, considering on-balance sheet customers' funds, standing at 84%. Both ratios show values in line with those obtained at the same date of the previous year (87% and 85%, respectively).

TOTAL CUSTOMER FUNDS

Euro million

	31 Mar. 20	31 Mar. 19	Chg. 20/19
BALANCE SHEET CUSTOMER FUNDS	**62,306**	**57,235**	**8.9%**
Deposits and other resources from customers	60,815	55,758	9.1%
Debt securities	1,490	1,477	0.9%
OFF-BALANCE SHEET CUSTOMER FUNDS	**17,649**	**18,051**	**-2.2%**
Assets under management	5,092	5,259	-3.2%
Assets placed with customers	4,017	3,794	5.9%
Insurance products (savings and investment)	8,540	8,998	-5.1%
TOTAL	**79,955**	**75,286**	**6.2%**
Of which:			
Portugal activity	56,558	54,323	4.1%
International activity	23,397	20,963	11.6%

The **securities portfolio**, as defined in the glossary, amounted to 16,663 million euros on 31 March 2020, which compares to 17,397 million euros on the same date of the previous year. This evolution was determined by the performance of the international activity, namely the Polish subsidiary, partly justified by the divestment in Polish sovereign debt securities. The securities portfolio in the activity in Portugal recorded only a slight decrease (0.8%) compared to the end of March 2019.

On 31 March 2020, the securities portfolio represented 20.4% of total assets (22.6% on 31 March 2019).

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 started to be considered in the segment 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 2020 and 2019, 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 March 2020.

RETAIL

Million euros

RETAIL BANKING	31 Mar. 20	31 Mar. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	133	112	19.0%
Other net income	95	97	-2.6%
	228	209	8.9%
Operating costs	119	117	1.6%
Impairment	8	2	>200%
Income before tax	101	90	12.0%
Income taxes	31	28	10.9%
Income after tax	70	62	12.6%
SUMMARY OF INDICATORS			
Allocated capital	1,216	1,064	14.2%
Return on allocated capital	23.2%	23.8%	
Risk weighted assets	9,983	9,032	10.5%
Cost to income ratio	52.1%	55.8%	
Loans to Customers (net of impairment charges)	22,186	21,370	3.8%
Balance sheet Customer funds	30,530	28,631	6.6%

Notes:

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

Income

As at 31 March 2020, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 70 million, showing a 12.6% growth compared to Euros 62 million in the same period of 2019, which reflects the favourable performance of this business unit in the first quarter of 2020. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income went up to Euros 133 million as at 31 March 2020 and grew by 19.0% compared to the previous year (Euros 112 million), positively influenced by the higher income arising from the internal placements of the excess of liquidity, by the higher return on the loan portfolio, in particular through the increase of the existing volumes and by the continuous decrease in costs associated to term deposits.

- Other net income rose from Euros 97 million at the end of March 2019 to Euros 95 million at the end of March of 2020, showing a 2.6% decrease, due to lower income from financial products allocated to customers, namely from certificates.

- Operating costs went up 1.6% from March 2019, reflecting, at the staff costs level, the impact of the increase in the productivity allowance paid to employees of the commercial networks, following the good performance verified in 2019. Depreciation also increased compared to the first quarter of 2019, a situation that is justified mainly by the investment made by the Bank, namely in software and IT equipment. Conversely, other administrative expenses showed a reduction comparing to the same period of the previous year, mainly reflecting the savings associated with the reduction in the number of branches.

- Impairment charges amounted to Euros 8 million by the end of March 2020, up from Euros 2 million recorded in March 2019.

- In March 2020, loans to customers (net) totalled Euros 22,186 million, 3.8% up from the position at the end of March 2019 (Euros 21,370 million), while balance sheet customer funds increased by 6.6% in the same period, amounting to Euros 30,530 million by the end of March 2020 (Euros 28,631 million recorded at the end of the previous year), mainly explained by the increase in customer deposits.

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

COMPANIES, CORPORATE & INVESTMENT BANKING	31 Mar. 20	31 Mar. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	57	69	-17.3%
Other net income	36	33	11.8%
	93	102	-7.9%
Operating costs	28	32	-12.6%
Impairment	39	70	-44.5%
Income before tax	26	0	
Income taxes	8	0	
Income after tax	18	0	
SUMMARY OF INDICATORS			
Allocated capital	1,298	1,137	14.2%
Return on allocated capital	5.7%	0.0%	
Risk weighted assets	10,583	9,692	9.2%
Cost to income ratio	30.3%	31.9%	
Loans to Customers (net of impairment charges)	12,311	12,603	-2.3%
Balance sheet Customer funds	7,894	7,736	2.0%

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 up from a net profit of zero to a net income of Euro 18 million in March 2020. The performance of this segment remains constrained by the progressive implementation 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 these levels are lower than those recorded in the same period of the previous year. The performance of this segment in 2020 is explained by the following changes:

- Net interest income stood at Euros 57 million as at 31 March 2020, 17.3% below the amount attained in the previous year (Euros 69 million), penalized, on the one hand, by the increase in the cost of funding and, on the other hand, by the reduction in the income generated by the loan portfolio, influenced simultaneously by lower credit volumes and by lower average interest rates, as a result of the current macroeconomic context characterized by a scenario outlined by the persistence of low interest rates.
- Other net income reached Euros 36 million in March 2020, being 11.8% higher compared to the amount achieved in March 2019, which is mainly explained by the higher level of commissions.
- Operating costs totalled Euros 28 million by the end of March 2020, 12.6% down from 31 March 2019, mainly due to the fact of the Specialized Credit and Real Estate Division has ceased to be considered as a commercial network and is now included as part of the segment Other.
- Impairments showed a 44,5% reduction, falling from Euros 70 million in March 2019 to Euros 39 million in March 2020, reflecting the progressive reduction of the implicit risks in the loans portfolio of this segment.
- As at March 2020, loans to customers (net) totalled Euros 12,311 million, 2.3% lower compared to the existing position in March 2019 (Euros 12,603 million), reflecting the effort made to reduce the non-performing exposures as mentioned above. Balance sheet customer funds reached Euros 7,894 million, 2.0% above the amount recorded in March 2019.

PRIVATE BANKING

Million euros

PRIVATE BANKING	31 Mar. 20	31 Mar. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	6	2	191.3%
Other net income	6	6	7.4%
	12	8	53.6%
Operating costs	6	5	27.4%
Impairment	(1)	(1)	>200%
Income before tax	7	4	98.7%
Income taxes	2	1	98.7%
Income after tax	5	3	98.7%
SUMMARY OF INDICATORS			
Allocated capital	72	63	14.1%
Return on allocated capital	28.0%	16.2%	
Risk weighted assets	589	554	6.3%
Cost to income ratio	47.6%	57.4%	
Loans to Customers (net of impairment charges)	270	237	13.9%
Balance sheet Customer funds	2,274	2,116	7.5%

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, computed according to the geographic segmentation perspective, totalled Euros 5 million in March 2020, almost doubling the net profit posted in the same period of 2019, mainly due to the favourable performance 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 12 million in March 2020, 53.6% up from the previous year (Euros 8 million). This increment is mainly explained by the favourable performance of net interest income, but also, to a lesser extent, by the evolution of other net income. Net interest income totalled Euros 6 million in March 2020, comparing to Euros 2 million in the first quarter of 2019, mostly benefiting by the higher income arising from the internal placements of the excess of liquidity. Other net income amounted to Euros 6 million in March 2020, reflecting an increase of 7.4% compared to the same period of the previous year, due to the higher volume of commissions raised with the management of customer portfolios.

- Operating costs amounted to Euros 6 million in March 2020, above the operating costs recorded in the first three months of 2019, mainly influenced by the evolution of staff costs that incorporate the effect of the productivity bonus, which did not exist in the previous year.

- Impairments impacted positively the profit and loss account, with reversals reaching Euros 1 million in March 2020, in line with the amount recorded in March 2019.

- Loans to customers (net) amounted to Euros 270 million by the end of March 2020, showing an increase of 13.9% compared to figures accounted in the same period of the previous year (Euros 237 million), while balance sheet customer funds grew 7.5% during the same period, from Euros 2,116 million in March 2019 to Euros 2,274 million in March 2020, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Million euros

FOREIGN BUSINESS	31 Mar. 20	31 Mar. 19	Chg. 20/19
PROFIT AND LOSS ACCOUNT			
Net interest income	199	161	23.5%
Other net income (*)	41	54	-23.6%
	240	215	11.7%
Operating costs	131	100	31.4%
Impairment	61	15	>200%
Income before tax	48	100	-52.4%
Income taxes	20	25	-22.7%
Income after income tax	28	75	-62.8%
SUMMARY OF INDICATORS			
Allocated capital (**)	2,993	2,931	2.1%
Return on allocated capital	3.7%	10.3%	
Risk weighted assets	15,154	12,775	18.6%
Cost to income ratio	54.5%	46.3%	
Loans to Customers (net of impairment charges)	16,782	13,554	23.8%
Balance sheet Customer funds	20,687	17,788	16.3%

(*) 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, computed in accordance with the geographic perspective, stood at Euros 28 million in March 2020, reflecting a 62.8% decrease compared to Euros 75 million achieved in March 2019. This evolution is mostly explained by the impairment performance and, although to a lesser extent, by the increase in the operating costs. However, it should be highlighted that banking income presented a favourable performance, incorporating both the impacts arising from the acquisition and integration of Euro Bank S.A. and the organic growth of the business generated by Bank Millennium.

Considering the different items of the income statement, the performance of Foreign Business can be analysed as follows:

- Net interest margin stood at Euros 199 million in March 2020, which compares to Euros 161 million achieved in March 2019. Excluding the impact arising from the foreign exchange effects, the increase would have been 25.0%, 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 23.6%. Excluding foreign exchange effects, other net income decreased 19.6%, penalized from the performance presented by the Mozambican subsidiary, whose results in 2019 had been influenced by relevant gains from the sale of other assets, by the lower contribution of Banco Millennium Atlântico, reflecting mainly the macroeconomic context in Angola, characterized by a situation of economic recession, as well as the effect of the devaluation of the kwanza, and by the subsidiary in Poland, which was penalized by the increase in mandatory contributions.
- Operating costs amounted to Euros 131 million as at 31 March 2020, 31.4% up from March 2019. Excluding foreign exchange effects, operating costs would have risen 32.5%, mainly influenced by the operation in Poland, namely by the costs associated with the acquisition, merger and integration of Euro Bank S.A..
- Impairment charges at the end of March 2020 presented a substantial increase compared to figures reported in the same period of 2019, reflecting the impact of the provision related to the implicit risks of COVID-19 pandemic, recorded both by the by the Polish and Mozambican subsidiaries, and also by an additional extraordinary provision for mortgage loans granted in Swiss francs, booked by the Polish subsidiary.
- Loans to customers (net) stood at Euros 16,782 million at the end of March 2020, largely exceeding the amount attained as at 31 March 2019 (Euros 13.554 million). Excluding foreign exchange effects, the loan portfolio increased 30.6%, 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 16.3% from Euros 17,788 million reported as at 31 March 2019 to Euros 20,687 million as at 31 March 2020. Excluding the foreign exchange effects, balance sheet customer funds increased 22,4%, 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.

Liquidity management

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 218% at the end of March 2020, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The Liquidity Coverage Ratio despite being lower than the one on the same date of the previous year (253%), maintains a high coverage level.

At the same time, the Group has a strong and stable financing base, characterized by the large share of customer deposits in the funding structure, collateralized financing and medium and long-term instruments, which enabled the stable financing ratio (Net Stable Funding Ratio or NSFR) as at 31 March 2020 to stand at 132% (134% as at 31 March 2019).

Between 31 March 2019 and 31 March 2020, a reduction of 1.1 billion euros was observed in net wholesale financing needs in consolidated terms, mainly due to the impact of the commercial gap decrease in Portugal, as sovereign debt portfolios' decrease was compensated by a similar increase of the corporate portfolio held by the Portuguese operation.

In terms of funding structure, ECB net funding decreased by 1.0 billion euros, to 1.9 billion euros, and a decrease of 464 million euros in repos was offset through an issue of 450 million euros of subordinated debt securities eligible as Tier-level own funds, so reinforcing its medium-long term component in the context of the fulfilment of MREL requirements.

In Portugal, the evolution of the liquidity held at Banco de Portugal and of the portfolio of eligible assets with the ECB, together, allowed the reinforcement of the liquidity buffer by 223 million euros compared to the same period last year, to 14.2 billion euros. The liquidity buffers of Bank Millennium and Banco Internacional de Moçambique (BIM) at the respective central banks remained robust, largely fulfilling the internal minimum requirements set in their liquidity risk frameworks.

During the first quarter of 2020, the Bank and its subsidiaries implemented the Liquidity Plan 2020 as expected. However, in March 2020, after the inception of the COVID-19 pandemic, a change of context has occurred. The range of implications of this pandemic is not yet fully determined but it is already foreseeable that it will lead to a global recession, with a material adverse impact in the banking system and in access conditions to the capital markets. In response to the crisis Central Banks and Supervisors implemented several actions and measures to try to attenuate the negative impacts for banks.

The impacts on liquidity of the COVID-19 crisis have been monitored through the instruments set in the internal risk management framework of BCP Group, through indicators specifically set up as the crisis evolved and through Basel intraday liquidity risk indicators in respect to the Portuguese and Polish operations. Since the eruption of the crisis in mid-March and up until now, the deposit base in Portugal has shown a slight increase, mainly attributable to its retail deposit component. Additionally, the easing measures promoted by the ECB to facilitate the access to liquidity by the banking system (by reducing the minimum eligibility requirements for eligible assets at the date of the introduction of the measures and the transversal reduction of the applicable haircuts), together with the reinforcement of the pool of monetary policy with a retained covered bond with an increased amount, added further strength to the liquidity position of BCP in Portugal, with the liquidity buffer reaching historical high amounts at the end of April. The deposit's base of Bank Millennium and BIM also remained resilient, as well as the liquidity buffers with their respective central banks.

Capital

The estimated CET1 ratio as at 31 March 2020 stood at 11.9% phased-in and 12.0% fully implemented, -80 and -69 basis points, respectively, comparing to the 12.7% ratio both phased-in and fully implemented recorded in the same date of 2019.

Despite the organic generation of capital, the CET1 fully implemented ratio evolution was mainly determined by the impacts of the acquisition of Euro Bank S.A. by Bank Millennium in Poland, that took place in May 2019 and by the reduction of the pension fund's discount rate, in June and December 2019, as a consequence of the interest rate's decrease. The total capital ratio additionally benefited from the Tier 2 placement of 450 million euros in Portugal.

The capital ratios estimated for the end of the first quarter of 2020 are above the minimum ratios defined under the scope of the SREP (Supervisory Review and Evaluation Process) for the year 2020 (CET1: 8.828%, T1: 10.750% and Total: 13.313%).

SOLVENCY RATIOS

Euro million

	31 Mar. 20	31 Mar. 19
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,449	5,377
Tier 1	5,975	5,861
Total Capital	**7,016**	**6,455**
Risk weighted assets	**45,505**	**42,453**
Solvency ratios		
CET1	12.0%	12.7%
Tier 1	13.1%	13.8%
Total capital	15.4%	15.2%
PHASED-IN		
CET1	11.9%	12.7%

Note: The capital ratios of March 2020 are estimated including the non-audited positive accumulated net income.

The capital ratios of March 2019 include the positive accumulated net income.

Strategy

Strategic Plan

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 3.9 billion in March 2020). 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.

		1T19	1T20		Steady state* (original plan)
Franchise growth	Active Customers	4.9 million	5.6 million	...	>6 million
	Digital Customers	56%	59%	...	>60%
	Mobile Customers	35%	42%	...	>45%
Value creation	Cost to income	43% (42% excluding non-usual costs)	48% (46% excluding non-usual costs)	...	≈40%
	RoE	10.6%	2.4%	...	≈10%
	CET1	12.7%	12.0%	...	≈12%
	Loans-to-deposits	87%	86%	...	<100%
	Dividend payout	10%		...	≈40%
Asset quality	NPE stock	€5.2 billion	€3.9 billion	...	≈€3 billion Down ≈60% from 2017
	Cost of risk	68bp	63bp	...	<50bp

NPE include loans to Customers only.

