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Market Discipline Report

Millennium bcp

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Market Discipline Report

Statement pursuant to part VIII of EU Regulation number 575/2013 please find herein the transcription of the

2020 Market Discipline Report

BANCO COMERCIAL PORTUGUÊS, S.A.

Public Company
Head Office: Praça D. João I, 28, 4000-295 Porto – Share Capital of 4.725.000.000 euros
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

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List of the acronyms and technical terms frequently used throughout the document

AC: Audit Committee

AML/CTF: Anti-Money Laundering and Counter-Terrorism Financing

BoD: Board of Directors

bps: Basis points (1 basis point = 0,01%)

CALCO: Capital Assets and Liabilities Committee

CCF: Credit Conversion Factors

CCP: Central Counterparty

CET1: Common Equity Tier 1

CRD IV: Directive 2013/36/EU of June, 26 regarding access to credit institutions' activity and prudential supervision of credit institutions and investment companies, which alters Directive 2002/87/CE and revokes Directives 2006/48/CE and 2006/49/CE

CRM: Credit Risk Mitigation techniques

CRR: Regulation 575/2013/EU of June, 26, related to prudential requirements for credit institutions and for investment companies, which changes Regulation (EU) no. 648/2012

CVA: Credit Valuation Adjustment

EAD: Exposure at Default

EBA: European Banking Authority

EC: Executive Committee of the BoD

ECAI: External Credit Assessment Institutions

ECB: European Central Bank

EMIR: European Market Infrastructure Regulation

IAS: International Accounting Standards

ICAAP: Internal Capital Adequacy Assessment Process

ICS: Internal Control System

IFRS 9: International Financial Reporting Standard 9 - Financial Instruments

ILAAP: Internal Liquidity Adequacy Assessment Process

IRB: Internal Ratings Based

KNF (*Komisdja Nadzoru Finansowego*): Polish financial supervisory authority

KRI: Key Risk Indicators

LCR: Liquidity Coverage Ratio

LGD: Loss Given Default

O-SII: Other Systemically Important Institution

OTC: Over-the-Counter derivatives

NSFR: Net Stable Funding Ratio

NPA: Non-performing Assets

NPE: Non-performing Exposures

PD: Probability of Default

RAC: Risk Assessment Committee

RAF: Risk Appetite Framework, defined as the set of principles, policies, rules, limits and reports that support the Bank's risk management function

RAS: Risk Appetite Statement, declaration including a set of indicators of risk acceptance limits by the Bank

RC: Risk Commission

REPOS (*Repurchase agreements*): Financial instruments subject to repurchase agreements

RMS: Risk Management System

RSA: Risks Self-Assessment

SIC 12: Standing Interpretations Committee (before March 2002); Interpretation that defines the criteria for SPE consolidation according to IAS 27

SFT: Securities Financing Transaction

SREP: Supervisory Review and Evaluation Process

SSM: Single Supervisory Mechanism

SPE: Special Purpose Entity

SVaR: Stressed Value at risk

VaR: Value at Risk

Introduction

The "2020 Market Discipline Report" is comprised within the requisites for the provision of information foreseen in Pillar III of the Capital Accord, complementing the 2020 Annual Report of Banco Comercial Português, S.A. (hereinafter referred to as "Bank" or "Millennium bcp") concerning the information on risk management and capital adequacy on a consolidated basis, namely in what concerns the provision of detailed information on the capital, solvency, risks assumed and respective control and management processes.

This report includes the disclosure requirements foreseen in Part VIII of the Regulation (EU) No 575/2013 of the European Parliament and of the Council, of 26th of June 2013, the Capital Requirements Regulation (CRR), whose objective is to give market participants precise and complete information about the risk profile of institutions.

The standard formats and guidelines of the EBA, transposed into the national law through Instruction no. 5/2018, from Banco de Portugal, were included as well as additional information deemed relevant for the evaluation of the Bank's risk profile and capital adequacy on a consolidated basis.

Additionally, and given the fact that the Bank was considered as another systemically important institution (O-SII), the Group informs that it will comply with the terms of article 14-A, no. 3 of the Instruction no. 1/2018 of Banco de Portugal.

The reference date of the information presented in this report is the 31st of December 2020.

1. Statement of responsibility of the Board of Directors

I. This statement of responsibility issued by the Board of Directors of Banco Comercial Português, S.A., concerns the "2020 Market Discipline Report", in compliance with the provisions of the CRD IV/CRR.

II. The 2020 Market Discipline Report was prepared within the scope of Pillar III, in accordance with the regulations and legislation in force and in line with the practices of the main international banks.

III. The Regulation (EU) No. 575/2013 and Directive 2013/36 / EU, both dated June 26, (Capital Requirements Regulation / Capital Requirements Directive), the latter transposed into the internal legal order by Decree-Law no. 157/2014 of 24 October, establish the requirements and criteria for the disclosure of information and own funds and for eligibility, namely those provided for in articles 431º to 455º and 492º of the CRR under the requirements of the Pillar III.

IV. Since the legal and regulatory requirements do not foresee it, this report was not audited by the Bank's External Auditor. However, the same includes information included in the audited consolidated financial statements, in the 2020 Annual Report that was discussed, and subject approved in the General Meeting of Shareholders that took place on 20 of May 2020.

V. Concerning the information presented in the"2020 Market Discipline Report", the Board of Directors:

- Certifies that all procedures deemed necessary were carried out and that, to the best of its knowledge, all the information disclosed is trustworthy and true;
- Assures the quality of all the information disclosed, including the one referring to or with origin in entities comprised within the economic group of which the institution is part;
- Informs that no information related to number 2 of article 432º of the CRR was omitted; and
- Commits to timely disclose any significant alterations that may occur in the course of the financial year subsequent to the one this report relates to.

Lisbon, 28th of June 2021

The Board of Directors of Banco Comercial Português, S.A., by delegation

2. SCOPE OF APPLICATION

2.1. IDENTIFICATION OF BANCO COMERCIAL PORTUGUÊS, S.A.

Banco Comercial Português, S.A. is a public traded company with share capital open to public investment (public company), with registered office at Praça D. João I, 28, in Porto, registered at the Porto Commercial Registry under the unique registry and tax number 501,525,882, registered at Banco de Portugal with code 33, at the Securities Market Commission as a Financial Intermediary under registration number 105 and at the Insurance Institute of Portugal as a Tied Insurance Intermediary, under number 207,074,605.

The share capital of the Bank, on 31 December 2020 was 4.725.000.000 euros, fully paid up and represented by 15,113,989,952 shares without nominal value. The ordinary, book-entry and nominal shares are registered in the centralised system managed by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.

The Bank is a public company, established in Portugal by public deed on 25 June 1985, parent company of a number of companies with which it has a controlling or group relationship, under the terms of article 21 of the Securities Code (henceforth designated as "Group" or "BCP Group"), and is subject to the European Central Bank supervision on both individual and consolidated basis, through the Single Supervisory Mechanism (SSM), in accordance with the provisions of Regulation (EU) no. 468/2014 of the European Central Bank (ECB/2014/17) (SSM Framework Regulation).

The Bank's Articles of Association and the individual and consolidated Annual Reports, as well as the Corporate Governance and Sustainability Reports, are at the public's disposal, for consultation, at the Bank's registered office and on its website, at www.millenniumbcp.pt.

2.2. BASIS AND PERIMETERS OF CONSOLIDATION FOR ACCOUNTING AND PRUDENTIAL PURPOSES

The information disclosed within the present document reflects the consolidation perimeter for prudential purposes, which differs from the consolidation perimeter of the Group accounts defined in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union (EU) within the scope of the provisions of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as transposed into the Portuguese legislation through the Decree-Law 35/2005 of 17 February and the Notice of Banco de Portugal no. 5/2005.

The main differences between the consolidation perimeter for prudential purposes and the consolidation perimeter of the Group accounts are related with the treatment of companies whose activity is of a different nature and incompatible with the provisions of the General Framework for Credit Institutions and Financial Companies, with reference to supervision on a consolidated basis, in accordance with Banco de Portugal Notice no. 8/94, namely in relation to commercial, industrial, agricultural or insurance companies.

The companies mentioned in the previous paragraph are excluded from consolidation for prudential purposes but are considered by the equity method. Notwithstanding, and according to the Notice 8/94 of Banco de Portugal, Banco de Portugal may order the inclusion of some of these companies in the prudential consolidation perimeter, when it considers this the most appropriate decision in terms of supervision objectives.

In addition, shareholdings excluded from consolidation for prudential purposes that are recorded in the financial statements for the purposes of supervision on a consolidated basis under the equity method, may have to be deducted from consolidated own funds, totally or partially, under the terms defined by the CRR, as detailed in chapter "4. Capital adequacy". As of 31 December 2020, there are no subsidiaries not included in the consolidation perimeter for prudential purposes, whose own funds are lower than the minimum required level. Also, there are also no subsidiaries included in the consolidation perimeter for prudential purposes, regarding which the obligations relative to the minimum level of own funds and limits to large exposures are not applicable, as per CRR articles 92 and 395.