*To be achieved after the economic impact of the current pandemic.

Regulatory information

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal (1)			International activity		
	Mar. 20	Mar. 19	Change 20/19	Mar. 20	Mar. 19	Change 20/19	Mar. 20	Mar. 19	Change 20/19
INCOME STATEMENT									
Net interest income	385.5	362.7	6.3%	186.4	201.5	-7.5%	199.1	161.2	23.5%
Dividends from equity instruments	0.1	0.0	20.6%	-	-	-	0.1	0.0	20.6%
Net fees and commission income	179.8	166.6	7.9%	119.3	114.9	3.8%	60.5	51.7	17.0%
Net trading income	61.4	60.3	1.8%	45.3	40.0	13.4%	16.1	20.4	-21.0%
Other net operating income	(39.7)	(10.6)	<-200%	(2.6)	15.6	-116.8%	(37.1)	(26.3)	-41.4%
Equity accounted earnings	10.8	18.6	-42.1%	9.3	10.8	-13.6%	1.4	7.8	-81.5%
Net operating revenues	**597.8**	**597.7**	**0.0%**	**357.7**	**382.8**	**-6.5%**	**240.1**	**214.9**	**11.7%**
Staff costs	164.7	152.2	8.2%	92.8	97.1	-4.4%	71.8	55.1	30.4%
Other administrative costs	86.9	80.5	8.0%	43.8	46.3	-5.6%	43.2	34.2	26.4%
Depreciation	34.8	26.8	29.7%	19.0	16.5	15.0%	15.8	10.3	53.3%
Operating costs	**286.4**	**259.5**	**10.3%**	**155.6**	**160.0**	**-2.8%**	**130.8**	**99.5**	**31.4%**
Custos operacionais excluindo itens específicos	276.9	253.1	9.4%	153.0	154.0	-0.7%	123.9	99.1	25.1%
Profit before impairment and provisions	**311.4**	**338.1**	**-7.9%**	**202.1**	**222.8**	**-9.3%**	**109.3**	**115.4**	**-5.2%**
Loans impairment (net of recoveries)	86.1	86.5	-0.4%	58.4	68.0	-14.1%	27.8	18.5	49.6%
Other impairment and provisions	115.7	17.4	>200%	82.2	21.4	>200%	33.5	(4.0)	>200%
Profit before income tax	**109.6**	**234.2**	**-53.2%**	**61.6**	**133.4**	**-53.9%**	**48.1**	**100.8**	**-52.3%**
Income tax	65.6	65.4	0.3%	45.4	39.3	15.6%	20.3	26.2	-22.6%
Current	27.0	31.2	-13.5%	0.6	4.0	-84.9%	26.4	27.1	-2.9%
Deferred	38.7	34.3	12.8%	44.8	35.2	27.1%	(6.1)	(1.0)	<-200%
Income after income tax from continuing operations	**44.0**	**168.7**	**-73.9%**	**16.2**	**94.1**	**-82.8%**	**27.8**	**74.6**	**-62.7%**
Income arising from discontinued operations	-	13.5	-100.0%	-	-	-	-	-	-
Non-controlling interests	8.7	28.4	-69.4%	(0.1)	(0.2)	59.1%	8.8	28.5	-69.3%
Net income	**35.3**	**153.8**	**-77.1%**	**16.2**	**94.3**	**-82.8%**	**19.1**	**46.1**	**-58.7%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	81,499	77,118	5.7%	55,757	54,655	2.0%	25,743	22,464	14.6%
Recursos totais de clientes	**79,955**	**75,286**	**6.2%**	**56,558**	**54,323**	**4.1%**	**23,397**	**20,963**	**11.6%**
Recursos de clientes de balanço	**62,306**	**57,235**	**8.9%**	**41,619**	**39,447**	**5.5%**	**20,687**	**17,788**	**16.3%**
Deposits and other resources from customers	60,815	55,758	9.1%	40,248	38,108	5.6%	20,567	17,651	16.5%
Debt securities	1,490	1,477	0.9%	1,371	1,339	2.4%	120	138	-13.3%
Recursos de clientes fora de balanço	**17,649**	**18,051**	**-2.2%**	**14,939**	**14,876**	**0.4%**	**2,711**	**3,175**	**-14.6%**
Assets under management	5,092	5,259	-3.2%	3,120	3,041	2.6%	1,972	2,218	-11.1%
Assets placed with customers	4,017	3,794	5.9%	3,658	3,335	9.7%	359	459	-21.6%
Insurance products (savings and investment)	8,540	8,998	-5.1%	8,160	8,501	-4.0%	379	497	-23.8%
Crédito a clientes (bruto)	**54,685**	**51,387**	**6.4%**	**37,333**	**37,317**	**0.0%**	**17,352**	**14,070**	**23.3%**
Particulares	**31,550**	**27,949**	**12.9%**	**19,443**	**19,183**	**1.4%**	**12,107**	**8,766**	**38.1%**
Mortgage	25,724	23,861	7.8%	17,287	17,174	0.7%	8,437	6,687	26.2%
Personal Loans	5,826	4,087	42.5%	2,156	2,009	7.3%	3,671	2,079	76.6%
Empresas	**23,135**	**23,439**	**-1.3%**	**17,890**	**18,135**	**-1.4%**	**5,245**	**5,304**	**-1.1%**
CREDIT QUALITY									
Total overdue loans	1,579	1,919	-17.7%	1,048	1,566	-33.1%	531	353	50.4%
Overdue loans by more than 90 days	1,435	1,816	-21.0%	1,016	1,534	-33.8%	419	282	48.6%
Overdue loans by more than 90 days / Loans to customers	2.6%	3.5%		2.7%	4.1%		2.4%	2.0%	
Imparidade do crédito (balanço)	2,178	2,826	-22.9%	1,608	2,310	-30.4%	570	516	10.6%
Total impairment (balance sheet) / Loans to customers	4.0%	5.5%		4.3%	6.2%		3.3%	3.7%	
Total impairment (balance sheet) /Overdue loans by more than 90 day	151.8%	155.6%		158.3%	150.6%		136.1%	182.9%	
Non-Performing Exposures	3,928	5,178	-24.2%	2,918	4,437	-34.2%	1,010	741	36.2%
Non-Performing Exposures / Crédito a clientes	7.2%	10.1%		7.8%	11.9%		5.8%	5.3%	
Restructured loans	2,746	3,536	-22.3%	2,228	3,023	-26.3%	518	513	1.1%
Restructured loans / Loans to customers	5.0%	6.9%		6.0%	8.1%		3.0%	3.6%	
Cost of risk (net of recoveries, in b.p.)	63	68		63	73		65	54	
Total impairment (balance sheet) / NPE	55.5%	54.6%		55.1%	52.1%		56.5%	69.6%	

(1) Not considering income arising from operations accounted as discontinued operations, in the amount of 13.5 million euros in the first quarter of 2019.

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2020 AND 2019

(Thousands of euros)

	31 March 2020	31 March 2019
Interest and similar income	500,427	471,995
Interest expense and similar charges	(114,958)	(109,286)
NET INTEREST INCOME	385,469	362,709
Dividends from equity instruments	56	46
Net fees and commissions income	179,827	166,610
Net gains / (losses) from financial operations at fair value through profit or loss	(5,979)	8,659
Net gains / (losses) from foreign exchange	65,020	17,386
Net gains / (losses) from hedge accounting operations	(3,711)	(7,122)
Net gains / (losses) from derecognition of assets and financial liabilities at amortised cost	(14,367)	(5,764)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	20,428	47,149
Net gains / (losses) from insurance activity	3,207	2,739
Other operating income / (losses)	(38,473)	(29,537)
TOTAL OPERATING INCOME	591,477	562,875
Staff costs	164,671	152,227
Other administrative costs	86,904	80,477
Amortisations and depreciations	34,785	26,829
TOTAL OPERATING EXPENSES	286,360	259,533
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	305,117	303,342
Impairment for financial assets at amortised cost	(86,892)	(86,908)
Impairment for financial assets at fair value through other comprehensive income	735	(486)
Impairment for other assets	(11,369)	(20,569)
Other provisions	(104,297)	4,024
NET OPERATING INCOME	103,294	199,403
Share of profit of associates under the equity method	10,793	18,628
Gains / (losses) arising from sales of subsidiaries and other assets	(4,463)	16,166
NET INCOME BEFORE INCOME TAXES	109,624	234,197
Income taxes		
Current	(26,964)	(31,160)
Deferred	(38,674)	(34,289)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	43,986	168,748
Income arising from discontinued or discontinuing operations	-	13,454
NET INCOME AFTER INCOME TAXES	43,986	182,202
Net income for the period attributable to:		
Bank's Shareholders	35,299	153,843
Non-controlling interests	8,687	28,359
NET INCOME FOR THE PERIOD	43,986	182,202
Earnings per share (in Euros)		
Basic	0.007	0.042
Diluted	0.007	0.042

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2020 AND 2019 AND 31 DECEMBER 2019

(Thousands of euros)

	31 March 2020	31 December 2019	31 March 2019
ASSETS			
Cash and deposits at Central Banks	3,334,825	5,166,551	2,292,067
Loans and advances to credit institutions repayable on demand	262,966	320,857	288,207
Financial assets at amortised cost			
Loans and advances to credit institutions	1,437,612	892,995	1,021,583
Loans and advances to customers	49,624,058	49,847,829	45,971,778
Debt securities	6,064,913	3,185,876	3,465,297
Financial assets at fair value through profit or loss			
Financial assets held for trading	2,393,493	878,334	907,437
Financial assets not held for trading mandatorily at fair value through profit or loss	1,361,453	1,405,513	1,393,182
Financial assets designated at fair value through profit or loss	31,454	31,496	33,005
Financial assets at fair value through other comprehensive income	10,381,491	13,216,701	14,663,562
Assets with repurchase agreement	-	-	185,246
Hedging derivatives	100,306	45,141	162,126
Investments in associated companies	406,046	400,391	444,379
Non-current assets held for sale	1,248,079	1,279,841	1,674,793
Investment property	13,268	13,291	63,814
Other tangible assets	694,827	729,442	621,891
Goodwill and intangible assets	224,393	242,630	170,866
Current tax assets	29,778	26,738	39,166
Deferred tax assets	2,682,502	2,720,648	2,844,563
Other assets	1,207,640	1,239,134	875,385
TOTAL ASSETS	81,499,104	81,643,408	77,118,347
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	6,718,840	6,366,958	7,397,468
Resources from customers	59,397,831	59,127,005	53,321,646
Non subordinated debt securities issued	1,554,247	1,594,724	1,639,824
Subordinated debt	1,516,864	1,577,706	1,270,383
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	340,476	343,933	331,628
Financial liabilities at fair value through profit or loss	2,659,135	3,201,309	3,636,292
Hedging derivatives	366,202	229,923	272,759
Provisions	389,189	345,312	360,062
Current tax liabilities	9,527	21,990	14,656
Deferred tax liabilities	9,534	11,069	6,702
Other liabilities	1,287,920	1,442,225	1,278,225
TOTAL LIABILITIES	74,249,765	74,262,154	69,529,645
EQUITY			
Share capital	4,725,000	4,725,000	4,725,000
Share premium	16,471	16,471	16,471
Other equity instruments	400,000	400,000	402,922
Legal and statutory reserves	240,535	240,535	264,608
Treasury shares	(67)	(102)	(75)
Reserves and retained earnings	638,155	435,823	852,477
Net income for the period attributable to Bank's Shareholders	35,299	302,003	153,843
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,055,393	6,119,730	6,415,246
Non-controlling interests	1,193,946	1,261,524	1,173,456
TOTAL EQUITY	7,249,339	7,381,254	7,588,702
TOTAL LIABILITIES AND EQUITY	81,499,104	81,643,408	77,118,347

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.

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 Mar. 20	31 Mar. 19
Loans to customers (net) (1)		52,507	48,561
Balance sheet customer funds (2)		62,306	57,235
	(1) / (2)	**84.3%**	**84.8%**

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

		3M20	3M19
Net income (1)		35	154
Non-controlling interests (2)		9	28
Average total assets (3)		82,402	76,812
	[(1) + (2), annualised] / (3)	**0.2%**	**1.0%**

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

	3M20	3M19
Net income (1)	35	154
Average equity (2)	5,802	5,895
[(1), annualised] / (2)	**2.4%**	**10.6%**

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

	3M20	3M19
Operating costs (1)	286	260
of which: specific items (2)	9	6
Net operating revenues (3)*	598	598
[(1) - (2)] / (3)	**46.3%**	**42.3%**

* Excludes the specific items, in the amount of 0.1 million euros, related to costs with the acquisition, merger and integration of Euro Bank S.A., recognized in the Polish subsidiary, in the first quarter of 2020.

Cost of risk, net of recoveries (expressed in basis points, annualized)

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) recognized in the period and the stock of loans to customers at the end of that period.

Euro million

	3M20	3M19
Loans to customers at amortised cost, before impairment (1)	54,340	51,083
Loan impairment charges (net of recoveries) (2)	86	87
[(2), annualised] / (1)	**63**	**68**

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 Mar. 20	31 Mar. 19
Non-Performing Exposures (1)		3,928	5,178
Loans to customers (gross) (2)		54,685	51,387
	(1) / (2)	7.2%	10.1%

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 Mar. 20	31 Mar. 19
Non-Performing Exposures (1)		3,928	5,178
Loans impairments (balance sheet) (2)		2,178	2,826
	(2) / (1)	55.5%	54.6%

RECONCILIATION OF ACCOUNTING INFORMATION WITH THE MANAGEMENT CRITERIA OF THE GROUP

Loans to customers

Euro million

	31 Mar. 20	31 Mar. 19
Loans to customers at amortised cost (accounting Balance Sheet)	49,624	45,972
Debt instruments at amortised cost associated to credit operations	2,559	2,301
Balance sheet amount of loans to customers at fair value through profit or loss	324	288
Loan to customers (net) considering management criteria	**52,507**	**48,561**
Balance sheet impairment related to loans to customers at amortised cost	2,144	2,783
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	13	27
Fair value adjustments related to loans to customers at fair value through profit or loss	21	16
Loan to customers (gross) considering management criteria	**54,685**	**51,387**

Loans impairment (P&L)

Euro million

	3M20	3M19
Impairment of financial assets at amortised cost (accounting P&L) (1)	87	87
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	0	0
Impairment of financial assets at amortised cost not associated with credit operations (3)	1	0
Loans impairment considering management criteria (1)-(2)-(3)	**86**	**87**

Balance sheet customer funds

Euro million

	31 Mar. 20	31 Mar. 19
Financial liabilities at fair value through profit or loss (accounting Balance sheet)	2,659	3,636
Debt securities at fair value through profit or loss and certificates	-1,242	-1,200
Customer deposits at fair value through profit or loss considering management criteria	**1,418**	**2,437**
Resources from customers at amortised cost (accounting Balance sheet)	59,398	53,322
Deposits and other resources from customers considering management criteria (1)	**60,815**	**55,758**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet)	1,554	1,640
Debt securities at fair value through profit or loss and certificates	1,242	1,200
Non subordinated debt securities placed with institucional customers	-1,306	-1,363
Debt securities placed with customers considering management criteria (2)	**1,490**	**1,477**
Balance sheet customer funds considering management criteria (1)+(2)	**62,306**	**57,235**

Securities portfolio

		Euro million
	31 Mar. 20	31 Mar. 19
Debt instruments at amortised cost (accounting Balance sheet)	6,065	3,465
Debt instruments at amortised cost associated to credit operations net of impairment	-2,559	-2,301
Debt instruments at amortised cost considering management criteria (1)	**3,506**	**1,164**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet)	1,361	1,393
Balance sheet amount of loans to customers at fair value through profit or loss	-324	-288
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (2)	**1,038**	**1,105**
Financial assets held for trading (accounting Balance sheet) (3)	2,393	907
of which: trading derivatives (4)	687	662
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (5)	31	33
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (6)	10,381	14,664
Assets with repurchase agreement (accounting Balance sheet) (7)	0	185
Securities portfolio considering management criteria (1)+(2)+(3)-(4)+(5)+(6)+(7)	**16,663**	**17,397**

Glossary and alternative performance measures

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 and from financial assets held for trading.