Notwithstanding the principles and standards that rule the intra-group relations, there is no significant, current or foreseen, impediment to the prompt transfer of own funds or repayment of liabilities among the Bank and its subsidiaries, although, with reference to Mozambique, the rules in force may condition the fluidity of fund transfers, but without any potentially significant impacts at Group level.

The entities included in the consolidation perimeter of BCP Group as at 31 December 2020 are described in the following Table, indicating the consolidation method to which they are subject to and giving adequate notes aiming to highlight the regulatory treatment of entities excluded from the consolidation perimeter for prudential purposes.

TABLE 1 – TEMPLATE 3 / EU LI3 – OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION

Entity name	Accounting consolidation method	Regulatory consolidation method	Activity	Head office	% of Equity
Banco ActivoBank, S.A.	Full	Total	Banking	Portugal	100,0%
Bank Millennium, S.A.	Full	Total	Banking	Poland	50,1%
Banque Privée BCP (Suisse) S.A.	Full	Total	Banking	Switzerland	100,0%
BCP África, S.G.P.S., Lda.	Full	Total	Holding company	Portugal	100,0%
BCP Capital - Sociedade de Capital de Risco, S.A.	Full	Total	Venture capital	Portugal	100,0%
BCP International B.V.	Full	Total	Holding company	Netherlands	100,0%
BCP Investment, BV	Full	Total	Holding company	Netherlands	100,0%
BCP Finance Bank, Ltd.	Full	Total	Banking	Cayman Islands	100,0%
BCP Finance Company	Full	Total	Financial services	Cayman Islands	100,0%
BIM - Banco Internacional de Moçambique, S.A.	Full	Total	Banking	Mozambique	66,7%
Millennium bcp Bank & Trust	Full	Total	Banking	Cayman Islands	100,0%
Millennium BCP - Escritório de Representações e Serviços, Ltda.	Full	Total	Financial services	Brazil	100,0%
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Full	Total	Holding company	Portugal	100,0%
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Full	Total	Investment fund management	Portugal	100,0%
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Full	Neither consolidated nor subject to deduction (1)	Real estate management	Portugal	100,0%
Millennium bcp - Prestação de Serviços, A.C.E.	Full	Total	Services	Portugal	96,0%
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Full	Total	E-commerce	Portugal	100,0%
Millennium Bank Hipoteczny S.A.	Full	Total	Banking	Poland	50,1%
Millennium Dom Maklerski S.A.	Full	Total	Brokerage services	Poland	50,1%
Millennium Goodie Sp. z o.o.	Full	Total	Consultant and services	Poland	50,1%
Millennium Leasing Sp. z o.o.	Full	Total	Leasing	Poland	50,1%
Millennium Service Sp. z o.o	Full	Total	Services	Poland	50,1%
Millennium Telecomunication Sp. z o.o.	Full	Total	Brokerage services	Poland	50,1%
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Full	Total	Investment fund management	Poland	50,1%
Piast Expert Sp. z o.o.	Full	Total	Marketing services	Poland	50,1%
Millennium bcp Imobiliária, S.A	Full	Total	Real estate management	Portugal	99,9%
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Full	Neither consolidated nor subject to deduction (1)	Real estate management	Portugal	100,0%
Setelote - Aldeamentos Turísticos S.A.	Full	Neither consolidated	Real estate company	Portugal	100,0%

		nor subject to deduction (4)			
Bichorro - Empreendimentos Turísticos e Imobiliários S.A.	Full	Neither consolidated nor subject to deduction (4)	Real estate company	Portugal	100,0%
Finalgarve - Sociedade de Promoção Imobiliária Turística, S.A.	Full	Neither consolidated nor subject to deduction (4)	Real estate company	Portugal	100,0%
Fiparso - Sociedade Imobiliária Lda.	Full	Neither consolidated nor subject to deduction (4)	Real estate company	Portugal	100,0%
Fundo de Investimento Imobiliário Imosotto Acumulação	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	100,0%
Fundo de Investimento Imobiliário Imorenda	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	100,0%
Fundo Especial de Investimento Imobiliário Oceânico II	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	100,0%
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	100,0%
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	100,0%
Fundo de Investimento Imobiliário Fechado Gestimo	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	100,0%
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Full	Neither consolidated nor subject to deduction (1)	Venture capital fund	Portugal	100,0%
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	100,0%
Fundial- Fundo Especial de Investimento Imobiliário Fechado	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	100,0%
DP Invest - Fundo Especial de Investimento Imobiliário Fechado	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	54,0%
Fundipar - Fundo Especial de Investimento Imobiliário Fechado	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	100,0%
Domus Capital - Fundo Especial de Investimento Imobiliário Fechado	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	63,3%
Predicapital - Fundo Especial de Investimento Imobiliário Fechado	Full	Neither consolidated nor subject to deduction (1)	Real estate investment fund	Portugal	60,0%
Banco Millennium Atlântico, S.A.	Equity Method	Deduction (3)	Banking	Angola	22,5%
Banque BCP, S.A.S.	Equity Method	Deduction (3)	Banking	France	19,9%
Beiranave Naval shipyards Beira SARL	Equity Method	Neither consolidated nor subject to deduction (2)	Naval shipyards	Mozambique	14,0%

Constellation, S.A.	Equity Method	Neither consolidated nor subject to deduction (2)	Property management	Mozambique	12,3%
Exporsado - Trade and industry of sea products, Lda.	Equity Method	Neither consolidated nor subject to deduction (2)	Trade and industry of sea products	Portugal	35,0%
Science4you S.A.	Equity Method	Neither consolidated nor subject to deduction (2)	Production of educational and scientific toys	Portugal	28,2%
Lubuskie Fabryki Mebli S.A	Equity Method	Neither consolidated nor subject to deduction (2)	Furniture manufacturer	Poland	25,1%
SIBS, S.G.P.S., S.A.	Equity Method	Deduction (3)	Banking services	Portugal	21,9%
UNICRE - Instituição Financeira de Crédito, S.A.	Equity Method	Deduction (3)	Credit cards	Portugal	32,0%
Webspectator Corporation	Equity Method	Neither consolidated nor subject to deduction (2)	Digital publicity services	USA	25,1%
Cold River's Homestead, S.A.	Equity Method	Neither consolidated nor subject to deduction (5)	Real estate company	Portugal	50,0%
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Equity Method	Deduction (3)	Holding company	Portugal	49,0%
SIM - Seguradora Internacional de Mozambique, S.A.R.L.	Full	Deduction (3)	Insurance	Mozambique	61,4%
Magellan Mortgages No.3 Limited	Full	Total	Special Purpose Entity (SPE)	Ireland	82,4%

(1) Entity excluded from the consolidation for prudential purposes, whose impact on solvency indicators results from the assessment of capital requirements of the participation units held in the investment fund.

(2) Entity excluded from the consolidation for prudential purposes, whose impact on solvency indicators results from the assessment of capital requirements of the equity amount registered on the balance sheet assets.

(3) Entity excluded from the consolidation for prudential purposes, for which the financial participation amount is deducted from own funds under article 48 of the CRR.

(4) Entity excluded from the consolidation for prudential purposes, since it is held by one of the investment funds identified in (1).

(5) Entity excluded from the consolidation for prudential purposes since it is not part of the banking sector.

Hereinafter please find the description of the consolidation methods used for accounting purposes and the respective selection criteria in force in the Group.

FULL CONSOLIDATION

Investments in subsidiaries where the Group holds control are fully consolidated from the date the Group assumes control over its financial and operational activities until the control ceases to exist. Control is presumed to exist when the Group owns more than half of the voting rights. Additionally, control exists when the Group has the power, directly or indirectly, to manage the financial and operating policies of an entity to obtain benefits from its activities, even if the percentage of capital held is less than 50%.

Additionally, the Group fully consolidates Special Purpose Entities ("SPE") resulting from securitisation operations with assets from Group entities, based on the criteria presented in the chapter "9.2 Group accounting policies", related to the treatment of securitisation operations. Besides these SPE resulting from securitisation operations, no additional SPE have been consolidated considering that they do not meet the criteria established on SIC 12 (Consolidation – Special Purpose Entities).

In addition, the Group manages assets held by investment funds, whose participation units are held by third parties. The financial statements of these funds are not consolidated by the Group, except when the Group holds more than 50% of the participation units. However, the investment funds consolidated for accounting purposes are excluded from the consolidation for prudential purposes, as previously mentioned, with their impact being reflected in the determination of own funds requirements.

EQUITY CONSOLIDATION

Investments in associated companies are consolidated by the equity method from the date that the Group acquires significant influence until the date it ceases. 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, 20% or more 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 holdings held by the Group in insurance companies consolidated under the full consolidation method are accounted under the equity method for the purpose of supervision on a consolidated basis.