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 and results from derecognition of financial assets measured at fair value through other comprehensive income.

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 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 and at amortised cost not associated with credit operations), 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 and assets with repurchase agreement.

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 fund.

Total customer funds - balance sheet customer funds and off-balance sheet customer funds.

Accounts and Notes to the Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2020 AND 2019

(Thousands of euros)

	Notes	31 March 2020	31 March 2019
Interest and similar income	2	500,427	471,995
Interest expense and similar charges	2	(114,958)	(109,286)
NET INTEREST INCOME		385,469	362,709
Dividends from equity instruments	3	56	46
Net fees and commissions income	4	179,827	166,610
Net gains / (losses) from financial operations at fair value through profit or loss	5	(5,979)	8,659
Net gains / (losses) from foreign exchange	5	65,020	17,386
Net gains / (losses) from hedge accounting operations	5	(3,711)	(7,122)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	5	(14,367)	(5,764)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	5	20,428	47,149
Net gains / (losses) from insurance activity		3,207	2,739
Other operating income / (losses)	6	(38,473)	(29,537)
TOTAL OPERATING INCOME		591,477	562,875
Staff costs	7	164,671	152,227
Other administrative costs	8	86,904	80,477
Amortisations and depreciations	9	34,785	26,829
TOTAL OPERATING EXPENSES		286,360	259,533
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		305,117	303,342
Impairment for financial assets at amortised cost	10	(86,892)	(86,908)
Impairment for financial assets at fair value through other comprehensive income	11	735	(486)
Impairment for other assets	12	(11,369)	(20,569)
Other provisions	13	(104,297)	4,024
NET OPERATING INCOME		103,294	199,403
Share of profit of associates under the equity method	14	10,793	18,628
Gains / (losses) arising from sales of subsidiaries and other assets	15	(4,463)	16,166
NET INCOME BEFORE INCOME TAXES		109,624	234,197
Income taxes			
Current	30	(26,964)	(31,160)
Deferred	30	(38,674)	(34,289)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		43,986	168,748
Income arising from discontinued or discontinuing operations	16	-	13,454
NET INCOME AFTER INCOME TAXES		43,986	182,202
Net income for the period attributable to:			
Bank's Shareholders		35,299	153,843
Non-controlling interests	44	8,687	28,359
NET INCOME FOR THE PERIOD		43,986	182,202
Earnings per share (in Euros)			
Basic	17	0.007	0.042
Diluted	17	0.007	0.042

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2020 AND 2019

(Thousands of euros)

	31 March 2020		
		Attributable to	
	Continuing operations	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	43,986	35,299	8,687
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)			
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the period	(89,536)	(95,936)	6,400
Reclassification of (gains) / losses to profit or loss	(20,428)	(18,806)	(1,622)
Cash flows hedging			
Gains / (losses) for the period	75,208	72,874	2,334
Other comprehensive income from investments in associates and others	4,554	4,557	(3)
Exchange differences arising on consolidation	(144,275)	(64,000)	(80,275)
IAS 29 application			
Effect on equity of Banco Millennium Atlântico, S.A.	(653)	(653)	-
Fiscal impact	12,472	13,814	(1,342)
	(162,658)	(88,150)	(74,508)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the period (note 43)	(1,273)	(1,045)	(228)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	1,354	1,354	-
Actuarial gains / (losses) for the period			
Pension Fund - other associated companies	(1,471)	(1,471)	-
Fiscal impact	(1,130)	(1,173)	43
	(2,520)	(2,335)	(185)
Other comprehensive income / (loss) for the period	(165,178)	(90,485)	(74,693)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(121,192)	(55,186)	(66,006)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	31 March 2019				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	168,748	13,454	182,202	153,843	28,359
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	99,283	-	99,283	105,863	(6,580)
Reclassification of (gains) / losses to profit or loss	(47,149)	-	(47,149)	(44,299)	(2,850)
Cash flows hedging					
Gains / (losses) for the period	63,330	-	63,330	58,146	5,184
Other comprehensive income from investments in associates and others	5,019	-	5,019	4,985	34
Exchange differences arising on consolidation	(8,586)	-	(8,586)	(5,211)	(3,375)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A (note 43)	3,636	-	3,636	3,636	-
Fiscal impact	(38,000)	-	(38,000)	(38,807)	807
	77,533	-	77,533	84,313	(6,780)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period (note 43)	384	-	384	46	338
Changes in own credit risk of financial liabilities at					
fair value through profit or loss (note 43)	(579)	-	(579)	(579)	-
Actuarial gains / (losses) for the period					
Pension Fund - other associated companies	(1,705)	-	(1,705)	(1,705)	-
Fiscal impact	(149)	-	(149)	(85)	(64)
	(2,049)	-	(2,049)	(2,323)	274
Other comprehensive income / (loss) for the period	75,484	-	75,484	81,990	(6,506)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	244,232	13,454	257,686	235,833	21,853

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2020 AND 31 DECEMBER 2019

(Thousands of euros)

	Notes	31 March 2020	31 December 2019
ASSETS			
Cash and deposits at Central Banks	18	3,334,825	5,166,551
Loans and advances to credit institutions repayable on demand	19	262,966	320,857
Financial assets at amortised cost			
Loans and advances to credit institutions	20	1,437,612	892,995
Loans and advances to customers	21	49,624,058	49,847,829
Debt securities	22	6,064,913	3,185,876
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	2,393,493	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss	23	1,361,453	1,405,513
Financial assets designated at fair value through profit or loss	23	31,454	31,496
Financial assets at fair value through other comprehensive income	23	10,381,491	13,216,701
Hedging derivatives	24	100,306	45,141
Investments in associated companies	25	406,046	400,391
Non-current assets held for sale	26	1,248,079	1,279,841
Investment property	27	13,268	13,291
Other tangible assets	28	694,827	729,442
Goodwill and intangible assets	29	224,393	242,630
Current tax assets		29,778	26,738
Deferred tax assets	30	2,682,502	2,720,648
Other assets	31	1,207,640	1,239,134
TOTAL ASSETS		81,499,104	81,643,408
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	6,718,840	6,366,958
Resources from customers	33	59,397,831	59,127,005
Non subordinated debt securities issued	34	1,554,247	1,594,724
Subordinated debt	35	1,516,864	1,577,706
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	340,476	343,933
Financial liabilities at fair value through profit or loss	37	2,659,135	3,201,309
Hedging derivatives	24	366,202	229,923
Provisions	38	389,189	345,312
Current tax liabilities		9,527	21,990
Deferred tax liabilities	30	9,534	11,069
Other liabilities	39	1,287,920	1,442,225
TOTAL LIABILITIES		74,249,765	74,262,154
EQUITY			
Share capital	40	4,725,000	4,725,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	400,000
Legal and statutory reserves	41	240,535	240,535
Treasury shares	42	(67)	(102)
Reserves and retained earnings	43	638,155	435,823
Net income for the period attributable to Bank's Shareholders		35,299	302,003
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		6,055,393	6,119,730
Non-controlling interests	44	1,193,946	1,261,524
TOTAL EQUITY		7,249,339	7,381,254
TOTAL LIABILITIES AND EQUITY		81,499,104	81,643,408

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2020 AND 2019

(Thousands of euros)

	31 March 2020	31 March 2019
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	464,106	379,860
Commissions received	227,158	209,689
Fees received from services rendered	15,516	17,782
Interests paid	(106,710)	(97,344)
Commissions paid	(42,342)	(33,599)
Recoveries on loans previously written off	7,724	6,660
Net earned insurance premiums	5,384	5,265
Claims incurred of insurance activity	(1,663)	(1,378)
Payments (cash) to suppliers and employees (*)	(328,345)	(302,919)
Income taxes (paid) / received	(28,027)	(27,915)
	212,801	156,101
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(369,713)	(132,715)
Deposits held with purpose of monetary control	(175,334)	-
Loans and advances to customers receivable / (granted)	246,935	(472,078)
Short term trading securities	(1,716,416)	(117,818)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(30,919)	53,416
Deposits from credit institutions with agreed maturity date	388,593	(402,176)
Loans and advances to customers repayable on demand	871,368	487,622
Deposits from customers with agreed maturity date	(917,394)	6,967
	(1,490,079)	(420,681)
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Dividends received	56	46
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	12,591	70,341
Sale of financial assets at fair value through other comprehensive income and at amortised cost	7,684,914	6,098,173
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(18,485,714)	(15,767,439)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	10,287,763	8,816,542
Acquisition of tangible and intangible assets	(6,883)	(10,428)
Sale of tangible and intangible assets	1,183	60,953
Decrease / (increase) in other sundry assets	335,351	(50,825)
	(170,739)	(782,637)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	-	192,817
Reimbursement of subordinated debt	(41,057)	(322)
Issuance of debt securities	11,218	154,571
Reimbursement of debt securities	(66,232)	(87,626)
Issuance of commercial paper and other securities	9,859	82,889
Reimbursement of commercial paper and other securities	(212,331)	(24,349)
Issue of Perpetual Subordinated Bonds (Additional Tier 1)	-	396,807
Dividends paid to non-controlling interests	(514)	(15,507)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(9,250)	-
Increase / (decrease) in other sundry liabilities and non-controlling interests (**)	224,286	12,352
	(84,021)	711,632
Exchange differences effect on cash and equivalents	(144,778)	(8,586)
Net changes in cash and equivalents	(1,889,617)	(500,272)
Cash (note 18)	636,048	566,202
Deposits at Central Banks (note 18)	4,530,503	2,187,637
Loans and advances to credit institutions repayable on demand (note 19)	320,857	326,707
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,487,408	3,080,546
Cash (note 18)	541,373	466,990
Deposits at Central Banks (note 18)	2,793,452	1,825,077
Loans and advances to credit institutions repayable on demand (note 19)	262,966	288,207
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	3,597,791	2,580,274

(*) In 31 March 2020, this balance includes the amount of Euros 721,000 (31 march 2019: Euros 1,954,000) related to short-term lease contracts and the amount of Euros 584,000 (31 March2019: Euros 830,000) related to lease contracts of low value assets.
(**) In 31 March 2020, this balance includes the amount of Euros 15.987.000 (31 March 2019: Euros 28,678,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2020 AND 2019

(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 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 period	-	-	-	-	-	-	-	153,843	153,843	28,359	182,202
Other comprehensive income	-	-	-	-	-	-	81,990	-	81,990	(6,506)	75,484
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	81,990	153,843	235,833	21,853	257,686
Results application:											
Transfers for reserves and retained earnings	-	-	-	-	-	-	301,065	(301,065)	-	-	-
Issue of perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	400,000	-	-	-	-	400,000	-	400,000
Taxes with interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	1,190	-	1,190	-	1,190
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(3,193)	-	(3,193)	-	(3,193)
Taxes on costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	671	-	671	-	671
Sale of subsidiaries	-	-	-	-	-	-	-	-	-	(16,296)	(16,296)
Dividends (a)	-	-	-	-	-	-	-	-	-	(15,507)	(15,507)
Treasury shares	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Other reserves	-	-	-	-	-	-	273	-	273	(27)	246
BALANCE AS AT 31 MARCH 2019	4,725,000	16,471	-	402,922	264,608	(75)	852,477	153,843	6,415,246	1,173,456	7,588,702
Net income for the period	-	-	-	-	-	-	-	148,160	148,160	71,038	219,198
Other comprehensive income	-	-	-	-	-	-	(375,016)	-	(375,016)	17,733	(357,283)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(375,016)	148,160	(226,856)	88,771	(138,085)
Results application:											
Statutory reserve (note 41)	-	-	-	-	(30,000)	-	-	30,000	-	-	-
Legal reserve (note 41)	-	-	-	-	5,927	-	-	(5,927)	-	-	-
Transfers for Reserves and retained earnings	-	-	-	-	-	-	(6,155)	6,155	-	-	-
Dividends payed	-	-	-	-	-	-	-	(30,228)	(30,228)	-	(30,228)
Interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(27,750)	-	(27,750)	-	(27,750)
Costs with the issue of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(482)	-	(482)	-	(482)
Taxes with interests of the perpetual subordinated bonds (Additional Tier 1)	-	-	-	-	-	-	(1,171)	-	(1,171)	-	(1,171)
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)	-	-	-	-	-	-	(669)	-	(669)	-	(669)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(403)	(403)
Dividends from other equity instruments	-	-	-	-	-	-	(148)	-	(148)	-	(148)
Dividends (a)	-	-	-	-	-	-	-	-	-	5	5
Treasury shares	-	-	-	-	-	(27)	-	-	(27)	-	(27)
Other reserves	-	-	-	-	-	-	(1,611)	-	(1,611)	(305)	(1,916)
BALANCE AS AT 31 DECEMBER 2019	4,725,000	16,471	-	400,000	240,535	(102)	435,823	302,003	6,119,730	1,261,524	7,381,254
Net income for the period	-	-	-	-	-	-	-	35,299	35,299	8,687	43,986
Other comprehensive income	-	-	-	-	-	-	(90,485)	-	(90,485)	(74,693)	(165,178)
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(90,485)	35,299	(55,186)	(66,006)	(121,192)
Results application:											
Transfers for reserves and retained earnings	-	-	-	-	-	-	302,003	(302,003)	-	-	-
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	-	-	-	-	-	-	(9,250)	-	(9,250)	-	(9,250)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(1,080)	(1,080)
Dividends (a)	-	-	-	-	-	-	-	-	-	(514)	(514)
Treasury shares (note 42)	-	-	-	-	-	35	-	-	35	-	35
Other reserves (note 43)	-	-	-	-	-	-	64	-	64	22	86
BALANCE AS AT 31 MARCH 2020	4,725,000	16,471	-	400,000	240,535	(67)	638,155	35,299	6,055,393	1,193,946	7,249,339

(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

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 interim condensed 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 three-month period ended on 31 March 2020 and 2019.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 19 May 2020 by the Bank's Executive Committee 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 interim condensed consolidated financial statements for the three-month period ended on 31 March 2020 were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and, therefore, they do not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2019.

These interim condensed 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 2020. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The Group's financial statements were prepared under the going concern assumption 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 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 interim condensed 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".

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 March 2020, 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 52, 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 interim condensed 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 March 2020, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

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

S4. Variable remuneration paid to employees

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

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

S5. Share-based compensation plan

As at 31 March 2020, a variable compensation plan with shares is in force for the members of the Executive Committee and for the employees considered key management members, resulting from the remuneration policies for the members of the management and supervisory bodies and for the 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 first quarter of 2020 and in the financial year of 2019, the RETGS application was maintained.

U. Segmental reporting

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

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

Portugal activity:

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

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

Foreign activity:

- Poland;
- Mozambique;
- Other.

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

V. Provisions, Contingent liabilities and Contingent assets

V1. Provisions

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

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

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

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

V2. Contingent assets

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

V3. Contingent liabilities

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

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

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

W. Earnings per share

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

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

X. Insurance contracts

X1. Classification

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

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

X2. Recognition and measurement

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

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

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

X3. Premiums

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

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

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

X5. Liability adequacy test

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

Y. Insurance or reinsurance intermediation services

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

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

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

Z. Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the 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 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 Executive Committee 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)

	31 March 2020	31 March 2019
Interest and similar income		
Interest on loans and advances to credit institutions repayable on demand	490	619
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	12,115	9,049
Loans and advances to customers	391,517	338,759
Debt securities	32,038	39,418
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	(60)	1,489
Derivatives associated to financial instruments at fair value through profit or loss	1,826	2,206
Financial assets not held for trading mandatorily at fair value through profit or loss	6,953	6,102
Financial assets designated at fair value through profit or loss	275	288
Interest on financial assets at fair value through other comprehensive income	33,993	42,148
Interest on hedging derivatives	20,422	30,090
Interest on other assets	858	1,827
	500,427	471,995
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(3,188)	(5,219)
Resources from customers	(77,163)	(72,127)
Non subordinated debt securities issued	(5,019)	(3,868)
Subordinated debt	(18,890)	(13,636)
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	(264)	(687)
Financial liabilities at fair value through profit or loss		
Resources from customers	(460)	(2,105)
Non subordinated debt securities issued	(1,500)	(423)
Interest on hedging derivatives	(6,547)	(9,664)
Interest on leasing	(1,550)	(1,160)
Interest on other liabilities	(377)	(397)
	(114,958)	(109,286)
	385,469	362,709

In the first quarter of 2020, the balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 8,867,000 (31 March 2020: Euros 9,780,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

In the first quarter of 2020, the balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 1,050,000 and Euros 2,223,000, respectively (31 March 2019: Euros 1,530,000 and Euros 3,114,000 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 balances Interest on financial assets at amortised cost - Loans and advances to customers and Debt securities include the amounts of Euros 9,622,000 (31 March 2019: Euros 8,659,000), as referred in note 21 and Euros 27,000 (31 March 2019: Euros 64,000), 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 52.

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Dividends from financial assets through other comprehensive income	56	46

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)

	31 March 2020	31 March 2019
Fees and commissions received		
Banking services provided	113,997	103,966
Management and maintenance of accounts	30,111	27,516
Bancassurance	32,672	28,488
Securities operations	19,905	16,825
Guarantees granted	13,391	14,499
Commitments to third parties	1,255	1,053
Insurance activity commissions	238	266
Fiduciary and trust activities	195	173
Other commissions	9,807	9,964
	221,571	202,750
Fees and commissions paid		
Banking services provided by third parties	(32,366)	(27,923)
Securities operations	(3,116)	(2,482)
Guarantees received	(2,012)	(1,985)
Insurance activity commissions	(260)	(241)
Other commissions	(3,990)	(3,509)
	(41,744)	(36,140)
	179,827	166,610

5. Net gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Net gains / (losses) from financial operations at fair value through profit or loss		
Net gains / (losses) from financial assets held for trading	(163,445)	83,695
Net gains / (losses) from financial assets not held for trading mandatorily at fair value through profit or loss	(4,156)	9,009
Net gains / (losses) from financial assets and liabilities designated at fair value through profit or loss	161,622	(84,045)
	(5,979)	8,659
Net gains / (losses) from foreign exchange	65,020	17,386
Net gains / (losses) from hedge accounting	(3,711)	(7,122)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost	(14,367)	(5,764)
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income	20,428	47,149
	61,391	60,308

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

(Thousands of euros)

	31 March 2020	31 March 2019
Net gains /(losses) from financial assets held for trading		
Gains		
Debt securities portfolio	2,922	1,514
Equity instruments	-	159
Derivative financial instruments	61,375	164,566
Other operations	476	225
	64,773	166,464
Losses		
Debt securities portfolio	(3,974)	(1,578)
Equity instruments	(94)	(2)
Derivative financial instruments	(223,955)	(81,082)
Other operations	(195)	(107)
	(228,218)	(82,769)
	(163,445)	83,695
Net gains /(losses) from financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	6,836	6,094
Debt securities portfolio	2,276	13,918
	9,112	20,012
Losses		
Loans and advances to customers	(9,519)	(7,245)
Debt securities portfolio	(3,749)	(3,758)
	(13,268)	(11,003)
	(4,156)	9,009

(continues)

(continuation)

(Thousands of euros)

	31 March 2020	31 March 2019
Net gains /(losses) from financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	1,021	-
Debt securities issued		
Certificates and structured securities issued	263,032	8,300
Other debt securities issued	7,288	351
	271,341	8,651
Losses		
Debt securities portfolio	(490)	(471)
Resources from customers	-	(470)
Debt securities issued		
Certificates and structured securities issued	(109,138)	(86,791)
Other debt securities issued	(91)	(4,964)
	(109,719)	(92,696)
	161,622	(84,045)

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)

	31 March 2020	31 March 2019
Net gains / (losses) from foreign exchange		
Gains	988,004	312,300
Losses	(922,984)	(294,914)
	65,020	17,386
Net gains / (losses) from hedge accounting		
Gains		
Hedging derivatives	21,705	16,220
Hedged items	21,079	45,201
	42,784	61,421
Losses		
Hedging derivatives	(35,729)	(64,060)
Hedged items	(10,766)	(4,483)
	(46,495)	(68,543)
	(3,711)	(7,122)
Net gains / (losses) from derecognition of financial assets and liabilities at amortised cost		
Gains		
Credit sales	1,900	1,101
Debt securities issued	361	173
Others	54	47
	2,315	1,321
Losses		
Credit sales	(16,273)	(6,664)
Debt securities issued	(256)	(160)
Others	(153)	(261)
	(16,682)	(7,085)
	(14,367)	(5,764)

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

(Thousands of euros)

	31 March 2020	31 March 2019
Net gains / (losses) from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	55,072	53,425
Losses		
Debt securities portfolio	(34,644)	(6,276)
	20,428	47,149

In the first quarter of 2020, the balance Net gains / (losses) arising from financial assets at fair value through other comprehensive income - Gains - Debt securities portfolio includes the amount of Euros 49,359,000 (31 March 2019: Euros 26,311,000) related to gains resulting from the sale of Portuguese Treasury bonds.

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Operating income		
Gains on leasing operations	1,380	751
Income from services provided	6,469	6,355
Rents	1,127	1,071
Sales of cheques and others	2,698	2,691
Other operating income	2,705	2,936
	14,379	13,804
Operating costs		
Donations and contributions	(1,180)	(915)
Contributions for Resolution Funds	(13,382)	(16,914)
Contributions to Deposit Guarantee Fund	(6,221)	(2,776)
Tax for the Polish banking sector	(16,711)	(11,991)
Taxes	(4,507)	(3,775)
Losses on financial leasing operations	(853)	(31)
Other operating costs	(9,998)	(6,939)
	(52,852)	(43,341)
	(38,473)	(29,537)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Remunerations	131,445	119,785
Other mandatory social security charges	26,742	24,725
Voluntary social security charges	2,846	3,082
Other staff costs	3,638	4,635
	164,671	152,227

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Water, electricity and fuel	3,991	4,580
Credit cards and mortgage	2,940	1,916
Communications	7,245	5,942
Maintenance and related services	5,203	4,303
Legal expenses	945	1,299
Travel, hotel and representation costs	2,166	2,346
Advisory services	2,671	4,657
Training costs	407	777
Information technology services	12,333	9,926
Consumables	1,245	1,209
Outsourcing and independent labour	18,129	18,190
Advertising	5,816	4,089
Rents and leases	6,689	6,583
Insurance	784	854
Transportation	2,335	2,405
Other specialised services	7,227	6,250
Other supplies and services	6,778	5,151
	86,904	80,477

The balance Rents and leases includes, in the first quarter of 2020, the amount of Euros 721,000 (31 March 2019: Euros 1,954,000) related to short-term lease contracts and the amount of Euros 584,000 (31 March 2019: Euros 830,000) related to lease contracts of low value assets, as described in the accounting policy 1 H and note 52.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Amortisations of intangible assets (note 29):		
Software	7,067	4,247
Other intangible assets	475	680
	7,542	4,927
Depreciations of other tangible assets (note 28):		
Properties	4,381	4,460
Equipment		
Computers	4,526	2,975
Security equipment	265	302
Installations	697	648
Machinery	228	179
Furniture	743	585
Motor vehicles	1,224	1,198
Other equipment	396	479
Right-of-use		
Real estate	14,704	10,982
Vehicles and equipment	79	94
	27,243	21,902
	34,785	26,829

10. Impairment for financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Loans and advances to credit institutions (note 20)		
Charge for the period	122	201
	122	201
Loans and advances to customers (note 21)		
Charge for the period	223,317	171,939
Reversals for the period	(129,565)	(79,431)
Recoveries of loans and interest charged-off	(7,724)	(6,660)
	86,028	85,848
Debt securities (note 22)		
Associated to credit operations		
Charge for the period	121	1,791
Reversals for the period	-	(1,108)
	121	683
Not associated to credit operations		
Charge for the period	709	246
Reversals for the period	(88)	(70)
	621	176
	742	859
	86,892	86,908

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

The detail of these balances is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Impairment for financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	-	613
Reversals for the period	(735)	(127)
	(735)	486

12. Impairment for other assets

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Impairment for investments in associated companies (note 25)		
Charge for the period	-	2,217
Impairment for non-current assets held for sale (note 26)		
Charge for the period	11,709	20,038
Reversals for the period	(2,327)	(3,954)
	9,382	16,084
Impairment for goodwill of subsidiaries (note 29)		
Charge for the period	180	-
Impairment for other assets (note 31)		
Charge for the period	3,815	3,000
Reversals for the period	(2,008)	(732)
	1,807	2,268
	11,369	20,569

13. Other provisions

This balance is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Provision for guarantees and other commitments (note 38)		
Charge for the period	14,138	11,710
Reversals for the period	(9,783)	(15,006)
	4,355	(3,296)
Other provisions for liabilities and charges (note 38)		
Charge for the period	99,990	6,203
Reversals for the period	(48)	(6,931)
	99,942	(728)
	104,297	(4,024)

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)

	31 March 2020	31 March 2019
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current period	393	4,932
Reverse of the gains arising from properties sold to Group entities	(93)	-
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (*)	1,143	-
Revaluation of the net non-monetary assets of the BMA	-	653
Revaluation of the goodwill associated to the investment in BMA	-	2,217
	1,143	2,870
	1,443	7,802
Banque BCP, S.A.S.	1,074	913
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	5,860	9,334
SIBS, S.G.P.S, S.A.	1,446	1,535
Unicre - Instituição Financeira de Crédito, S.A.	1,116	(655)
Other companies	(146)	(301)
	10,793	18,628

(*) 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)

	31 March 2020	31 March 2019
Other assets	(4,463)	16,166
	(4,463)	16,166

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 the first quarter of 2020, corresponds to a loss of Euros 3,316,000 (31 March 2019: gain of Euros 12,991,000).

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

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2020	31 March 2019
Gain arising on sale of Planfipsa Group	-	13,454
	-	13,454

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)

	31 March 2020	31 March 2019
Continuing operations		
Net income after income taxes from continuing operations	43,986	168,748
Non-controlling interests	(8,687)	(28,359)
Appropriated net income	35,299	140,389
Interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	(9,250)	-
Tax related to interests of the perpetual subordinated bonds (Additional Tier 1) (note 40)	-	1,190
Adjusted net income	26,049	141,579
Discontinued or discontinuing operations (note 16)		
Appropriated net income	-	13,454
Adjusted net income	26,049	155,033
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.007	0.038
from discontinued or discontinuing operations	0.000	0.004
	0.007	0.042
Diluted earnings per share (Euros):		
from continuing operations	0.007	0.038
from discontinued or discontinuing operations	0.000	0.004
	0.007	0.042

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

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

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Cash	541,373	636,048
Central Banks		
Bank of Portugal	2,109,912	3,658,202
Central Banks abroad	683,540	872,301
	3,334,825	5,166,551

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

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

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Credit institutions in Portugal	9,568	9,427
Credit institutions abroad	210,035	220,718
Amounts due for collection	43,363	90,712
	262,966	320,857

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

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Loans and advances to Central Banks abroad	175,334	-
Loans and advances to credit institutions in Portugal		
Short-term applications	49,996	-
Loans	36,006	36,655
Term deposits to collateralise CIRS and IRS operations (*)	-	430
Other	9,630	5,598
	95,632	42,683
Loans and advances to credit institutions abroad		
Very short-term deposits	370,285	342,090
Term deposits	327,017	220,426
Term deposits to collateralise CIRS and IRS operations (*)	432,838	252,584
Other	36,995	35,580
	1,167,135	850,680
	1,438,101	893,363
Impairment for loans and advances to credit institutions	(489)	(368)
	1,437,612	892,995

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

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

(Thousands of euros)

	31 March 2020	31 March 2019
Balance on 1 January	368	1,853
Impairment charge for the period (note 10)	121	55
Reversals for the period (note 10)	-	(867)
Loans charged-off	-	(673)
Balance at the end of the period	489	368

21. Loans and advances to customers

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

(Thousands of euros)

	31 March 2020	31 December 2019
Mortgage loans	25,852,526	25,968,814
Loans	14,456,890	14,783,169
Finance leases	4,015,247	4,144,376
Factoring operations	2,637,730	2,566,627
Current account credits	1,759,179	1,734,948
Overdrafts	1,215,103	1,215,941
Discounted bills	275,105	265,385
	50,211,780	50,679,260
Overdue loans - less than 90 days	139,223	115,707
Overdue loans - Over 90 days	1,417,317	1,469,884
	51,768,320	52,264,851
Impairment for credit risk	(2,144,262)	(2,417,022)
	49,624,058	49,847,829

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

(Thousands of euros)

	31 March 2020				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	622,169	4	622,173	(1,441)	620,732
Asset-backed loans	29,479,773	770,940	30,250,713	(1,129,291)	29,121,422
Other guaranteed loans	3,569,994	184,364	3,754,358	(207,096)	3,547,262
Unsecured loans	7,718,478	352,098	8,070,576	(437,633)	7,632,943
Foreign loans	2,168,389	129,979	2,298,368	(217,814)	2,080,554
Factoring operations	2,637,730	33,496	2,671,226	(42,803)	2,628,423
Finance leases	4,015,247	85,659	4,100,906	(108,184)	3,992,722
	50,211,780	1,556,540	51,768,320	(2,144,262)	49,624,058

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 2019, is analysed as follows:

(Thousands of euros)

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

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

(Thousands of euros)

	31 March 2020					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	334,654	9,331	343,985	(7,233)	336,752	0.66%
Fisheries	35,002	34	35,036	(739)	34,297	0.07%
Mining	68,540	1,350	69,890	(1,989)	67,901	0.14%
Food, beverage and tobacco	700,477	17,266	717,743	(23,854)	693,889	1.39%
Textiles	378,393	10,730	389,123	(21,927)	367,196	0.75%
Wood and cork	228,767	3,791	232,558	(4,723)	227,835	0.45%
Paper, printing and publishing	159,169	1,285	160,454	(13,532)	146,922	0.31%
Chemicals	721,717	20,055	741,772	(27,655)	714,117	1.43%
Machinery, equipment and basic metallurgical	1,257,344	37,419	1,294,763	(45,089)	1,249,674	2.50%
Electricity and gas	286,749	227	286,976	(2,218)	284,758	0.55%
Water	200,052	645	200,697	(9,216)	191,481	0.39%
Construction	1,442,611	106,015	1,548,626	(101,533)	1,447,093	2.99%
Retail business	1,173,039	37,884	1,210,923	(46,677)	1,164,246	2.34%
Wholesale business	2,042,089	55,122	2,097,211	(109,964)	1,987,247	4.05%
Restaurants and hotels	1,214,443	41,367	1,255,810	(88,467)	1,167,343	2.43%
Transports	1,164,123	27,911	1,192,034	(39,644)	1,152,390	2.30%
Post offices	9,908	310	10,218	(346)	9,872	0.02%
Telecommunications	373,651	4,795	378,446	(13,570)	364,876	0.73%
Services						
Financial intermediation	1,461,602	113,938	1,575,540	(346,588)	1,228,952	3.04%
Real estate activities	1,612,980	98,753	1,711,733	(109,808)	1,601,925	3.31%
Consulting, scientific and technical activities	1,073,670	17,437	1,091,107	(122,314)	968,793	2.11%
Administrative and support services activities	525,540	15,600	541,140	(81,116)	460,024	1.05%
Public sector	1,218,656	4	1,218,660	(3,830)	1,214,830	2.35%
Education	123,715	1,357	125,072	(6,339)	118,733	0.24%
Health and collective service activities	291,054	1,480	292,534	(4,208)	288,326	0.57%
Artistic, sports and recreational activities	307,877	1,785	309,662	(73,296)	236,366	0.60%
Other services	214,059	289,214	503,273	(214,580)	288,693	0.97%
Consumer loans	5,171,564	313,564	5,485,128	(320,240)	5,164,888	10.60%
Mortgage credit	25,521,787	202,140	25,723,927	(154,294)	25,569,633	49.69%
Other domestic activities	1,169	492	1,661	(42,139)	(40,478)	0.00%
Other international activities	897,379	125,239	1,022,618	(107,134)	915,484	1.98%
	50,211,780	1,556,540	51,768,320	(2,144,262)	49,624,058	100%