On 31 December 2020 and 31 December 2019, the full and the financial balance sheets, that translate the consolidation perimeter of the Group's accounts and for prudential purposes on that date, as well as the respective differences, are described in Table 2:

TABLE 2 – TEMPLATE 1 / EU LI1 (I)- DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION

31/12/2020				(Thousand euros)
	Carrying values as reported in published financial statements	Deconsolidation of insurance/other entities	Carrying values under scope of regulatory consolidation	Notes
ASSETS				
Cash and deposits at Central Banks	5 303 864	-2	5 303 862	
Loans and advances to credit institutions repayable on demand	262 395	-1 021	261 374	a)
Financial assets at amortised cost				
Loans and advances to credit institutions	1 015 087	-8 947	1 006 140	b)
Loans and advances to customers	52 120 815	13 816	52 134 631	c)
Debt instruments	6 234 545	-20 488	6 214 057	d)
Financial assets at fair value through profit or loss				
Financial assets held for trading	1 031 201	-6 139	1 025 062	e)
Financial assets not held for trading mandatorily at fair value through profit or loss	1 315 467	310 869	1 626 336	f)
Financial assets designated at fair value through profit or loss				
Financial assets at fair value through other comprehensive income	12 140 392	20 207	12 160 599	g)
Assets with repurchase agreement				
Hedging derivatives	91 249		91 249	
Investments in associated companies	434 959	31 715	466 674	h)
Non-current assets held for sale	1 026 481	-232 948	793 533	i)
Investment property	7 909	-5 018	2 891	j)
Other tangible assets	640 824	-71 205	569 619	k)
Goodwill and intangible assets	245 954	-751	245 203	
Current tax assets	11 676	-14	11 662	
Deferred tax assets	2 633 790	-5 063	2 628 727	l)
Other assets	1 296 811	-33 955	1 262 856	m)
TOTAL ASSETS	**85 813 419**	**-8 944**	**85 804 475**	

LIABILITIES				
Financial liabilities at amortised cost				
Resources from credit institutions	8 898 759		8 898 759	
Resources from customers	63 000 829	47 133	63 047 962	n)
Non subordinated debt securities issued	1 388 849		1 388 849	
Subordinated debt	1 405 172		1 405 172	
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	278 851		278 851	
Financial liabilities at fair value through profit or loss	1 599 405		1 599 405	
Hedging derivatives	285 766		285 766	
Non-current liabilities held for sale				
Provisions	443 799	-35 653	408146	o)
Current tax liabilities	14 827	695	15 522	
Deferred tax liabilities	7 242	-20	7 222	
Other liabilities	1 103 650	12 619	1 116 269	p)
TOTAL LIABILITIES	**78 427 149**	**24 774**	**78 451 923**	
EQUITY				
Share capital	4 725 000		4 725 000	
Share premium	16 471		16 471	
Preference shares				
Other equity instruments	400 000		400 000	
Legal and statutory reserves	254 464		254 464	
Treasury shares	-40		-40	
Reserves and retained earnings	642 397		642 397	
Net income for the year attributable to Bank's Shareholders	183 012		183 012	
TOTAL EQUITY	**6 221 304**		**6 221 304**	
Minority interests	1 164 966	-33 718	1 131 248	q)
TOTAL LIABILITIES, EQUITY AND MINORITY INTERESTS	**85 813 419**	**-8 944**	**85 804 475**	

31/12/2019 (Thousand euros)

	Carrying values as reported in published financial statements	Deconsolidation of insurance/other entities	Carrying values under scope of regulatory consolidation	
ASSETS				
Cash and deposits at Central Banks	5 166 551	-3	5 166 548	
Loans and advances to credit institutions repayable on demand	320 857	-221	320 636	a)
Financial assets at amortised cost				
Loans and advances to credit institutions	892 995	-218	892 777	b)
Loans and advances to customers	49 847 829	13 671	49 861 500	c)
Debt instruments	3 185 876	-15 777	3 170 099	d)
Financial assets at fair value through profit or loss				
Financial assets held for trading	878 334	-5 557	872 777	e)
Financial assets not held for trading mandatorily at fair value through profit or loss	1 405 513	361 591	1 767 104	f)
Financial assets designated at fair value through profit or loss	31 496		31 496	
Financial assets at fair value through other comprehensive income	13 216 701	29 921	13 246 622	g)
Assets with repurchase agreement				
Hedging derivatives	45 141		45 141	
Investments in associated companies	400 391	38 837	439 228	h)
Non-current assets held for sale	1 279 841	-296 467	983 374	i)
Investment property	13 291	-7 121	6 170	j)
Other tangible assets	729 442	-74 671	654 771	k)
Goodwill and intangible assets	242 630	-938	241 692	
Current tax assets	26 738	-15	26 723	
Deferred tax assets	2 720 648	-4 046	2 716 602	l)
Other assets	1 239 134	-31 502	1 207 632	m)
TOTAL ASSETS	**81 643 408**	**7 484**	**81 650 892**	

LIABILITIES				
Financial liabilities at amortised cost				
Resources from credit institutions	6 366 958	-1 771	6 365 187	
Resources from customers	59 127 005	62 572	59 189 577	n)
Non subordinated debt securities issued	1 594 724		1 594 724	
Subordinated debt	1 577 706		1 577 706	
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	343 932		343 932	
Financial liabilities at fair value through profit or loss	3 201 310		3 201 310	
Hedging derivatives	229 923		229 923	
Non-current liabilities held for sale				
Provisions	345312	-39697	305615	o)
Current tax liabilities	21 990	-475	21 515	
Deferred tax liabilities	11 069	-447	10 622	
Other liabilities	1 442 225	22 956	1 465 181	p)
TOTAL LIABILITIES	**74 262 154**	**43 138**	**74 305 292**	
EQUITY				
Share capital	4 725 000		4 725 000	
Share premium	16 471		16 471	
Preference shares				
Other equity instruments	400 000		400 000	
Legal and statutory reserves	240 535		240 535	
Treasury shares	-102		-102	
Reserves and retained earnings	435 823		435 823	
Net income for the year attributable to Bank's Shareholders	302 003		302 003	
TOTAL EQUITY	**6 119 730**		**6 119 730**	
Minority interests	1 261 524	-35 654	1 225 870	q)
TOTAL LIABILITIES, EQUITY AND MINORITY INTERESTS	**81 643 408**	**7 484**	**81 650 892**	

Explanations of Deconsolidation of insurers/other entities:

a) Loans and advances to credit institutions repayable on demand of Real Estate Companies, Investment Funds of BCP Group and Seguradora Internacional de Moçambique (SIM) in credit institutions not belong to BCP Group.

b) Loans and advances to credit institution of Real Estate Companies, Investment Funds of BCP Group and SIM in credit institutions do not belong to BCP Group.

c) Loans and advances to customers granted by BCP to Real Estate Companies and Investment Funds of BCP Group.

d) Debt instruments owned by SIM deducted by Treasury Bills bought from Banco Internacional de Moçambique (BIM) with selling agreement.

e) Financial assets held for trading owned Investment Funds of BCP Group from entities do not belong to BCP Group.

f) Financial assets not held for trading mandatorily at fair value through profit or loss owned by BCP of Investment Funds belong to BCP Group.

g) Financial assets at fair value through other comprehensive income owned by SIM e by BCP of Investment Funds belong to BCP Group.

h) Investments in associated companies owned by BIM of SIM, deducted by Investments in associates owned by SIM and by Investment Funds belong to BCP Group.

i) Non-current assets held for sale of real estate vacants owned by Investment Funds belong to BCP Group.

j) Investment property of real estate rented to external entities of BCP Group owned by Investment Funds belong to BCP Group.

k) Other tangible assets of real estate rented to BCP Group owned by Investment Funds belong to BCP Group.

l) Deferred tax assets of SIM and related to the amortizations of the real estate rented to BCP Group owned by Investment Funds belong to BCP Group.

m) Other assets of Real Estate Companies, SIM and Investment Funds of BCP Group.

n) Resources from customers of BIM related to SIM and of BCP related Investment Funds belong to BCP Group.

o) Provisions of SIM and Investment Funds belong to BCP Group.

p) Other liabilities of Real Estate Companies, SIM and Investment Funds of BCP Group.

q) Minority interests of SIM and Investment Funds belong to BCP Group.

The accounting values determined under the scope of regulatory consolidation are distributed according to the regulatory risk categories presented in Table 3:

TABLE 3 – TEMPLATE 1 / EU LI1 (II) – MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

31/12/2020 (Thousand euros)

	Carrying values under the scope of regulatory consolidation	Carrying values of items				
		Subject to credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
ASSETS						
Cash and deposits at central banks	5 303 862	5 303 862	-	-	-	-
Repayable on demand to credit institutions	261 374	263 794	-	-	-	-
Other loans and advances to credit institutions	1 006 140	985 977	-	-	17 233	-
Loans and advances to customers	58 348 688	57 234 650	-	1 533 492	8 671	60 623
Securities and derivatives (*)	15 369 920	13 801 528	433 087	101	795 633	-
Noncurrent assets held for sale	793 533	793 533	-	-	-	-
Investment property	2 891	2 891	-	-	-	-
Property and equipment	569 619	569 619	-	-	-	-
Intangible assets	245 203	-	-	-	-	245 203
Current tax assets	11 662	11 662	-	-	-	-
Deferred tax assets	2 628 727	2 331 742	-	-	-	296 984
Other assets	1 262 856	1 152 041	-	-	497	110 317
TOTAL ASSETS	**85 804 475**	**82 451 300**	**433 087**	**1 533 593**	**822 034**	**713 128**
LIABILITIES						
Amounts owed to credit institutions	8 898 759	-	-	-	7 867	-
Amounts owed to customers	63 047 962	-	-	-	69 928	-
Debt securities	1 388 849	-	29 592	-	844 592	-
Financial liabilities held for trading	1 405 172	-	-	-	389 653	-
Other financial liabilities held for trading at fair value through results	1 878 256	-	-	-	-	-
Hedging derivatives	285 766	-	-	-	-	-
Noncurrent liabilities held for sale	-	-	-	-	-	-
Provisions for liabilities and charges	408 146	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Current income tax liabilities	15 522	-	-	-	-	-
Deferred income tax liabilities	7 222	-	-	-	-	-
Other liabilities	1 116 269	-	-	-	-	-
TOTAL LIABILITIES	**78 451 923**	**-**	**29 592**	**-**	**1 312 039**	**-**