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

(Thousands of euros)

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

(Thousands of euros)

	31 March 2020	31 December 2019
Amount of future minimum payments	4,498,355	4,649,569
Interest not yet due	(483,108)	(505,193)
Present value	4,015,247	4,144,376

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

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)

	31 March 2020			31 December 2019		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Agriculture and forestry	14,737	(3,108)	11,629	14,391	(3,012)	11,379
Fisheries	6,131	(392)	5,739	6,134	(454)	5,680
Mining	2,367	(358)	2,009	5,558	(3,317)	2,241
Food, beverage and tobacco	25,987	(7,573)	18,414	25,290	(7,448)	17,842
Textiles	13,940	(6,901)	7,039	14,010	(4,287)	9,723
Wood and cork	7,433	(1,356)	6,077	7,978	(1,694)	6,284
Paper, printing and publishing	16,473	(11,538)	4,935	16,449	(12,222)	4,227
Chemicals	22,699	(8,024)	14,675	23,386	(5,095)	18,291
Machinery, equipment and basic metallurgical	56,989	(11,364)	45,625	54,949	(11,038)	43,911
Electricity and gas	447	(30)	417	454	(32)	422
Water	51,188	(6,996)	44,192	51,694	(7,116)	44,578
Construction	123,741	(44,801)	78,940	245,348	(148,041)	97,307
Retail business	60,023	(22,788)	37,235	61,569	(23,761)	37,808
Wholesale business	98,254	(13,977)	84,277	105,965	(13,463)	92,502
Restaurants and hotels	100,603	(20,567)	80,036	101,525	(20,402)	81,123
Transports	11,996	(2,712)	9,284	13,118	(2,691)	10,427
Post offices	190	(49)	141	236	(61)	175
Telecommunications	18,089	(7,745)	10,344	18,059	(1,219)	16,840
Services						
Financial intermediation	394,065	(242,123)	151,942	533,238	(340,993)	192,245
Real estate activities	157,078	(46,534)	110,544	157,808	(43,027)	114,781
Consulting, scientific and technical activities	135,108	(61,361)	73,747	166,498	(93,427)	73,071
Administrative and support services activities	83,419	(64,425)	18,994	83,319	(61,457)	21,862
Public sector	63,674	(1,326)	62,348	67,157	(1,309)	65,848
Education	19,877	(4,760)	15,117	20,057	(4,724)	15,333
Health and collective service activities	10,674	(1,320)	9,354	10,537	(1,156)	9,381
Artistic, sports and recreational activities	89,527	(40,536)	48,991	90,159	(40,616)	49,543
Other services	245,115	(177,029)	68,086	245,150	(177,061)	68,089
Consumer loans	286,430	(75,191)	211,239	301,820	(76,808)	225,012
Mortgage credit	583,631	(44,525)	539,106	604,597	(45,234)	559,363
Other domestic activities	21	(1)	20	22	(1)	21
Other international activities	36,942	(26,960)	9,982	36,531	(24,491)	12,040
	2,736,848	(956,370)	1,780,478	3,083,006	(1,175,657)	1,907,349

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

(Thousands of euros)

	31 March 2020	31 March 2019
Balance on 1 January	2,417,022	2,851,906
Charge for the period in net income interest (note 2)	9,622	51,504
Other transfers	(6,133)	72,421
Impairment charge for the period (note 10)	223,317	924,248
Reversals for the period (note 10)	(129,565)	(510,585)
Loans charged-off	(340,502)	(979,451)
Exchange rate differences	(29,499)	6,979
Balance at the end of the period	2,144,262	2,417,022

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

(Thousands of euros)

	31 March 2020	31 December 2019
Agriculture and forestry	65	4,360
Fisheries	-	4
Mining	-	4,414
Food, beverage and tobacco	339	14,190
Textiles	16	7,418
Wood and cork	5	3,304
Paper, printing and publishing	42	6,823
Chemicals	888	30,947
Machinery, equipment and basic metallurgical	557	25,843
Electricity and gas	2	506
Water	36	619
Construction	126,822	282,889
Retail business	2,239	75,990
Wholesale business	1,367	37,281
Restaurants and hotels	(112)	13,128
Transports	1,190	11,546
Post offices	6	243
Telecommunications	100	17,956
Services		
Financial intermediation	148,624	21,154
Real estate activities	2,402	62,175
Consulting, scientific and technical activities	49,334	178,745
Administrative and support services activities	225	6,353
Education	1	603
Health and collective service activities	(125)	1,215
Artistic, sports and recreational activities	36	3,651
Other services	251	4,833
Consumer loans	5,448	149,500
Mortgage credit	663	9,059
Other domestic activities	61	2,561
Other international activities	20	2,141
	340,502	979,451

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

(Thousands of euros)

	31 March 2020	31 March 2019
Agriculture and forestry	248	4
Food, beverage and tobacco	4	7
Textiles	13	17
Wood and cork	1	1
Paper, printing and publishing	-	5
Chemicals	16	432
Machinery, equipment and basic metallurgical	22	42
Water	1	-
Construction	183	1,258
Retail business	285	117
Wholesale business	172	215
Restaurants and hotels	36	1
Transports	49	2,729
Telecommunications	1	1
Services		
Financial intermediation	1,081	450
Real estate activities	7	416
Consulting, scientific and technical activities	1,439	8
Administrative and support services activities	9	2
Education	19	-
Health and collective service activities	1	-
Artistic, sports and recreational activities	1	-
Other services	9	128
Consumer loans	3,472	704
Mortgage credit	18	73
Other domestic activities	4	44
Other international activities	633	6
	7,724	6,660

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	156,421	155,567
Commercial paper	2,348,310	1,871,985
Foreign issuers		
Bonds	32,562	32,356
Commercial paper	32,425	25,233
	2,569,718	2,085,141
Overdue securities - over 90 days	1,799	1,799
	2,571,517	2,086,940
Impairment	(12,579)	(12,431)
	2,558,938	2,074,509
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	2,553,517	137,330
Foreign issuers	308,018	301,988
Bonds issued by other entities		
Portuguese issuers	177,551	178,069
Foreign issuers	47,850	50,854
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	421,640	445,226
	3,508,576	1,113,467
Impairment	(2,601)	(2,100)
	3,505,975	1,111,367
	6,064,913	3,185,876

(*) As at 31 March 2020 includes the amount of Euros 6,130,000 (31 December 2019: Euros 856,000) related to adjustments resulting from the application of fair value hedge accounting.

As at 31 March 2020, the balance Debt securities held not associated with credit operations - Bonds issued by other Portuguese entities includes the amount of Euros 138,834,000 (31 December 2019: Euros 138,752,000) related to public sector companies.

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

(Thousands of euros)

	31 March 2020	31 December 2019
Debt securities held associated with credit operations		
Agriculture and forestry	4,861	-
Mining	25,590	17,493
Food, beverage and tobacco	88,215	83,063
Textiles	72,476	67,201
Wood and cork	8,453	8,017
Paper, printing and publishing	10,721	10,305
Chemicals	148,768	151,612
Machinery, equipment and basic metallurgical	78,304	76,345
Electricity and gas	185,520	184,911
Water	15,007	14,956
Construction	11,468	12,135
Retail business	93,057	73,243
Wholesale business	133,543	70,554
Restaurants and hotels	7,495	7,506
Transports	37,698	35,948
Telecommunications	6,455	6,444
Services		
Financial intermediation	403,765	222,846
Real estate activities	28,133	23,919
Consulting, scientific and technical activities	1,104,470	923,513
Administrative and support services activities	19,443	16,924
Public sector	500	-
Health and collective service activities	4,999	4,999
Other services	5,118	5,084
Other international activities	64,879	57,491
	2,558,938	2,074,509
Debt securities held not associated with credit operations		
Chemicals	25,113	25,609
Water	39,345	39,324
Transports (*)	99,454	99,402
Services		
Financial intermediation	469,046	495,666
Consulting, scientific and technical activities	13,483	13,550
	646,441	673,551
Government and Public securities	2,859,534	437,816
	3,505,975	1,111,367
	6,064,913	3,185,876

(*) Corresponds to securities from public sector companies

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

(Thousands of euros)

	31 March 2020	31 March 2019
Debt securities held associated with credit operations		
Balance on 1 January	12,431	39,921
Charge for the period in net income interest (note 2)	27	120
Charge for the period (note 10)	121	1,717
Reversals for the period (note 10)	-	(907)
Loans charged-off	-	(28,420)
Balance at the end of the period	12,579	12,431
Debt securities held not associated with credit operations		
Balance on 1 January	2,100	1,788
Other transfers	(103)	-
Charge for the period (note 10)	709	1,161
Reversals for the period (note 10)	(88)	(246)
Loans charged-off	-	(620)
Exchange rate differences	(17)	17
Balance at the end of the period	2,601	2,100

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

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

(Thousands of euros)

	31 March 2020	31 December 2019
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,703,820	255,313
Equity instruments	2,979	3,109
Trading derivatives	686,694	619,912
	2,393,493	878,334
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	323,712	352,367
Debt instruments	1,023,128	1,037,480
Equity instruments	14,613	15,666
	1,361,453	1,405,513
Financial assets designated at fair value through profit or loss		
Debt instruments	31,454	31,496
Financial assets at fair value through other comprehensive income		
Debt instruments	10,345,069	13,179,281
Equity instruments	36,422	37,420
	10,381,491	13,216,701
	14,167,891	15,532,044

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

(Thousands of euros)

	31 March 2020				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	3,241	-	31,454	2,342,432	2,377,127
Foreign issuers	132,887	-	-	6,125,707	6,258,594
Bonds issued by other entities					
Portuguese issuers	3,247	16,747	-	869,666	889,660
Foreign issuers	43,127	-	-	384,904	428,031
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	1,471,181	-	-	400,398	1,871,579
Foreign issuers	50,137	-	-	221,962	272,099
Shares of foreign companies (a)	-	34,598	-	-	34,598
Investment fund units (b)	-	971,783	-	-	971,783
	1,703,820	1,023,128	31,454	10,345,069	13,103,471
Equity instruments					
Shares					
Portuguese companies	2,514	-	-	18,835	21,349
Foreign companies	11	14,613	-	17,584	32,208
Investment fund units	-	-	-	3	3
Other securities	454	-	-	-	454
	2,979	14,613	-	36,422	54,014
Trading derivatives	686,694	-	-	-	686,694
	2,393,493	1,037,741	31,454	10,381,491	13,844,179

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

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)

	31 December 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

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

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

(Thousands of euros)

	31 March 2020			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,331,864	10,012	556	2,342,432
Foreign issuers	6,136,101	(3,509)	(6,885)	6,125,707
Bonds issued by other entities				
Portuguese issuers	854,051	19,185	(3,570)	869,666
Foreign issuers	398,238	12,907	(26,241)	384,904
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	400,327	-	71	400,398
Foreign issuers	221,785	-	177	221,962
	10,342,366	38,595	(35,892)	10,345,069
Equity instruments				
Shares				
Portuguese companies	50,860	-	(32,025)	18,835
Foreign companies	20,518	-	(2,934)	17,584
Investment fund units	2	-	1	3
	71,380	-	(34,958)	36,422
	10,413,746	38,595	(70,850)	10,381,491

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

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

(Thousands of euros)

	31 December 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	4,292,930	93,586	38,786	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
	12,983,688	116,743	78,850	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
	13,055,021	116,743	44,937	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 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)

	31 March 2020	31 December 2019
Public sector	16	27
Asset-backed loans	4	8
Unsecured loans	317,007	346,558
	317,027	346,593
Overdue loans - less than 90 days	2,154	1,717
Overdue loans - Over 90 days	4,531	4,057
	323,712	352,367

The balance Loans to customers at fair value correspond essentially to consumer loans.

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 March 2020 is as follows:

(Thousands of euros)

	31 March 2020				
	Bonds and Treasury bills	Shares	Other Financial Assets	Overdue Securities	Total
Fisheries	680	-	-	-	680
Paper, printing and publishing	47,547	1	-	-	47,548
Chemicals	-	1	-	-	1
Machinery, equipment and basic metallurgical	2,363	2,517	-	-	4,880
Electricity and gas	15,170	-	-	-	15,170
Water	6,894	-	-	-	6,894
Construction	17,008	4	23,192	-	40,204
Retail business	-	1	-	-	1
Wholesale business	206,622	162	-	-	206,784
Restaurants and hotels	-	9,253	-	-	9,253
Transports	266,706	-	-	-	266,706
Telecommunications	208	4,027	-	-	4,235
Services					
Financial intermediation (*)	823,661	56,225	921,912	-	1,801,798
Real estate activities	-	-	19,889	-	19,889
Consulting, scientific and technical activities	126,565	133	-	-	126,698
Administrative and support services activities	9,544	8,918	-	-	18,462
Public sector	-	-	454	-	454
Artistic, sports and recreational activities	16,683	-	-	-	16,683
Other services	2	6,913	6,793	-	13,708
	1,539,653	88,155	972,240	-	2,600,048
Government and Public securities	10,557,437	-	-	-	10,557,437
	12,097,090	88,155	972,240	-	13,157,485

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 914,135,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 46.

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)

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

(*) The balance Other financial assets includes restructuring funds, in the amount of Euros 924,489,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 46.

24. Hedging derivatives

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

(Thousands of euros)

	31 March 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Swaps	100,306	366,202	45,141	229,923

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Portuguese credit institutions	39,684	37,959
Foreign credit institutions	163,404	172,432
Other Portuguese companies	238,670	228,897
Other foreign companies	21,709	21,876
	463,467	461,164
Impairment	(57,421)	(60,773)
	406,046	400,391

The balance Investments in associated companies is analysed as follows:

(Thousands of euros)

	31 March 2020				31 December 2019
	Ownership on equity	Goodwill	Impairment for investments in associated companies	Total	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	182,822	-	-	182,822	174,348
Banco Millennium Atlântico, S.A.	63,701	58,479	(35,762)	86,418	93,044
Banque BCP, S.A.S.	41,224	-	-	41,224	40,274
Cold River's Homestead, S.A.	19,024	-	(3,648)	15,376	15,522
SIBS, S.G.P.S, S.A.	36,260	-	-	36,260	34,815
Unicre - Instituição Financeira de Crédito, S.A.	39,684	-	-	39,684	37,959
Webspectator Corporation	96	18,011	(18,011)	96	94
Others	4,166	-	-	4,166	4,335
	386,977	76,490	(57,421)	406,046	400,391

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

The Group's companies included in the consolidation perimeter are presented in note 54.

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020			31 December 2019		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	1,044,228	(194,758)	849,470	1,072,391	(191,105)	881,286
Assets belong to investments funds and real estate companies	371,621	(54,339)	317,282	371,417	(54,579)	316,838
Assets for own use (closed branches)	31,583	(6,008)	25,575	30,778	(7,333)	23,445
Equipment and other	44,066	(10,288)	33,778	45,113	(10,874)	34,239
Other assets	21,974	-	21,974	24,033	-	24,033
	1,513,472	(265,393)	1,248,079	1,543,732	(263,891)	1,279,841

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

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

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.

27. Investment property

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

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Real estate	747,706	762,085
Equipment:		
Computer equipment	328,428	330,524
Security equipment	70,959	71,268
Interior installations	146,419	145,298
Machinery	48,670	48,466
Furniture	85,623	85,951
Motor vehicles	30,408	31,820
Other equipment	30,092	32,072
Right of use		
Real estate	326,669	329,604
Vehicles and equipment	795	958
Work in progress	16,013	20,833
Other tangible assets	300	296
	1,832,082	1,859,175
Accumulated depreciation		
Relative to the current year (note 9)	(27,243)	(101,184)
Relative to the previous years	(1,110,012)	(1,028,549)
	(1,137,255)	(1,129,733)
	694,827	729,442

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 52.

The changes occurred in Other tangible assets during the first quarter of 2020 are analysed as follows:

(Thousands of euros)

	31 March 2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March
Real estate	762,085	14	(2,508)	(2,456)	(9,429)	747,706
Equipment:						
Computer equipment	330,524	1,637	(294)	415	(3,854)	328,428
Security equipment	71,268	138	(120)	(74)	(253)	70,959
Interior installations	145,298	344	(159)	1,622	(686)	146,419
Machinery	48,466	63	(25)	1,841	(1,675)	48,670
Furniture	85,951	184	(200)	8	(320)	85,623
Motor vehicles	31,820	698	(1,149)	(14)	(947)	30,408
Other equipment	32,072	4	(149)	129	(1,964)	30,092
Right of use						
Real estate	329,604	7,209	(1,693)	110	(8,561)	326,669
Vehicles and equipment	958	-	(141)	-	(22)	795
Work in progress	20,833	1,043	-	(4,777)	(1,086)	16,013
Other tangible assets	296	18	-	-	(14)	300
	1,859,175	11,352	(6,438)	(3,196)	(28,811)	1,832,082
Accumulated depreciation						
Real estate	(434,959)	(4,381)	1,555	1,238	5,202	(431,345)
Equipment:						
Computer equipment	(287,185)	(4,526)	153	9	2,574	(288,975)
Security equipment	(66,236)	(265)	120	74	201	(66,106)
Interior installations	(129,157)	(697)	119	96	405	(129,234)
Machinery	(41,233)	(228)	22	(250)	1,286	(40,403)
Furniture	(76,517)	(743)	192	216	194	(76,658)
Motor vehicles	(16,616)	(1,224)	976	1	533	(16,330)
Other equipment	(24,001)	(396)	149	33	1,433	(22,782)
Right of use						
Real estate	(53,428)	(14,704)	1,152	(59)	1,944	(65,095)
Vehicles and equipment	(365)	(79)	141	-	12	(291)
Other tangible assets	(36)	-	-	-	-	(36)
	(1,129,733)	(27,243)	4,579	1,358	13,784	(1,137,255)
	729,442	(15,891)	(1,859)	(1,838)	(15,027)	694,827

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

(Thousands of euros)

	31 December 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							
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 52.

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	105,436	113,032
Euro Bank, S.A. (Poland) (*)	35,707	38,280
Others	14,756	14,592
	155,899	165,904
Impairment		
Others	(14,017)	(13,837)
	(14,017)	(13,837)
	141,882	152,067
Intangible assets		
Software	169,440	189,031
Other intangible assets	62,710	67,214
	232,150	256,245
Accumulated amortisation		
Charge for the year (note 9)	(7,542)	(23,601)
Charge for the previous years	(142,097)	(142,081)
	(149,639)	(165,682)
	82,511	90,563
	224,393	242,630

(*) The operation is detailed in note 53.

The changes occurred in Goodwill and intangible assets during the first quarter of 2020 are analysed as follows:

(Thousands of euros)

	31 March 2020					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March
Goodwill - Differences arising on consolidation	165,904	180	-	-	(10,185)	155,899
Impairment for goodwill	(13,837)	(180)	-	-	-	(14,017)
	152,067	-	-	-	(10,185)	141,882
Intangible assets						
Software	189,031	2,740	(15,042)	(5)	(7,284)	169,440
Other intangible assets	67,214	-	-	-	(4,504)	62,710
	256,245	2,740	(15,042)	(5)	(11,788)	232,150
Accumulated depreciation						
Software	(108,690)	(7,067)	14,936	419	4,787	(95,615)
Other intangible assets	(56,992)	(475)	-	(419)	3,862	(54,024)
	(165,682)	(7,542)	14,936	-	8,649	(149,639)
	90,563	(4,802)	(106)	(5)	(3,139)	82,511
	242,630	(4,802)	(106)	(5)	(13,324)	224,393

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

(Thousands of euros)

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

30. Income tax

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

(Thousands of euros)

	31 March 2020			31 December 2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	983,177	-	983,177	983,177	-	983,177
Employee benefits	836,911	-	836,911	836,911	-	836,911
	1,820,088	-	1,820,088	1,820,088	-	1,820,088
Deferred taxes depending on the future profits						
Impairment losses (b)	779,521	(50,303)	729,218	822,822	(50,303)	772,519
Tax losses carried forward	119,685	-	119,685	120,295	-	120,295
Employee benefits	47,427	(733)	46,694	47,919	(811)	47,108
Financial assets at fair value through other comprehensive income	50,349	(118,884)	(68,535)	59,379	(140,103)	(80,724)
Derivatives	-	(4,583)	(4,583)	-	(5,640)	(5,640)
Intangible assets	49	-	49	49	(663)	(614)
Other tangible assets	11,215	(3,890)	7,325	11,199	(4,171)	7,028
Others	46,502	(23,475)	23,027	46,711	(17,192)	29,519
	1,054,748	(201,868)	852,880	1,108,374	(218,883)	889,491
Total deferred taxes	2,874,836	(201,868)	2,672,968	2,928,462	(218,883)	2,709,579
Offset between deferred tax assets and deferred tax liabilities	(192,334)	192,334	-	(207,814)	207,814	-
Net deferred taxes	2,682,502	(9,534)	2,672,968	2,720,648	(11,069)	2,709,579

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

As at 31 March 2020, the balance deferred tax assets amounts to Euros 2.679.999.000, of which Euros 2,554,155,000 are related to the Bank's activity. The deferred tax assets related to the Bank's activity includes a net amount of Euros 734,102,000 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 622,204,000 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 1,413,576,000 (31 December 2019: Euros 1,391,083,000).
- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter) or 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:

	31 March 2020	31 December 2019
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000 (a)	9%	9%

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

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

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	31 March 2020	31 December 2019
2020-2025	9,698	10,306
2028 and following	109,987	109,989
	119,685	120,295

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

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

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

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

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

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

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

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.

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

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

(Thousands of euros)

Tax losses carried forward	31 March 2020	31 December 2019
2020-2025	186,090	182,872
2026	213,525	213,521
2027 and following	408,679	408,679
	808,294	805,072

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

(Thousands of euros)

	31 March 2020		
	Net income for the year	Reserves	Exchange differences
Deferred taxes			
Deferred taxes not depending on the future profits			
Impairment losses	-	-	-
Employee benefits	-	-	-
	-	-	-
Deferred taxes depending on the future profits			
Impairment losses	(35,227)	-	(8,074)
Tax losses carried forward (a)	44	(63)	(591)
Employee benefits	620	(883)	(151)
Financial assets at fair value through other comprehensive income	-	12,717	(528)
Derivatives	-	-	1,057
Intangible assets	646	-	17
Other tangible assets	403	-	(106)
Others	(5,160)	(432)	(900)
	(38,674)	11,339	(9,276)
	(38,674)	11,339	(9,276)
Current taxes			
Current year	(27,139)	3	-
Correction of previous years	175	-	-
	(26,964)	3	-
	(65,638)	11,342	(9,276)

(a) - The tax on reserves refers to realities recognised in reserves considered for taxable income purposes.

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

(Thousands of euros)

	31 March 2019		
	Net income for the year	Reserves	Exchange differences
Deferred taxes			
Deferred taxes not depending on the future profits (a)			
Impairment losses	(4,817)	-	-
Employee benefits	(302)	(12)	-
	(5,119)	(12)	-
Deferred taxes depending on the future profits			
Impairment losses	(32,495)	2,251	(2,391)
Tax losses carried forward (b)	(359)	210	(92)
Employee benefits	1,205	(500)	(115)
Financial assets at fair value through other comprehensive income	-	(42,262)	379
Derivatives	101	(170)	181
Other tangible assets	1,807	15	(26)
Others	571	4,169	(657)
	(29,170)	(36,287)	(2,721)
	(34,289)	(36,299)	(2,721)
Current taxes			
Current year	(31,160)	11	-
	(31,160)	11	-
	(65,449)	(36,288)	(2,721)

(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)

	31 March 2020	31 March 2019
Net income / (loss) before income taxes	109,624	234,197
Current tax rate (%)	31.5%	31.5%
Expected tax	(34,532)	(73,772)
Employees' benefits	-	808
Tax benefits	3,584	3,559
Correction of previous years	176	(2,140)
Effect of the difference between the tax rate and deferred tax	3,219	7,774
Effect of recognition / derecognition net of deferred taxes	(9,968)	2,491
Other corrections	943	780
Non-deductible impairment and provisions	(25,322)	(3,666)
Results of companies accounted by the equity method	3,400	4,964
Autonomous tax	(352)	(241)
Contribution to the banking sector	(6,786)	(6,006)
Total	(65,638)	(65,449)
Effective rate (%)	59.88%	27.95%

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Deposit account applications	378,328	468,123
Associated companies	510	631
Subsidies receivables	5,625	9,429
Prepaid expenses	28,892	25,757
Debtors for futures and options transactions	196,570	98,965
Insurance activity	7,139	5,882
Debtors		
Residents		
Prosecution cases / agreements with the Bank	14,873	14,832
SIBS	2,346	6,183
Receivables from real estate, transfers of assets and other securities	58,629	40,361
Others	15,201	18,575
Non-residents	40,013	31,832
Interest and other amounts receivable	61,443	55,628
Amounts receivable on trading activity	35,044	7,256
Gold and other precious metals	3,844	3,769
Other recoverable tax	19,064	20,473
Artistic patrimony	28,818	28,818
Capital supplementary contributions	165	165
Reinsurance technical provision	14,732	16,604
Obligations with post-employment benefits	12,723	10,529
Capital supplies	239,827	238,449
Amounts due for collection	30,537	74,469
Amounts due from customers	187,536	225,073
Sundry assets	91,571	85,247
	1,473,430	1,487,050
Impairment for other assets	(265,790)	(247,916)
	1,207,640	1,239,134

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

(Thousands of euros)

	31 March 2020	31 March 2019
Balance on 1 January	247,916	285,141
Transfers	16,471	3,442
Charge for the period (note 12)	3,815	14,107
Reversals for the period (note 12)	(2,008)	(7,606)
Amounts charged-off	(350)	(47,173)
Exchange rate differences	(54)	5
Balance at the end of the period	265,790	247,916

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Resources and other financing from Central Banks		
Bank of Portugal	3,986,541	3,940,496
Central Banks abroad	105,416	109,508
	4,091,957	4,050,004
Resources from credit institutions in Portugal		
Very short-term deposits	206,998	-
Sight deposits	58,966	112,244
Term Deposits	151,931	92,471
Loans obtained	1,984	1,771
CIRS and IRS operations collateralised by deposits (*)	1,510	1,060
	421,389	207,546
Resources from credit institutions abroad		
Very short-term deposits	943	640
Sight deposits	120,764	109,004
Term Deposits	161,619	169,413
Loans obtained	1,628,397	1,784,671
CIRS and IRS operations collateralised by deposits (*)	58,180	18,484
Sales operations with repurchase agreement	231,742	21,335
Other resources	3,849	5,861
	2,205,494	2,109,408
	6,718,840	6,366,958

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

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.

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Deposits from customers		
Repayable on demand	37,954,804	37,083,367
Term deposits	16,542,955	17,329,381
Saving accounts	4,480,072	4,276,990
Treasury bills and other assets sold under repurchase agreement	20,933	21,963
Cheques and orders to pay	338,973	355,077
Others	60,094	60,227
	59,397,831	59,127,005

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

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Bonds	272,119	309,804
Covered bonds	996,384	995,976
Medium term notes (MTNs)	98,471	99,119
Securitisations	179,475	184,631
	1,546,449	1,589,530
Accruals	7,798	5,194
	1,554,247	1,594,724

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Bonds		
Non Perpetual	1,478,384	1,540,201
Perpetual	22,035	22,035
	1,500,419	1,562,236
Accruals	16,445	15,470
	1,516,864	1,577,706

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

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Non Perpetual Bonds						
Banco Comercial Português						
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+3.75%	114,000	114,000	22,673
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M+3.75%	64,100	64,100	12,856
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+3.75%	35,000	35,000	7,408
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	51,013	85
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,035	167
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,458	1,342
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (ii)	300,000	298,773	300,000
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (iii)	450,000	444,912	450,000
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	Wibor 6M 1,81% + 2,3%	153,573	153,573	55,738
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	Wibor 6M 2,30%	182,093	182,093	66,089
BCP Finance Bank						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	91,943	83,383	9,368
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					1,478,384	925,726
Perpetual Bonds						
Banco Comercial Português						
TOPS BPSM 1997	December, 1997	See reference (i)	Euribor 6M+0,9%	22,035	22,035	-
					22,035	-
Accruals					16,445	-
					1,516,864	925,726

(*) 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 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	January, 1900	March, 2021	Euribor 3M+3.75%	114,000	114,000	28,373
Bcp Ob Sub Apr 2021 - Emtn 809	March, 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	April, 2011	January, 2020	Fixed rate 7.01%	14,000	14,042	101
Mbcp Subord Feb 2020 - Vm Sr. 173	January, 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	April, 2012	July, 2020	Fixed rate 9%	26,250	26,668	2,654
BCP Subordinadas jul 20-EMTN 844	July, 2012	December, 2027	See reference (ii)	300,000	298,742	300,000
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (iii)	450,000	441,390	450,000
Bank Millennium						
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).

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Short selling securities	14,408	47,572
Trading derivatives (note 23):		
Swaps	305,048	274,506
Options	2,472	1,386
Embedded derivatives	10,916	14,983
Forwards	7,632	5,486
	326,068	296,361
	340,476	343,933

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

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Deposits from customers	1,417,545	1,720,134
Debt securities at fair value through profit and loss		
Bonds	-	262
Medium term notes (MTNs)	697,512	734,722
	697,512	734,984
Accruals	1,160	801
	698,672	735,785
Certificates	542,918	745,390
	2,659,135	3,201,309

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Provision for guarantees and other commitments (note 21)	109,958	116,560
Technical provisions for the insurance activity - For direct insurance and reinsurance accepted:		
Unearned premiums	9,112	7,346
Life insurance	3,097	3,400
For participation in profit and loss	113	216
Other technical provisions	23,344	26,853
Other provisions for liabilities and charges	243,565	190,937
	389,189	345,312

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

(Thousands of euros)

	31 March 2020	31 December 2019
Balance on 1 January	116,560	187,710
Transfers resulting from changes in the Group's structure (Euro Bank acquisition)	-	172
Transfers	(10,143)	(67,072)
Charge for the period (note 13)	14,138	36,230
Reversals for the period (note 13)	(9,783)	(40,618)
Exchange rate differences	(814)	138
Balance at the end of the period	109,958	116,560

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

(Thousands of euros)

	31 March 2020	31 March 2019
Balance on 1 January	190,937	136,483
Transfers	188	2,447
Charge for the period (note 13)	99,990	65,239
Reversals for the period (note 13)	(48)	(3,367)
Amounts charged-off	(44,323)	(10,627)
Exchange rate differences	(3,179)	762
Balance at the end of the period	243,565	190,937

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Creditors:		
Associated companies	2	190
Suppliers	34,471	44,627
From factoring operations	35,405	35,948
For futures and options transactions	15,825	11,039
For direct insurance and reinsurance operations	4,475	3,350
Deposit account and other applications	42,879	60,339
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	14,588	15,014
Rents to pay	268,664	281,072
Other creditors		
Residents	21,062	29,774
Non-residents	40,349	61,564
Negative equity in associated companies	278	278
Holidays, subsidies and other remuneration payable	47,181	59,420
Interests and other amounts payable	154,541	151,170
Operations to be settled - foreign, transfers and deposits	277,090	288,281
Amounts payable on trading activity	23,183	89,003
Other administrative costs payable	6,903	5,153
Deferred income	7,591	10,846
Loans insurance received and to amortised	74,712	74,712
Public sector	63,203	38,037
Other liabilities	155,518	182,408
	1,287,920	1,442,225

40. Share capital, Preference shares and Other equity instruments

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

As at 31 March 2020, the share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 March 2020, the balance Other equity instruments, in the amount of Euros 400,000,000 (31 December 2019: Euros 400,000,000) corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each.