31/12/2019 (Thousand euros)

	Carrying values under the scope of regulatory consolidation	Carrying values of items				
		Subject to credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
ASSETS						
Cash and deposits at central banks	5 166 548	5 166 548	-	-	-	-
Repayable on demand to credit institutions	320 636	348 634	-	-	-	-
Other loans and advances to credit institutions	892 777	843 739	-	-	48 316	-
Loans and advances to customers	53 031 599	51 559 740	-	1 947 057	-	61 810
Securities and derivatives (*)	16 402 368	13 980 807	455 172	5 218	2 096 956	101 094
Noncurrent assets held for sale	983 374	983 374	-	-	-	-
Investment property	6 170	6 170	-	-	-	-
Property and equipment	654 771	654 771	-	-	-	-
Intangible assets	241 692	-	-	-	-	241 692

Current tax assets	26 723	26 723	-	-	-	-
Deferred tax assets	2 716 602	2,325 923	-	-	-	390 719
Other assets	1 207 632	1 175 989	-	-	7 254	24 389
TOTAL ASSETS	**81 650 892**	**77 072 418**	**455 172**	**1 952 275**	**2 152 527**	**819 704**
LIABILITIES	-	-	-	-	-	-
Amounts owed to credit institutions	6 365 187	-	-	-	43 369	-
Amounts owed to customers	59 189 577	-	-	-	-	-
Debt securities	1 594 724	-	-	-	950 464	-
Financial liabilities held for trading	1 577 706	-	-	-	-	-
Other financial liabilities held for trading at fair value through results	3 545 242	-	-	-	-	-
Hedging derivatives	229 923	-	-	-	-	-
Noncurrent liabilities held for sale	-	-	-	-	-	-
Provisions for liabilities and charges	305 615	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Current income tax liabilities	21 515	-	-	-	-	-
Deferred income tax liabilities	10 622	-	-	-	-	-
Other liabilities	1 465 181	-	-	-	-	-
TOTAL LIABILITIES	**74 305 292**	**-**	**-**	**-**	**993 833**	**-**

(*) Includes derivatives that are simultaneously subject to market risk and counterparty credit risk.

(*) Includes derivatives that are simultaneously subject to market risk and counterparty credit risk.

The most important differences between the exposure amounts for regulatory purposes and the book values presented in the statements are presented in table 4 for 12/31/2020 and 12/31/2019:

TABLE 4 – TEMPLATE 2 / EU LI2 – MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

(Thousand euros)

	31/12/2020	**Total**	**Items subject to**			
			Credit risk framework	**CCR framework**	**Securitisation framework**	**Market risk framework**
1	**Assets carrying value amount under the scope of regulatory consolidation (1)**	**85,240,015**	**82,451,300**	**433,087**	**1,533,593**	**822,034**
2	Liabilities carrying value amount under the regulatory scope of consolidation	29,592	-	29,592	-	-
3	Total net amount under the regulatory scope of consolidation	85,210,423	82,451,300	403,495	1,533,593	822,034
4	Off-balance sheet amounts (2)	15,780,317	6,125,364	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to the consideration of provisions (3)	1,578,225	1,578,225	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to the consideration of CCF (4)	(9,654,953)	-	-	-	-
10	Differences due to add-on and CRM	(419,993)	(396,590)	230,807	(254,210)	-
11	Other	500,641	500,641	-	-	-
12	**Exposure amounts considered for regulatory purposes (5)**	**92,994,660**	**90,258,940**	**634,303**	**1,279,383**	**822,034**

31/12/2019		**Total**	**Items subject to**			
			Credit risk framework	**CCR framework**	**Securitisation framework**	**Market risk framework**
1	**Assets carrying value amount under the scope of regulatory consolidation (1)**	**81,632,391**	**77,072,418**	**455,172**	**1,952,275**	**2,152,527**
2	Liabilities carrying value amount under the regulatory scope of consolidation	29,673	-	29,673	-	
3	Total net amount under the regulatory scope of consolidation	81,602,719	77,072,418	425,499	1,952,275	2,152,527
4	Off-balance sheet amounts (2)	14,299,919	5,255,018	0	0	
5	Differences in valuations	-	-	-	-	
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to the consideration of provisions (3)	1,948,265	1,948,265	0	0	
8	Differences due to prudential filters	-	-	-	-	
9	Differences due to the consideration of CCF (4)	(8,920,408)	0	0	0	
10	Differences due to add-on and CRM	(364,812)	(491,236)	388,021	(261,597)	
11	Other	(644,256)	(519,043)	(719)	-	
12	**Exposure amounts considered for regulatory purposes (5)**	**87,921,428**	**83,265,422**	**812,801**	**1,690,678**	**2,152,527**

(1) The total of line 1 does not match the total assets of Table 4 since it does not consider neither the assets subject to market risk nor the assets that are subject to own funds' deduction.

(2) The total of line 4 does not match the sum of the parts because, according to the filling rules, this total refers to the original exposure net of provisions and the parts contain the exposure value after the application of CCF.

(3) Provisions related to on-balance sheet exposures on the IRB method since these are included in the respective EAD.

(4) Value that is only present in the "Total", as mentioned in note (2).

(5) EAD reported in each of the framework.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The BCP Group develops its activity aiming to maintain a moderate and sustainable risk profile, with a solid reputation in the market and with comfortable levels of capital and liquidity adequate to the managed business portfolio, always with the objective of strengthening the confidence of its clients. customers, markets, and regulators.

To achieve this objective, the Bank has implemented internal control and risk management systems and a prudent risk appetite structure, in line with the pursued business model and the Bank's profile and strategy. Improvements are continuous and permanently introduced to ensure constant alignment with the dynamics of markets, the economy, and regulations.

3.1. RISK CULTURE

The Group has risk management policies and procedures, embodied in a vast set of risk manuals that define the rules to be observed within the scope of the risk management function and which contribute to the strengthening of an established risk culture in line with the risk appetite statement (RAS) defined by the Board of Directors, supported by the involvement of Management and Senior Management and present in the day-to-day activities of the Bank, framing the internal attitudes and behaviors related to the conscience of risk, risk taking and management and implementation of controls appropriate to business processes and activities.

The Bank's internal regulatory framework establishes detailed rules and standards of conduct, defines efficient business, risk and operating processes and the appropriate competencies for their execution. The internal regulatory framework is subject to constant update considering, particularly, the legal and regulatory dynamics issues and internal self-assessment exercises. The rules that make up the internal regulatory framework are reviewed at least every two years, ensuring its permanent updating and constant search for operational excellence, the maintenance of high ethical standards and an adequate governance model.

Still within the scope of strengthening the risk culture, it is worth mentioning the periodic training of risk to employees, including e-learning actions under the coordination of the Millennium Banking Academy.

3.2. RISK STRATEGY

The Bank has in place a Risk Strategy which is formally reviewed and approved annually, ensuring its alignment with the planning and budgeting process. The definition of the Group's Risk Strategy integrates the conclusions of the risk identification process, the results of the assessment of the adequacy of the internal capital and liquidity and influences the Group's strategic business options by defining the main lines of action to be developed to control, mitigate or eliminate the material risks to which the Group's activity is subject in the medium term. The objective of the Risk Strategy is not to eliminate or avoid risks, but to assume acceptable risks and promote proper management fostering the achievement of the strategic and operational objectives of the BCP Group.

The Risk Strategy is reviewed in coordination with the risk appetite statement update, focuses on the material risks identified by the Bank and is formally approved by the Board of Directors by proposal and opinion by the Risk Assessment Committee and the Executive Committee.

3.3. INTERNAL CONTROL

The Risk Management Function (RMF) is part of the Internal Control System (ICS) of the BCP Group, together with the Compliance function and the Internal Audit, contributing to the solid risk control and delimitation environment on which the Group develops its business activities and business support.

Within the scope of the ICS, the RMF and the Compliance function constitute the Risk Management System (RMS) of the BCP Group, which materializes in an integrated and comprehensive set of resources, standards and processes that ensure an appropriate framework to address the different nature and materiality of the risks underlying the activities carried out, so that the Group’s objectives are achieved in a sustainable and prudent manner.

In this sense, the ICS and the RMS provide the ability to identify, assess, monitor and control the risks - internal or external - to which the Group is exposed, in order to ensure that they remain at acceptable levels and within limits defined by the Board of Directors.