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

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 March 2020, the Legal reserves amount to Euros 240,535,000 (31 December 2019: Euros 240,535,000).

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).

42. Treasury shares

This balance is analysed as follows:

	31 March 2020			31 December 2019		
	Net book value (Euros '000)	Number of securities	Average book value (Euros)	Net book value (Euros '000)	Number of securities	Average book value (Euros)
Banco Comercial Português, S.A. shares	32	323,738	0.10	65	323,738	0.20
Other treasury stock	35			37		
Total	67			102		

As at 31 March 2020, 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 2019: 323,738 shares) owned by clients. Since for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, deducted to equity.

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

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	(35,892)	78,850
Equity instruments	(34,958)	(33,913)
Of associated companies and other changes	33,762	29,205
Cash-flow hedge	226,204	153,330
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	1,486	132
	190,602	227,604
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	13,608	(22,725)
Equity instruments	3,946	3,797
Cash-flow hedge	(70,917)	(48,398)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(465)	(41)
	(53,828)	(67,367)
	136,774	160,237
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(70,401)	(33,084)
BIM - Banco International de Moçambique, S.A.	(170,708)	(150,976)
Banco Millennium Atlântico, S.A.	(150,415)	(143,476)
Others	2,516	2,528
	(389,008)	(325,008)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	42,689	43,342
Others	(3,965)	(3,965)
	38,724	39,377
Other reserves and retained earnings	851,665	561,217
	638,155	435,823

(*) Includes the effects arising from the application of hedge accounting.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Fair value changes		
Debt instruments	15,316	10,538
Equity instruments	3,109	3,337
Cash-flow hedge	(952)	(3,286)
Other	35	38
	17,508	10,627
Deferred taxes		
Debt instruments	(2,893)	(1,994)
Equity instruments	(591)	(634)
Cash-flow hedge	181	624
	(3,303)	(2,004)
	14,205	8,623
Exchange differences arising on consolidation	(182,189)	(101,914)
Actuarial losses (net of taxes)	178	178
Other reserves and retained earnings	1,361,752	1,354,637
	1,193,946	1,261,524

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	31 March 2020	31 December 2019	31 March 2020	31 March 2019
Bank Millennium, S.A.	986,976	1,049,395	2,078	18,638
BIM - Banco International de Moçambique, SA (*)	176,265	180,278	6,675	9,883
Other subsidiaries	30,705	31,851	(66)	(162)
	1,193,946	1,261,524	8,687	28,359

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora International de Moçambique, S.A.R.L.

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	31 March 2020	31 December 2019
Guarantees granted		
Guarantees	4,119,917	4,298,837
Stand-by letter of credit	50,382	52,447
Open documentary credits	233,122	237,828
Bails and indemnities	137,606	137,695
	4,541,027	4,726,807
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	3,547,661	3,999,502
Securities subscription	82,384	83,842
Other irrevocable commitments	116,483	115,247
Revocable commitments		
Revocable credit lines	5,015,654	4,897,405
Bank overdraft facilities	614,937	566,525
Other revocable commitments	150,932	108,905
	10,032,995	9,771,426
Guarantees received	26,256,101	27,225,242
Commitments from third parties	10,241,159	10,262,135
Securities and other items held for safekeeping	65,716,461	69,128,000
Securities and other items held under custody by the Securities Depository Authority	65,322,348	67,072,528
Other off balance sheet accounts	124,168,683	126,060,542

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 38).

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

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

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

46. 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 the first quarter of 2020 and the year of 2019, no credits were sold to specialized funds in credit recovery.

The amounts accumulated as at 31 March 2020 and 31 December 2019, related to these operations are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (d)	113,665	113,653	109,599	(4,054)
	1,767,269	1,384,377	1,374,604	(9,773)

The activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; and d) Property.

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

(Thousands of euros)

	31 March 2020			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	276,247	32,785	-	309,032
Impairment and other fair value adjustments	(51,089)	(32,785)	-	(83,874)
	225,158	-	-	225,158
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	83,444	-	271,185
Impairment and other fair value adjustments	(101,363)	(83,444)	-	(184,807)
	86,378	-	-	86,378
Fundo Aquarius FCR				
Gross value	127,361	-	-	127,361
Impairment and other fair value adjustments	(8,896)	-	-	(8,896)
	118,465	-	-	118,465
Discovery Real Estate Fund				
Gross value	156,089	-	-	156,089
Impairment and other fair value adjustments	2,159	-	-	2,159
	158,248	-	-	158,248
Fundo Vega FCR				
Gross value	48,076	78,130	-	126,206
Impairment and other fair value adjustments	(5,661)	(78,130)	-	(83,791)
	42,415	-	-	42,415
Total Gross value	1,131,270	232,513	33,280	1,397,063
Total impairment and other fair value adjustments	(217,135)	(232,513)	(33,280)	(482,928)
	914,135	-	-	914,135

(*) 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 assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2019			
	Senior securities	Junior securities		
	Participation units (note 23)	Capital supplies (note 31)	Capital supplementary contributions (*)	Total
Fundo Recuperação Turismo FCR				
Gross value	276,247	32,669	-	308,916
Impairment and other fair value adjustments	(51,360)	(32,669)	-	(84,029)
	224,887	-	-	224,887
Fundo Reestruturação Empresarial FCR				
Gross value	88,402	-	33,280	121,682
Impairment and other fair value adjustments	(44,698)	-	(33,280)	(77,978)
	43,704	-	-	43,704
FLIT-PTREL				
Gross value	247,354	38,154	-	285,508
Impairment and other fair value adjustments	(7,587)	(38,154)	-	(45,741)
	239,767	-	-	239,767
Fundo Recuperação FCR				
Gross value	187,741	82,947	-	270,688
Impairment and other fair value adjustments	(101,496)	(82,947)	-	(184,443)
	86,245	-	-	86,245
Fundo Aquarius FCR				
Gross value	139,147	-	-	139,147
Impairment and other fair value adjustments	(9,153)	-	-	(9,153)
	129,994	-	-	129,994
Discovery Real Estate Fund				
Gross value	155,328	-	-	155,328
Impairment and other fair value adjustments	2,149	-	-	2,149
	157,477	-	-	157,477
Fundo Vega FCR				
Gross value	48,076	77,366	-	125,442
Impairment and other fair value adjustments	(5,661)	(77,366)	-	(83,027)
	42,415	-	-	42,415
Total Gross value	1,142,295	231,136	33,280	1,406,711
Total impairment and other fair value adjustments	(217,806)	(231,136)	(33,280)	(482,222)
	924,489	-	-	924,489

(*) Corresponds to supplementary capital contributions initially recorded for the amount of Euros 33,280,000, and it was made a negative fair value adjustment of the same amount.

47. Relevant events occurred during in the first quarter of 2020

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.

Approval of the individual and consolidated annual report, balance sheet and financial statements of 2019 by the Board of Directors of Banco Comercial Português, S.A.

The Board of Directors, in a meeting held on 26 March 2020, approved, based on the results for 2019, disclosed on February 20th, the individual and consolidated annual report, balance sheet and financial statements of 2019, which will be submitted for approval to the Annual General Meeting. The Board of Directors will request the Chairman of the Board of the General Meeting to convene the Annual General Meeting on May 20th. The call notice of the Annual General Meeting, with the agenda thereon and other proposals of the Board of Directors will be disclosed in due time, in compliance with the legally established deadline. In view of the potential impacts and the uncertainty associated with the pandemic situation, and even though the Bank is part of the group of financial institutions with no specific regulatory constraints as long as dividend distribution is regarded, the Board of Directors also decided to propose to the Annual General Meeting the retention of the remaining results for 2019.

48. 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 March 2020, 31 December 2019 and 31 March 2019 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. In this case, the allocation is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 March 2020. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical).

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 31 March 2020, 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	139,062	272,138	411,200	77,505	9,660	2,062	500,427
Interest expense and similar charges	(5,723)	(75,356)	(81,079)	(20,652)	(1,576)	(11,651)	(114,958)
Net interest income	133,339	196,782	330,121	56,853	8,084	(9,589)	385,469
Commissions and other income	104,969	76,633	181,602	43,699	15,683	1,661	242,645
Commissions and other costs	(11,709)	(60,029)	(71,738)	(7,171)	(2,192)	(16,927)	(98,028)
Net commissions and other income (2)	93,260	16,604	109,864	36,528	13,491	(15,266)	144,617
Net gains arising from trading activity (3)	1,602	15,072	16,674	93	1,030	43,594	61,391
Share of profit of associates under the equity method	-	1,444	1,444	-	-	9,349	10,793
Gains / (losses) arising from the sale of subsidiaries and other assets	8	(175)	(167)	-	-	(4,296)	(4,463)
Net operating revenue	228,209	229,727	457,936	93,474	22,605	23,792	597,807
Operating expenses	118,794	123,663	242,457	28,306	12,986	2,611	286,360
Impairment for credit and financial assets (4)	(8,455)	(27,809)	(36,264)	(38,679)	696	(11,910)	(86,157)
Other impairments and provisions (5)	(8)	(33,277)	(33,285)	-	-	(82,381)	(115,666)
Net income / (loss) before income tax	100,952	44,978	145,930	26,489	10,315	(73,110)	109,624
Income tax	(30,803)	(19,877)	(50,680)	(8,070)	(2,653)	(4,235)	(65,638)
Income / (loss) after income tax from continuing operations	70,149	25,101	95,250	18,419	7,662	(77,345)	43,986
Net income / (loss) for the year	70,149	25,101	95,250	18,419	7,662	(77,345)	43,986
Non-controlling interests	-	(8,754)	(8,754)	-	-	67	(8,687)
Net income / (loss) for the year attributable to Bank's Shareholders	70,149	16,347	86,496	18,419	7,662	(77,278)	35,299

(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 March 2020, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of Euros)

	Retail in Portugal	Foreign business (1)	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	9,290,787	1,645,437	10,936,224	1,591,280	2,731,106	(10,223,207)	5,035,403
Loans and advances to customers (1)	22,185,704	16,420,288	38,605,992	12,311,459	631,518	957,739	52,506,708
Financial assets (2)	732,463	5,863,071	6,595,534	-	6,037	10,848,889	17,450,460
Other assets	167,553	762,617	930,170	40,922	28,982	5,506,459	6,506,533
Total Assets	32,376,507	24,691,413	57,067,920	13,943,661	3,397,643	7,089,880	81,499,104
Resources from other credit institutions (3)	556,111	603,326	1,159,437	4,722,465	1,573	835,365	6,718,840
Resources from customers (4)	29,314,508	19,941,472	49,255,980	7,892,756	2,814,726	851,914	60,815,376
Debt securities issued (5)	1,215,681	241,557	1,457,238	1,278	84,650	1,252,671	2,795,837
Other financial liabilities (6)	-	687,863	687,863	-	998	1,534,681	2,223,542
Other liabilities (7)	39,393	729,912	769,305	65,268	17,564	844,033	1,696,170
Total Liabilities	31,125,693	22,204,130	53,329,823	12,681,767	2,919,511	5,318,664	74,249,765
Equity and non-controlling interests	1,250,814	2,487,283	3,738,097	1,261,894	478,132	1,771,216	7,249,339
Total Liabilities, Equity and Non-controlling interests	32,376,507	24,691,413	57,067,920	13,943,661	3,397,643	7,089,880	81,499,104
Number of employees	4,587	11,215	15,802	592	236	1,866	18,496
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.

As at 31 March 2019, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Interest and similar income	119,263	225,257	344,520	80,656	6,391	40,428	471,995
Interest expense and similar charges	(7,177)	(66,663)	(73,840)	(11,880)	(1,826)	(21,740)	(109,286)
Net interest income	112,086	158,594	270,680	68,776	4,565	18,688	362,709
Commissions and other income	103,008	63,888	166,896	39,138	13,717	2,499	222,250
Commissions and other costs	(9,473)	(49,251)	(58,724)	(6,504)	(1,768)	(15,396)	(82,392)
Net commissions and other income [2]	93,535	14,637	108,172	32,634	11,949	(12,897)	139,858
Net gains arising from trading activity [3]	3,868	19,244	23,112	113	1,206	35,877	60,308
Share of profit of associates under the equity method	-	7,803	7,803	-	-	10,825	18,628
Gains / (losses) arising from the sale of subsidiaries and other assets	-	4,854	4,854	-	-	11,312	16,166
Net operating revenue	209,489	205,132	414,621	101,523	17,720	63,805	597,669
Operating expenses	116,966	92,921	209,887	32,406	11,229	6,011	259,533
Impairment for credit and financial assets [4]	(2,422)	(18,603)	(21,025)	(69,644)	280	2,995	(87,394)
Other impairments and provisions [5]	4	4,040	4,044	(2)	-	(20,587)	(16,545)
Net income / (loss) before income tax	90,105	97,648	187,753	(529)	6,771	40,202	234,197
Income tax	(27,782)	(25,553)	(53,335)	401	(1,761)	(10,754)	(65,449)
Income / (loss) after income tax from continuing operations	62,323	72,095	134,418	(128)	5,010	29,448	168,748
Income / (loss) arising from discontinued operations	-	-	-	-	-	13,454	13,454
Net income / (loss) for the year	62,323	72,095	134,418	(128)	5,010	42,902	182,202
Non-controlling interests	-	(28,521)	(28,521)	-	-	162	(28,359)
Net income / (loss) for the year attributable to Bank's Shareholders	62,323	43,574	105,897	(128)	5,010	43,064	153,843

(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 (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.