Thus, the RMS embodies the 2nd Line of Defense in relation to the risks involved in all the Group's activities. In this approach, the 1st Line of Defense is ensured, on a day-to-day basis, by all organizational units of the Group - based on adequate training and awareness of risks and the delimitation of activities through a complete and detailed normative structure - while the 3rd Line of Defense is developed through internal supervision / independent review (Internal Review Function - IRF), ensured by the Internal Audit function.

It should also be noted that the ICS:

- It is supported by an information and communication system that ensures the capture, processing, sharing and internal / external disclosure of relevant, comprehensive and consistent data on the business, the activities carried out and the risks on them, in a timely and reliable manner. This data management and treatment infrastructure (and management information) is in line with the principles of the Basel Committee regarding an efficient aggregation of risk data and risk reporting (BCBS 239 - Principles for effective risk data aggregation and risk reporting).
- It is continuously monitored by the Group, with situations of insufficient internal control being recorded - in the form of recommendations / deficiencies or opportunities for improvement - for correction / eradication and regulatory reporting.

3.4. PRINCIPLE OF THE 3 LINES OF DEFENSE

The organizational structure and the processes created to support risk management and control are defined according to the principle of segregation of functions, in order to guarantee, at all times, a complete segregation of functions between the origin, management and the control of risk functions.

The risk management structure of the BCP Group is based on a model of three lines of defense, a fundamental component of the global risk management function, which ensures clear responsibility for risk taking in the business, effective supervision and risk management, independence in reporting to the Board of Directors and other government bodies on the risk levels to which the Group is subject and the respective framework in view of the approved risk appetite and also on the state of the internal control system.

In this model, the first line, composed of the business areas, risk takers, and their support areas, is responsible for managing the risk that the Bank assumes in the conduct of its daily activities, being responsible for identifying and managing the risks inherent in the products , activities, processes and systems for which it is responsible. The business units, the Credit Division, the Treasury, Markets and International Division and or the Operations Division, among others, are part of the first line of defense.

The second line of defense is responsible for identifying, assessing, monitoring, and reporting risks, as well as challenging the first line in the way it manages risks. The second line of defense includes the Risk Office, the Models Monitoring and Validation Office and the Compliance Office and is functionally and hierarchically independent from the first line. The second line is responsible for reporting risks to the Bank's governing bodies and challenging the risk management under the responsibility of the first line.

The third line of defense consists of the Audit Department and ensures that the risk governance structure is effective, and that risk policies and processes are properly applied, including the BCP Group's controls, processes, and risk management systems.

3.5. RISK MANAGEMENT STRUCTURE AND GOVERNANCE

Board of Directors

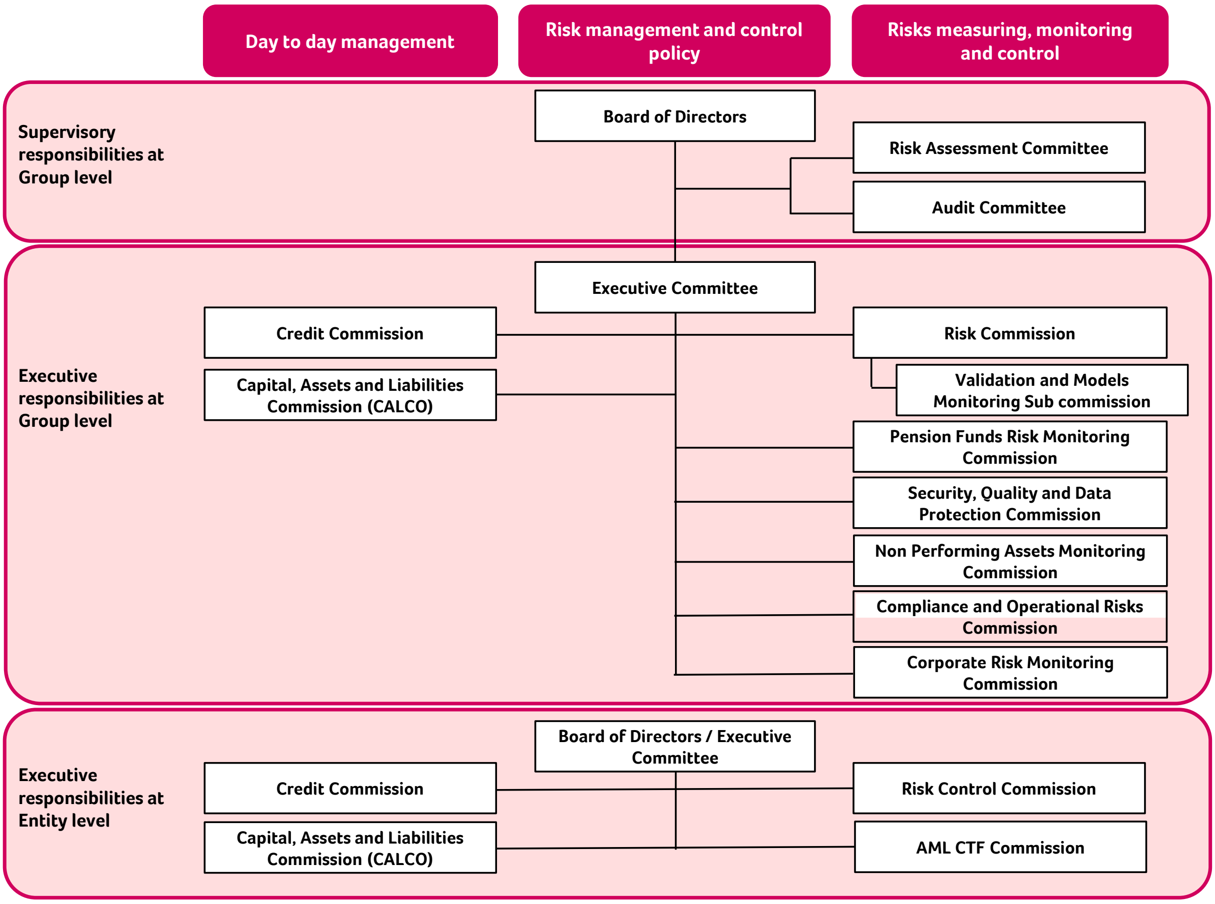
The ultimate body of the BCP Group's risk management structure is the Board of Directors, which, within the scope of the functions assigned to it by the Bank's statutes, has the leading role in the risk management and control structure. The Board of Directors is responsible for defining the profile and risk appetite, issuing the Group's global strategic guidelines and objectives, promoting the risk culture and risk strategy, reserving for itself the approval of group codes that establish policies, principles, rules and risk limits. The Board of Directors monitors the evolution of metrics and risk indicators translated into the RAS, approves the conclusions of the ICAAP and ILAAP processes and the performance of the Internal Control System.

The Board of Directors delegates the following risk management and control powers to the various Committees that emanate from it:

- In the Risk Assessment Committee: advise and support the Board of Directors in relation to the Group's risk appetite and risk strategy, including policies to identify, manage and control the Bank's risk.
- In the Audit Committee: inspect the existence of an adequate risk control organization, effective risk management and internal control systems at the level of the BCP Group.
- In the Executive Committee: define, implement, manage and control the general risk management and control framework, including the organizational structure and the approval of policies and risk limits.

The following figure represents the RMS's Governance, as at 31/12/2020, exerted through various organizational bodies and units with specific responsibilities in the area of risk management or internal supervision

TABLE 5 – RMS GOVERNANCE MODEL



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

Committee for Risk Assessment

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

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

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

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

Audit Committee

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

- Supervising and controlling of the RMS's and the ICS's effectiveness (and, also, of the Internal Audit System).
- Analysing and regularly following-up of the financial statements and the main prudential indicators, the risk reports prepared by the Risk Office, the Compliance Office's activity, the Internal Audit activity, the handling of claims and complaints and the main correspondence exchanged with the Supervisory Authorities.
- Issuing an opinion in relation to operations of acquisition of goods and services and involving related parties, aiming to avoid conflicts of interests.
- Handling of irregularites and whistleblowing.

The Audit Committee holds regular meetings with the Heads of the Audit Division, the Risk Office and the Compliance Office.

The Risk Officer participates in this Committee's regular meetings, reporting on the evolution of the main indicators and metrics concerning risks and credit impairment, as well as on the implementation status of the recommendations that concern the RMS, issued within the scope of internal control or by the supervisory/regulatory authorities.

The Head of DAU reports functionally to the Audit Committee and regularly reports on interactions and the status of the recommendations of the prudential supervision entities, as well as on the audits carried out on the Bank's processes.

Executive Committee

The Executive Committee is responsible for the daily management of the Bank aiming to pursue the corporate objectives within the risk limits approved and defined by the Board of Directors. Particularly regarding the risk management function, the Executive Committee is responsible for:

- Implement the Bank's general business strategy and main policies, considering the Bank's long-term financial interests and solvency.
- Implement the global risk strategy approved by the BoD and ensure that management devotes sufficient time to risk issues.
- Ensuring an adequate and effective internal governance model and an internal control framework, including a clear organizational structure and independent internal risk management functions.
- Promote the risk culture across the BCP Group, addressing risk awareness and appropriate risk-taking behavior.
- Promote a corporate culture and values that foster the ethical and responsible behavior of employees.
- Promote the development, implementation and maintenance of formal processes for obtaining, producing and processing substantive information, appropriate to the size, nature, scope and complexity of the activities carried out, as well as to the institution's risk appetite, which ensure its reliability, integrity , consistency, integrity, validity, timeliness, accessibility and granularity.