As at 31 March 2020, 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	139,062	77,505	7,420	2,062	226,049	213,137	59,001	2,240	500,427
Interest expense and similar charges	(5,723)	(20,652)	(1,545)	(11,651)	(39,571)	(57,886)	(17,365)	(136)	(114,958)
Net interest income	133,339	56,853	5,875	(9,589)	186,478	155,251	41,636	2,104	385,469
Commissions and other income	104,969	43,699	6,916	1,661	157,245	59,013	17,620	8,767	242,645
Commissions and other costs	(11,709)	(7,171)	(472)	(16,927)	(36,279)	(54,150)	(5,880)	(1,719)	(98,028)
Net commissions and other income [2]	93,260	36,528	6,444	(15,266)	120,966	4,863	11,740	7,048	144,617
Net gains arising from trading activity [3]	1,602	93	23	43,594	45,312	11,711	3,361	1,007	61,391
Share of profit of associates under the equity method	-	-	-	9,349	9,349	-	-	1,444	10,793
Gains / (losses) arising from the sale of subsidiaries and other assets	8	-	-	(4,296)	(4,288)	(253)	78	-	(4,463)
Net operating revenue	228,209	93,474	12,342	23,792	357,817	171,572	56,815	11,603	597,807
Operating expenses	118,794	28,306	5,879	2,611	155,590	98,658	24,927	7,185	286,360
Impairment for credit and financial assets [4]	(8,455)	(38,679)	864	(11,910)	(58,180)	(27,449)	(360)	(168)	(86,157)
Other impairments and provisions [5]	(8)	-	-	(82,381)	(82,389)	(27,591)	(5,686)	-	(115,666)
Net income / (loss) before income tax	100,952	26,489	7,327	(73,110)	61,658	17,874	25,842	4,250	109,624
Income tax	(30,803)	(8,070)	(2,308)	(4,235)	(45,416)	(13,709)	(6,218)	(295)	(65,638)
Income / (loss) after income tax from continuing operations	70,149	18,419	5,019	(77,345)	16,242	4,165	19,624	3,955	43,986
Net income / (loss) for the year	70,149	18,419	5,019	(77,345)	16,242	4,165	19,624	3,955	43,986
Non-controlling interests	-	-	-	67	67	(2,078)	(6,676)	-	(8,687)
Net income / (loss) for the year attributable to Bank's Shareholders	70,149	18,419	5,019	(77,278)	16,309	2,087	12,948	3,955	35,299

(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 March 2020, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of Euros)

	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	9,290,787	1,591,280	2,065,615	(10,223,207)	2,724,475	1,005,856	639,580	665,492	5,035,403
Loans and advances to customers [1]	22,185,704	12,311,459	269,973	957,739	35,724,875	15,811,237	609,051	361,545	52,506,708
Financial assets [2]	732,463	-	-	10,848,889	11,581,352	5,081,222	781,849	6,037	17,450,460
Other assets	167,553	40,922	10,894	5,506,459	5,725,828	464,250	211,948	104,507	6,506,533
Total Assets	32,376,507	13,943,661	2,346,482	7,089,880	55,756,530	22,362,565	2,242,428	1,137,581	81,499,104
Resources from other credit institutions [3]	556,111	4,722,465	-	835,365	6,113,941	564,456	8,246	32,197	6,718,840
Resources from customers [4]	29,314,508	7,892,756	2,189,249	851,914	40,248,427	18,337,377	1,604,095	625,477	60,815,376
Debt securities issued [5]	1,215,681	1,278	84,650	1,252,671	2,554,280	241,557	-	-	2,795,837
Other financial liabilities [6]	-	-	-	1,534,681	1,534,681	687,863	-	998	2,223,542
Other liabilities [7]	39,393	65,268	859	844,033	949,553	553,405	176,506	16,706	1,696,170
Total Liabilities	31,125,693	12,681,767	2,274,758	5,318,664	51,400,882	20,384,658	1,788,847	675,378	74,249,765
Equity and non-controlling interests	1,250,814	1,261,894	71,724	1,771,216	4,355,648	1,977,907	453,581	462,203	7,249,339
Total Liabilities, Equity and Non-controlling interests	32,376,507	13,943,661	2,346,482	7,089,880	55,756,530	22,362,565	2,242,428	1,137,581	81,499,104
Number of employees	4,587	592	148	1,866	7,193	8,556	2,659	88	18,496
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.

As at 31 March 2019, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal								
	Retail banking	Companies, Corporate and Investment banking	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Interest and similar income	119,263	80,656	3,802	40,428	244,149	162,170	63,086	2,590	471,995
Interest expense and similar charges	(7,177)	(11,880)	(1,785)	(21,740)	(42,582)	(49,164)	(17,417)	(123)	(109,286)
Net interest income	112,086	68,776	2,017	18,688	201,567	113,006	45,669	2,467	362,709
Commissions and other income	103,008	39,138	6,277	2,499	150,922	48,448	15,440	7,440	222,250
Commissions and other costs	(9,473)	(6,504)	(355)	(15,396)	(31,728)	(43,986)	(5,265)	(1,413)	(82,392)
Net commissions and other income [2]	93,535	32,634	5,922	(12,897)	119,194	4,462	10,175	6,027	139,858
Net gains arising from trading activity [3]	3,868	113	98	35,877	39,956	15,207	4,038	1,107	60,308
Share of profit of associates under the equity method	-	-	-	10,825	10,825	-	-	7,803	18,628
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	11,312	11,312	(576)	5,430	-	16,166
Net operating revenue	209,489	101,523	8,037	63,805	382,854	132,099	65,312	17,404	597,669
Operating expenses	116,966	32,406	4,613	6,011	159,996	69,591	23,329	6,617	259,533
Impairment for credit and financial assets [4]	(2,422)	(69,644)	264	2,995	(68,807)	(15,462)	(3,141)	16	(87,394)
Other impairments and provisions [5]	4	(2)	-	(20,587)	(20,585)	7,281	(1,024)	(2,217)	(16,545)
Net income / (loss) before income tax	90,105	(529)	3,688	40,202	133,466	54,327	37,818	8,586	234,197
Income tax	(27,782)	401	(1,162)	(10,754)	(39,297)	(16,977)	(8,602)	(573)	(65,449)
Income / (loss) after income tax from continuing operations	62,323	(128)	2,526	29,448	94,169	37,350	29,216	8,013	168,748
Income arising from discontinued operations	-	-	-	13,454	13,454	-	-	-	13,454
Net income / (loss) for the year	62,323	(128)	2,526	42,902	107,623	37,350	29,216	8,013	182,202
Non-controlling interests	-	-	-	162	162	(18,638)	(9,883)	-	(28,359)
Net income / (loss) for the year attributable to Bank's Shareholders	62,323	(128)	2,526	43,064	107,785	18,712	19,333	8,013	153,843

(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)

	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	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 (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.

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	31 March 2020	31 March 2019
Net contribution		
Retail banking in Portugal	70,149	62,323
Companies, Corporate and Investment banking	18,419	(128)
Private Banking	5,019	2,526
Foreign business (continuing operations)	27,744	74,579
Non-controlling interests (1)	(8,752)	(28,521)
	112,579	110,779
Amounts not allocated to segments		
Net interest income of the bond portfolio	(19,246)	6,282
Foreign exchange activity	49,493	3,450
Gains / (losses) arising from sales of subsidiaries and other assets	(4,296)	11,312
Equity accounted earnings	9,349	10,825
Impairment and other provisions (2)	(94,290)	(17,591)
Operational costs (3)	(2,612)	(6,011)
Gains on sale of Portuguese public debt	14,235	25,958
Loans sale	(14,373)	(5,541)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(1,473)	8,063
Taxes (5)	(4,235)	(10,754)
Income from discontinued operations	-	13,454
Non-controlling interests	66	162
Others (6)	(9,898)	3,455
Total not allocated to segments	(77,280)	43,064
Consolidated net income	35,299	153,843

(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.

49. 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:

2020 Minimum Capital Requirements									
BCP		of which:			Fully	of which:		
Consolidated	Phased-in	Pilar 1	Pilar 2	*Buffers*	implemented	Pilar 1	Pilar 2	*Buffers*
CET1	8.83%	4.50%	1.27%	3.06%	9.27%	4.50%	1.27%	3.50%
T1	10.75%	6.00%	1.69%	3.06%	11.19%	6.00%	1.69%	3.50%
Total	13.31%	8.00%	2.25%	3.06%	13.75%	8.00%	2.25%	3.50%

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

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operational risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

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

(Thousands of euros)

	31 March 2020	31 December 2019
Common equity tier 1 (CET1)		
Share capital	4,725,000	4,725,000
Share Premium	16,471	16,471
Ordinary own shares	(67)	(102)
Other capital (State aid)	-	-
Reserves and retained earnings	906,732	926,877
Minority interests eligible to CET1	673,035	711,470
Regulatory adjustments to CET1	(879,028)	(871,226)
	5,442,143	5,508,490
Tier 1		
Capital Instruments	400,000	400,000
Minority interests eligible to AT1	126,603	103,949
Regulatory adjustments	-	-
	5,968,746	6,012,439
Tier 2		
Subordinated debt	803,899	821,704
Minority interests eligible to CET1	290,630	260,886
Other	(58,800)	(58,800)
	1,035,729	1,023,790
Total own funds	7,004,475	7,036,229
RWA - Risk weighted assets		
Credit risk	40,081,613	39,558,388
Market risk	1,289,037	1,301,134
Operational risk	4,058,072	4,058,072
CVA	117,602	113,884
	45,546,324	45,031,478
Capital ratios		
CET1	11.9%	12.2%
Tier 1	13.1%	13.4%
Tier 2	2.3%	2.3%
	15.4%	15.6%

The 31 March of 2020 and 31 December 2019 amounts include the accumulated net income.

50. 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 March 2020, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 305,806,000, with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 170,708,000. BIM's contribution to consolidated net income for the first quarter of 2020, attributable to the shareholders of the Bank, amounts to Euros 16,285,000.

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 686,552,000 and Financial assets at fair value through other comprehensive income in the gross amount of Euros 94,407,000.

As at 31 March 2020, the Group has also registered in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of Euros 309,331,000 denominated in metical and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 167,241,000 denominated in USD and in the balance Guarantees granted and irrevocable commitments, an amount of Euros 55,958,000 (of which Euros 161,000 are denominated in euros, Euros 1,654,000 are denominated in metical, Euros 54,036,000 denominated in USD and Euros 106,000 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 March 2020, 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).

51. 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 4.54 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 2.68 million). The case is currently pending. Bank Millennium has created a provision in the same amount of the penalty imposed.

3. Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly and severally with another bank, and in the third one with another bank and card organizations.

The total amount of the claims submitted in these cases is PLN 729,580,027 (Euros 160,062,313). The proceeding with the highest value of the submitted claim is brought by PKN Orlen, S.A., in which the plaintiff demands payment of PLN 635,681,381 (Euros 139,461,921). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market, by jointly setting the level of the national interchange fee during the years 2006-2014. In the other two cases, the charges are similar with those raised in the case brought by PKN Orlen, S.A., while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision.

In addition, we point out that Bank Millennium participates as a side intervener in two other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse the banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee during the years 2008-2014.

4. On 5 April 2016, Bank Millennium was notified of a case brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium, worth of the dispute of PLN 521.9 million (Euros 114.50 million), with statutory interest from 5 April 2016 until the day of payment.

The plaintiff filed the lawsuit on 23 October 2015 in the Regional Court in Warsaw; the lawsuit was presented to Bank Millennium on 4 April 2016. 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 54.85 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 of first instance is conducting evidence proceedings.

5. 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 40.98 million). First Data Polska S.A. claims a share in an amount which Bank Millennium received in connection with the Visa Europe takeover transaction by Visa Inc. The plaintiff based its lawsuit on an existing agreement with Bank Millennium related to co-operation in scope of acceptance and settlement of operations conducted using Visa cards. Bank Millennium did not accept the claim and 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.

6. 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.

As at the end of the first quarter of 2020, Bank Millennium had 2,537 loan agreements and, additionally, 275 loan agreements from former Euro Bank, S.A. (2,759 loans agreements before the court of first instance and 53 loans agreements before the court of second instance) under individual litigations concerning indexation clauses of FX-indexed mortgage loans, submitted to the courts with the total value of claims filed by the plaintiffs amounting to PLN 282 million (Euros 61.87 million) and CHF 10.1 million (Euros 9.52 million). Until 31 March 2020, only 32 cases had been finally resolved and the vast majority of their judgments were 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 covered by these proceedings is 3,281. The case is still pending before its first hearing, originally planned for March 2020, which was cancelled due to the situation related with COVID-19. The next date of the hearing has not been set yet.

According to the Polish Bank Association (ZBP), data gathered from all banks with FX-indexed mortgage loans shows that vast majority of disputes were resolved in favour of the banks until the year of 2019. However, after the CJEU judgment regarding Case C-260/18 issued on 3 October 2019, the proportion has adversely changed and, hence, there is a risk that the so far mostly positive for banks line of verdicts in court may change.

Considering the increased legal risk related to FX-indexed mortgages, Bank Millennium created in the year of 2019 a provision in the amount of PLN 223 million (Euros 48.92 million) and in the first quarter of 2020 a provision in the amount of PLN 55 million (Euros 12.07 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, part of which is allocated to operational/legal risk.

7. 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 0.77 million), claiming that the clauses of the agreements of the low-down payment insurance, pertaining to CHF-indexed mortgage loans, are unfair and, thus, not binding. The plaintiff extended the group in the court letter filed on 4 April 2018 and, consequently, the claims increased from PLN 3.5 million (Euros 0.77 million) to over PLN 5 million (Euros 1.1 million).
On 1 October 2018, the group's representative corrected the total amount of claims subject in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,617,144.85).

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 March 2020, there are also 534 individual court cases regarding loan-to-value (LTV) insurance.

8. 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.

9. 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 (**).

(*) 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%

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.

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 March 2020, 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 the first semester of 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.

The COVID-19 pandemic and heightened uncertainty about the magnitude and duration of the outbreak create an additional context of uncertainty relative to its impacts.

10. 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.

11. 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.

12. 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.

13. 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.

52. 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

53. 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	373	87
Total Liabilities	13,048	3,047
Total Equity	1,645	384

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 consolidated financial statements for 31 March 2020. 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	(25,529)	(5,963)
Price after adjustment	1,807,471	422,188
Fair value of acquired net assets	1,644,714	384,171
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.

	31 March 2020	
	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

54. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 March 2020, 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	101,000,000	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	–
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 - Sociedade Gestora de Organismos de Investimento Coletivo, 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	100.0	100.0	–
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 the first quarter of 2020, the Group repurchased 10% of Setelote - Aldeamentos Turísticos, S.A. and it was liquidated the company BG Leasing, S.A.

As at 31 March 2020, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B), were as follows:

Investment funds	Head office	Participation units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	76,159,329	EUR	Real estate investment fund	100.0	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 March 2020, the Special Purpose Entities included in the consolidated accounts under the full consolidation method are as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group % 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

As at 31 March 2020, the Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % 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 March 2020, 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

As at 31 March 2020, 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	575,002,375	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	–

55. 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:

Fitch rating agency statement

On 3 April, Fitch Ratings affirmed BCP's Long-Term Rating of 'BB' ("IDR" – Issue Default Rating) and its Intrinsic Rating of 'bb' ("VR" - Viability Rating), and revised the Outlook to Negative from Positive, reflecting the uncertainty related to the coronavirus crisis. Assigned a 'BB-' rating to the Bank's senior non-preferred debt and a 'B+' rating to its tier 2 debt, according to Fitch's new rating methodology for banks. Assigned a 'BB+'/'B' rating to the Bank's deposits, one notch above the Long-Term IDR, reflecting the view of Fitch Ratings that depositors enjoy a superior level of protection.

On 8 April, Standard & Poor's affirmed the long-term rating of the Bank at 'BB' ("ICR" - issuer credit rating) and its intrinsic rating at 'bb' ("SACP" – stand-alone credit profile), and has revised the long-term outlook to Stable from Positive, based on the uncertainty related to the coronavirus outbreak.

Amend of the terms and conditions of the Covered Bonds

On 21 April, BCP has amended the terms and conditions of the Covered Bonds with the ISIN PTBCQLOE0036, in particular the increase of the Aggregate Nominal Amount of the above identified issue from Euros 2,000,000,000 to Euros 4,000,000,000, by means of an increase of the Specified Denomination of each Covered Bond from Euros 100,000 to Euros 200,000, the amendment of the Maturity Date from 23 October 2020 to 23 October 2023, the amendment of the Extended Maturity Date from 23 October 2021 to 23 October 2024, the amendment of the Margin to Maturity Date from +0.5 per cent per annum to +0.75 per cent per annum; and the amendment of the Margin from Maturity Date up to Extended Maturity Date from +0.5 per cent per annum to +0.75 per cent per annum, which applied from the Interest Period beginning on the Interest Payment Date falling on 23 April 2020 (inclusive) onwards.

Call notice to the Annual Shareholders Meeting

On 27 April, BCP published the call notice for the Annual Shareholders Meeting to be held on 20 May, also disclosing the various proposals on the Agenda.

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Banco Comercial Português, S.A.,
Company open to public investment

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