Risk Commission

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

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

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

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

Validation and Monitoring of Models Sub-commission

The Models Monitoring and Validation Sub-Commission monitors the performance and confirms the validity of the rating systems and models used by the Bank within the scope of its risk management functions (e.g. PD, LGD, CCF, market risk and ICAAP) and informs the Risk Commission on their adequacy. Moreover, it presents the model's risk management results and suggests improvement measures to increase the model's performance and adequacy.

The CRO is the chairmen of the Sub-commission and other member are the Risk Officer, the head of the GAVM, of DCR and DRAT and also the several Model Owners, responsible for developing and monitoring the risk models of the Bank.

Pension Funds Risk Monitoring Commission

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

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

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

Non-performing Assets (NPA) Monitoring Commission

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

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

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

Compliance and Operational Risks Commission

This Commission is appointed by the EC and has the following capacities and responsibilities, in order to ensure that the Bank's activity contributes to an adequate culture of risk and internal control:

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

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

Quality, Security and Data Protection Commission

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

- Definition of guidelines and approval of the management policies for IT systems, data management and quality, physical security, business continuity and data protection.
- Regular review of the emerging threats and most relevant trends in terms of data security and information technologies, with a particular focus upon cyber-security.
- Analysis of the periodical security incident's reports (regarding systems/data and physical), identifying the appropriate remediation and improvement measures.
- Follow-up of initiatives and projects in the area of systems/data security, physical security and data protection and monitoring of the respective performance metrics.
- Approval of the annual plans for the exercises of security assessment, Disaster Recovery Plan (DRP) and business continuity, and their respective quantitative/qualitative evaluation.

The Commission members are the COO, the CRO and the CRetO. Any other members of the EC may participate in the Commission's meetings, if they deem convenient to do so. The Heads of the following Divisions are also members of this Commission: COFF, ROFF, DIT, DQAR, and Data Security (DSI). The head of the Physical Security and Business Continuity Department (DSFCN), the Data Protection Officer (DPO) and the Chief Data Officer (CDO) are also permanent members of this Commission, along with the Head of DAU (the latter, without voting rights).

Corporate Risk Monitoring Commission

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

- Monitor the evolution recorded by the main performing corporate Clients credit exposures, particularly assessing the implications from the COVID-19 pandemic versus the specific risk factors of each client (sector of activity, prior COVID-19 financial standing, cost structure, etc.), issuing opinions regarding the credit strategy to adopt;
- Monitor the counterparty risk and concentration risk of the largest exposures.

The members of this committee are the CEO, CRO, CCorpO and CRetO. Any other members of the EC may participate in the meetings of this Committee, whenever they consider it convenient to do so. Members of this Committee are also primarily responsible for the following directorates: ROFF, Corporate Network North and South, Large Corporates, Investment Banking Division, Institutional Banking Division, DRE, DCR, DRAT and Corporate and Business Marketing.

Credit Commission

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

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

Group CALCO

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

- Establishment of management guidelines for assets, liabilities and off-balance sheet items at consolidated level.
- Definition of the capital allocation and risk premium policies.
- Definition of transfer pricing policy, in particular with regard to liquidity premiums.
- Monitoring of the capital and liquidity indicators, of the Recovery Plan indicators and of the execution of the Liquidity Plan.

- Definition of policies and strategies to access wholesale funding markets and definition of the liquidity buffer composition.
- Definition of the investment policy of the Investment Portfolio and monitoring of its performance.
- Definition of the strategy and positioning within the scope of the interest rate risk management, as well as of the respective policies and limits, taking into account the market conditions at any given moment.

The Group CALCO meets every month and is composed of the following executive Directors: CEO (optional), CFO, CCorpO, CRetO, CRO and COO (optional). The other members of the Group CALCO are the Risk Officer, the Chief Economist and the Heads of DEPALM, DIG, DTMI and DWM, the responsible for the ALM Department of DEPALM and 2 representatives nominated by the Retail and the Corporate & Investment Banking Commissions.

Risk Office

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

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk.
- Promoting the revision of the Group's Risk Appetite and the risk identification process.
- Issuing opinions related with the compatibility of the risk management decisions considering the approved RAS limits.
- Participate in the definition of the risk strategy and decisions related with risk management.
- Coordinating the NPA (non-performing assets) Reduction Plan and of the ICAAP and ILAAP processes.
- Ensuring the existence of a body of rules and procedures, of an effective IT platform and of a database for the robust and complete management of risk.
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations and limits.
- Participating in the Internal Control System.
- Preparing information relative to risk management for internal and market disclosure.
- Supporting the works of the following Commissions: Risk, NPA Monitoring, Pension Funds Risk Monitoring, Compliance and Operational Risk.

The Risk Officer is appointed by the BoD, reporting on a line basis to that body and its EC, also reporting functionally to the Committee for Risks Assessment, and participates in the Risk Commissions os the subsidiary companies.

Compliance Office

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

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

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

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

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

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

COFF:

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

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

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

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

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

Audit Division

The Audit Department (DAU) provides functions of the third line of defense, under the scope called "Model of the 3 lines of defense" and is responsible for assessing the adequacy and effectiveness of the risk management process, the internal control system and the governance models. DAU performs its function on a permanent and independent basis and in accordance with the internationally accepted principles and best practices of internal auditing, carrying out internal audit inspections to assess the systems and processes of internal control and risk management which can give rise to recommendations aimed at to improve its efficiency and effectiveness.

The main functions of the DAU in the scope of risk management are to ensure that:

- Risks are properly identified and managed and that the controls implemented are correct, adequate and proportional to the Bank's risks.
- The Bank's internal capital assessment system is adequate in terms of the risk exposure level.
- Transactions are recorded correctly in the systems of the Bank, and the operational and financial information is true, appropriate, material, accurate, reliable and timely.
- Employees perform their duties in accordance with internal policies, codes of conduct, rules and procedures and with the legislation and other applicable regulations.
- The goods and services necessary for the Bank's activity are purchased economically, are used efficiently and are properly protected.
- Legal and regulatory provisions with a significant impact on the organization are recognized, properly assimilated and integrated into the operational processes.
- The Bank's governance model is adequate, effective and efficient.

The Head of DAU has a reporting line to the Chairman of the Board of Directors and reports functionally to the Audit Committee, is responsible for the general supervision and coordination of the internal audit activities of the BCP Group subsidiaries and attends the meetings of the Audit Committee of the subsidiaries of the BCP Group.

3.6. RISK MANAGEMENT

3.6.1. RISK MANAGEMENT PRINCIPLES

The Group is subject to risks of a different nature related to the development of its activity, the materiality of which is regularly assessed as part of a risk identification process, carried out at least annually, under the coordination of the Bank's Risk Office and with the participation of the several subsidiaries / geographies and results presented in various governing bodies of the Bank until the conclusions are approved by the Board of Directors of BCP.

For the various risks identified, the Group defines principles, methodologies and procedures for monitoring, control and reporting, which are established centrally by the parent company, in coordination with the respective local departments and considering the specific risks of each business.The general risk management principles and rules are approved at the maximum level of the Group: the Bank's Board of Directors in Portugal.

The Group's risk management policy aims to identify, assess, monitor and control all material risks to which the institution is exposed, both internally and externally, in order to ensure that they remain at levels compatible with the risk tolerance predefined by the management body and embodied in the set of indicators of the Risk Appetite Statement (RAS).

The RAS - as the primary set of indicators that render and materialise the risk appetite - is one of the guiding vectors of the Group's "Risk Strategy".

Based on the RAS, several lines of action are established, to be developed by different organizational units of the Group, in order to address the mitigation or control of all material risks identified within the risks' identification and assessment process. These lines of action formally constitute the Group's Risk Strategy. Hence, the RAS and the Risk Strategy are inseparable and central elements of the Group's risk management, both aiming to control and mitigate risks classified within the risks' identification process.

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

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

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

In 2020, the focus of risk management activities was maintained on the continuous improvement of the Group's risk control environment, in addition to the permanent monitoring of the risk levels incurred in relation to the RAS tolerance limits - both at consolidated level and for each geography in which the Group operates - ensuring, at the same time, full compliance with regulatory and supervisory requirements and updating the internal regulations structure that is appropriate for risk management and control.

3.6.2. MAIN DEVELOPMENTS AND ACCOMPLISHMENTS IN 2020

Below is presented the set of the most relevant activities developed during 2020:

- Participation in the implementation of the Bank's contingency plan regarding the COVID-19 pandemic, particularly in adjusting the risk framework to the challenges arising from the pandemic (e.g. design and implementation of specific reporting to monitor the credit portfolio within the scope of pandemic; adjustment of IFRS9 methodologies; identification of the operating costs related to the coronavirus crisis; monitoring of economic support measures within the scope of the impact of the COVID-19 pandemic and its reporting to the Supervisory Entities).
- Continuous improvement of the internal governance model, risk management, measurement and control at the Group level, including the implementation of a new department in the Risk Office specifically dedicated to the monitoring of credit risk, of a new structure dedicated to the analysis of operations restructured due to financial difficulties and the reinforcement of the Risk Office staff.
- Coordination of the Risk Strategy and the review of the Risk Appetite Statement (RAS) at the Group level, including the risk identification process.
- Inclusion in RAS of indicators for measuring the execution of the Sustainability plan.
- Completion of the annual reports of ICAAP and ILAAP, permanent monitorization of the capital and liquidity adequacy and participation in other Bank planning processes such as the Funding and Capital Plan and the Group's Recovery and Resolution planning.
- Reinforcement of supervision and support for the BCP Group's subsidiaries, continuously promoting a solid and common risk management framework and implementing a daily reporting system of the main risk indicators in all geographies.
- Revision of the liquidity risk management and control framework, including the implementation of new short-term liquidity indicators and the revision of the liquidity stress tests methodology.

- Focus on improving the effectiveness of the internal control system.
- Definition of the procedures to meet the credit granting requirements for increased risk debtors, following Banco de Portugal Circular Letter CC/2020/00000013.
- Implementation of the provision for backstop provisioning as directed by the SSM as well as the respective reporting system.
- Review of the NPA/NPE reduction plan including the sale of credit portfolios to institutional investors.
- Consolidation and monitoring of the implementation process of the new definition of default and its dissemination within the organization.
- Launch of a project for the implementation of the new EBA guidelines on credit origination and monitoring.
- Review of credit risk monitoring processes in the context of the Coronavirus pandemic with a segmented approach to the credit portfolio to early identify customers with higher risk and mark them for closer monitoring and proactive actions towards the prevention of default.
- Submission of several authorization requests in the scope of IRB models, in Portugal and Poland, responses to TRIMIX inspections, broadening the scope of model development and monitoring (Retail PD models) and launching the re-development of several models.
- Continuous improvement of the liquidity and funding risk control and management systems at the Group level, in particular: first annual review of the internal liquidity stress test framework, specifically considering the impact of the collateral easing measures promoted by the ECB as a response to the COVID-19 crisis and the design and implementation of an intraday liquidity stress test completing the original approach; and the implementation of short-term liquidity risk indicators and of the internal liquidity stress test framework by the Banco International de Moçambique.
- Improvement of the interest rate risk control framework of the Banking portfolio, in line with the most recent guidelines of the regulator in force on the subject.
- Participation in the 2020 EBA benchmarking exercise.
- Reinforcement of market risk monitoring and control processes and continuation of the FRTB implementation project - Fundamental Review of the Trading Book.
- Continuous improvement of the quality of the data supporting the Group's risk management decisions, notably participating in BCBS 239 related projects and in the upgrade of the Risk Office’s technological platform.
- Execution of the self-assessment annual exercises for operational risks and for information and communication technologies (ICT) risks.
- Outsourcing risk monitoring for the most relevant contracts, in liaison with the respective contract managers and implementation of the EBA/GL/2019/02 (Guidelines on outsourcing arrangements) in internal regulations.
- Continuous review of internal regulations on policies and procedures related to risk management and control.
- Reinforcement of account opening and transaction filtering processes, in order to ensure compliance with the sanctions and embargoes regimes enacted by the competent national and supranational authorities, as well as their monitoring, in order to detect and prevent potentially irregular situations.
- Development of new, more efficient solutions based on automation processes to analyse the risk factors inherent in establishing new business relationships or deepening existing relationships.
- Reinforcement and specialization of the Compliance Office teams within the scope of AML/CFT in its various dimensions.
- Execution of the Communication Plan dedicated to the 1st lines of defence with the most important aspects to be taken into account both in terms of the risk of financial crime and in other risks of compliance and regulatory compliance.
- Development of a systematic set of internal communications to prevent internal fraud risk.
- Reinforcement of the conflict of interest risk monitoring mechanisms, with the development of a new platform for registering operations and entities.
- Integration of the normative document’s management function in the Compliance Office, in order to take advantage of the joint management of legal and compliance risks in reinforcing the Bank's regulatory framework.
- Implementation of new management structures the monitor of AML/CFT risk, designated by International AML/CFT Committees, with the participation of management and Compliance bodies of the subsidiary units, in order to assess and monitor specific compliance risk factors in each geography, as well as the existing business segments in each

operation.

- Development of joint Compliance Office projects with teams of subsidiaries and branches abroad in order to analyse and improve the effectiveness of existing controls for mitigating the main risks in the area of AML/CFT.
- Strengthening of the subcontracting process with regard to the identification of situations of conflict of interest.
- Development of a new process for monitoring Legislative/Regulatory changes.
- Development of a set of initiatives with the objective of fostering the compliance with the requirements expressed in the Notice 3/2020, which regulates the systems of governance, internal control and organizational culture. These initiatives will continue for 2021.
- Submission to the Supervisory Entities of the Report on Prevention and Money Laundering and Financing of Terrorism for the activity carried out in 2019.
- Submission to the Supervisory Entities of the Internal Control Reports of the various eligible entities that make up the BCP Group, for the period from 1 June 2019 to 31 May 2020.
- Updating the content and training programs related to AML/CFT and the Code of Conduct.
- Monitoring of Supervisory Entities' On-Site Inspections.

3.6.3. CREDIT RISK

The granting of credit is based on the previous classification of risk of Customers, on the respective capacity for the repayment of credit to be made through the cash flows generated in the customer's activity, on the rigorous assessment of the level of protection provided by the underlying collateral and in line with the guidelines that reflect the Bank's credit risk appetite.

For the purposes of rating the customer's risk, a single rating system, the Rating Master Scale, based on the Expected Probability of Default (PD) is used, allowing a greater discriminating capacity in the evaluation of Customers and a better hierarchy of the associated risk.

The Rating Master Scale also enables the Bank to identify Customers that show signs of degradation in their capacity to service their debts and, in particular, those who are classified, within the prudential scope, as being in default. All the rating models and systems used in the Group have been duly calibrated for the Rating Master Scale.

The Group also uses an internal scale of "protection levels" as an instrument aimed at assessing the collateral efficiency in the mitigation of the credit risk, promoting a more active credit collateralisation and a better adequacy of the pricing to the incurred risk.

Aiming at the best possible adequacy of credit risk assessment, the Group has defined a series of client macro-segments and segments which are treated under different rating systems and models and support the links between internal ratings (risk grades) and the Customers' PD, ensuring that the risk assessment takes into account the specific characteristics of the Customers, in terms of their respective risk profiles.

The assessments made by the rating systems and models referred above are translated into the risk grades of the transversal Master Scale, with fifteen levels, of which the last three correspond to situations of relevant deterioration in Customer creditworthiness, called "procedural risk grades". Non-processual risk grades are attributed by rating systems models with automatic decision or by the Rating Department and are revised/updated periodically or whenever justified by events. The worst rating on Master Scale corresponds to customers classified in default (Default).

The development, implementation and calibration of rating models and systems is carried out by the Rating Division (non-individual customers) and the Risk Office (individual customers), with the respective monitoring and validation being guaranteed periodically by the Office for Validation and Monitoring of Models. The models are reviewed / updated periodically or whenever events occur that justify it.

The internal estimates of Loss Given Default (LGD) and Credit Conversion Factors (CCF) are supported by internal approaches validated by the Supervisor within the scope of the approval of the IRB-based approaches. The LGD estimations are produced by resorting to a model that collects and analyses the history of losses due to credit risk and discounts all the cash flows inherent to the respective recovery processes while the CCF own estimations result from the analysis made to data on the use of credit lines and limits or from the execution of the collateral provided for a time horizon of one year before the occurrence of the defaults. The CCF own estimations (or the regulatory values for these factors) apply to almost all off-balance sheet exposures.

The stage of development of the processes and systems allocated by the Group to credit risk management and control enabled the approval, by the Supervision, of the Group's application for the use of the IRB approach for the calculation of the regulatory capital requirements for this type of risk and for the main risk classes, with effect as of 31 December 2010 for the Group's activities in Portugal, which was followed by the joint authorisation given by the Polish and Portuguese supervision authorities for the sequential adoption of that approach for Bank Millennium (Poland), effective as at 31

December 2012. Effective from 31 December 2013, the Supervisor has approved, for the Group activities in Portugal, the use of own LGD estimates for the Corporates risk class (IRB Advanced), as well as internal rating models with own LGD estimates for the real estate promotion Clients.

The consistency of the credit granting framework with the Group's risk appetite is ensured by the alignment of the credit regulations with the credit risk strategy and policy guidelines approved by the Board of Directors and by the Executive Committee, respectively, and by the definition of a credit risk matrix with specific guidelines for the areas involved in the credit granting, monitoring and recovery process.

The Group adopts a policy of continuous monitoring of its credit risk management processes, promoting changes and improvements whenever deemed necessary, aiming at greater consistency and effectiveness of these processes. In this context, the Credit Risk Monitoring Area of the Risk Office is responsible for developing and implementing the appropriate processes for credit life cycle monitoring, in line with the RAS, policies and procedures implemented by the Bank, namely with regard to the evolution of the relevant risk parameters, both for existing credit portfolios and for new businesses and restructured loans, implementing preventive alert systems adjusted to the various credit portfolios.

Still within the Risk Office, the Credit Risk Area is responsible for permanently monitoring the levels of Non Performing Exposures (NPE), ensuring the processes of marking and unmarking Customers in default, and of restructuring due to financial difficulties of Customers, monitoring the quality and effectiveness of the credit recovery process and also for the analysis of the impairment of the Bank's loan portfolio.

Taking into consideration the impact of the COVID-19 pandemic outbreak, the Bank's credit policy principles were revised as soon as the disruptive impact that it could imply was perceived. These principles were periodically reviewed and, where necessary, adjusted according to the evolution of the environment.

Within the scope of the changes to the Bank's credit policy introduced to respond to the impacts of the COVID 19 outbreak we highlight the following:

- Reinforcement of the non-automatic decision-making procedures.
- Reduction of delegated powers attributed to local credit decision levels.
- Early review of lines not used by the customers, namely those related to customers in higher risk sectors or with worse risk grade.
- Suspension of internal limits not contracted with customers, except for those assigned to customers with better risk grade, with definition of limits.
- Exposure reduction to lower risk customers.
- Explore opportunities to increase the exposure to customers with better risk grades.
- Conversion of financial credit into commercial credit.
- Revision of repayment plans, with the introduction of greater flexibility for the first years of repayment.
- Requirement of more conservative LTV levels for new credit lines.
- Reinforcement of collateral required (ongoing and for new credit).
- Lower risk appetite for certain credit purposes, such as real estate development, acquisition finance and operations with a relevant size in relation to the client's scale.
- Focus on the use of credit lines with State, Mutual Guarantee or EIF (EIB) guarantees, regarding new loans to Companies wit the objective of supporting the real economy.
- Loans with repayment automatically linked to the operation's cash-flows, isolating the risks from the client's credit and liquidity profile.

With the aim of supporting the guidelines defined in terms of credit policy, some of the procedures underlying the risk analysis and the attribution of rating to customers were adjusted or strengthened, of which we highlight those detailed below:

- Rating Division performed the monitoring of customers with significant exposures, in a first stage by applying stress scenarios to the existing rating models and subsequently by assessing the rating of customers based on the available interim 2020 Financial Information.
- Credit decision process:
  - Increase of the relevance of forward-looking analysis and sensitivity analyses.
  - Expansion of the scope of information regarding the most impacted economic sectors.
- Granting of new credits and monitoring of the current portfolio:

- For corporate and private clients, request further qualitative information on the impact of the COVID19 pandemic and on future prospects.
- This information is carefully analysed, especially the business plans, and updates are requested whenever necessary.

More specifically with regard to the implications on the classification in IFRS9 stages, which translates into the identification and classification of customers in situations of increased risk or even default, as well as the definition of impairments, the main procedures implemented by the Bank are described below.

<u>Updating of macroeconomic scenarios</u>

With respect to the portfolio of customers subject to collective analysis, at the end of June and at the end of December, updates were made in Portugal to the macroeconomic assumptions used in the calculation of impairment, in both cases based on three scenarios (Central, Upside and Downside Scenarios) prepared by the Bank's Planning division, which took into account, at each point in time, the most recent forecasts of leading bodies that publish forecasts of macroeconomic variables, such as the Bank of Portugal and European bodies.

The same procedure was followed in the Bank's main subsidiaries.

<u>Inclusion of impairment overlays</u>

In an effort to follow the Supervisors' guidelines, namely with respect to the identification and measurement of credit risk against the backdrop of the COVID-19 pandemic, the Bank recorded additional impairment in relation to the prevailing models for the calculation of collective impairment (overlays), which amounted to around Euros 27 million in Portugal and € 14 million in Poland.

The exercise carried out considering an analysis of migrations of customers identified as having a higher risk to Stage 2 and Stage 3. It should be noted that the most significant impact was verified in the corporate segment.

<u>Review of the credit portfolio with respect to most significant exposures</u>

With respect to customers with more significant credit exposures, we should highlight the implementation of a series of extraordinary procedures with the aim of evaluating the potential impacts of the outbreak of the COVID-19 pandemic.

- Customers with significant exposures - Performing portfolio:

  With respect to customers who form part of the individual analysis of impairment group, which consists of customers with greater exposures or with a risk profile considered high, significant effort was made to bring forward the implementation of questionnaires regarding signs of impairment.

  The re-evaluation of the portfolio of significant cases sought to identify customers who may have experienced a significant rise in credit risk and/or an increase in the probability of default that could result in a transfer of stage or classification as NPE.

- Customers with significant exposures - NPE Portfolio:

  For this group of customers, in addition to the usual portfolio analysis, special attention was paid to a review of more representative customers.

<u>Transverse approach with a view to identifying situations involving more vulnerable corporate customers and respective close monitoring</u>

As with the objective of identifying, evaluating and monitoring the impact in terms of credit risk arising from the COVID-19 pandemic crisis, from a more global and transverse perspective, and one which may allow consistent support during the period in which the effects of the aforementioned pandemic persist, the Bank has developed an approach to Corporate customers, with heavy involvement of the Rating Division, which is reflected in the following methodology:

- Identification of the business sectors deemed to be at greater risk and with a more adverse potential impact in the context of the COVID-19 crisis;
- Definition of stress scenarios adapted to the severity of the impact expected for each business sector;
- Assessment of resilience (measured in terms of the potential deterioration of the respective rating) of the companies belonging to the sectors identified as being more vulnerable;
- Identification of customers who exhibit greater vulnerability, according to the assessment carried out.

Under this process, the Bank assessed practically all the exposure of the sectors deemed to have been impacted most. This assessment constitutes a highly valuable starting point for selecting the most vulnerable customers, identifying customers who should be subject to closer monitoring and analysis and devising the credit strategy to be followed on a case-by-case basis for each of these customers.

This approach allows the early detection of potential default risk, creating the conditions for informed and prompt action by the Bank, specifically adjustment of the credit strategy to be adopted for each customer prior to the end of the period of the moratoriums. The strategy to be determined for each case may involve measures such as the following: reducing exposure; reducing unused internal limits; restructuring loans with amortisation plans, anticipating potential future defaults; increasing guarantees; maintenance (without changes); maintenance with the option of granting specific credit operations with a good risk profile (e.g.: commercial credit); partial conversion of financial loans into commercial credit; repricing; transfer to the recovery division.

Approach addressed to customers in the Retail segment

In terms of the retail segment, with a view to monitoring and following up the default risk of customers within the context of the COVID-19 pandemic and supporting the determination and implementation of more appropriate solutions to address the potential default of each cluster of customers, the Bank is in the process of developing a series of projects and activities to adapt credit portfolio monitoring and management processes to the new situation on the ground.

These initiatives, which form part of the NPA Reduction Plan, are being developed in an integrated manner under the auspices of a specific Project, with the direct involvement of all relevant internal stakeholders and, despite also involving customers who have benefited from support measures such as recourse to moratoriums, it is not limited to those.

The development of this approach is based on CRM tools, Data Analytics and Decision Models with the goal of boosting efficiency and automatization.

In short, the main initiatives in this domain may be characterised in the following terms:

- Improvement of credit data marts for all customers with credit exposure, with a view to supporting the production of information on customers (financial/non-financial/behavioural); credit decision models and internal and external reporting.
- With this support, the goal of the Bank is to systematise information critical to customer evaluation, in particular in the following domains: historical analysis pre-COVID, and in the entire subsequent period; analysis of financial flows (inflows and outflows) and recurring flow variations; analysis of the variation in financial assets; analysis of credit behaviour in OCI (number of entities, recourse to moratoriums, balance history) and their changes; anlysis of delays in payments and receipts and other risk implications; analysis of the impacts of the pandemic from a sectoral perspective;
- Bolstering of the system of early warning signs for the retail segment (private and small business)
- Segmentation in homogeneous clusters, with a view to prioritising contact and action plans
- Launch of a process of contacting customers, in particular the completion of questionnaires to gauge their economic and financial situation, inter alia to evaluate the impacts of the pandemic.
- Development of standard credit solutions adapted to the different standard situations and review of the predefined solutions in effect.
- Determination of a pre-analysed restructuring option for customers with risk implications.
- Broadening of the range of solutions on the Banking App.
- Increase in the capacity to monitor customers in difficulties, involving an increase in the capacity for processing customers and simplification and automation of support processes that allow the Bank to cope with the increase in the number of transactions.

Classification of operations as restructured due to financial difficulties

Specifically, with respect to the classification of customers as restructured due to financial difficulties, under the provisions of the guidelines issued by regulators and supervisory authorities, operations that fell under the state moratorium (Decree-Law 10-J/2020, of 26 March) or the sectoral moratorium (official memorandum adopted within the context of the APB), did not have to be flagged as restructured due to financial difficulties. Even so, the Bank decided to adopt a conservative approach, classifying as restructured due to financial difficulties operations that benefited from the aforementioned moratoriums which, as of 26 March (the date of entry into force of Decree-Law 10-J/2020), had been in default for more than 60 consecutive days after the due dates, and which remained in a situation of default as of 31 March.

As presented in Table 36 of section point 5.2 ("Credit Quality"), on 31 December 2020 the Bank's support to the economic agents through EBA compliant moratoria in force, under a consolidated scope, corresponded to exposures of € 8.814 million. This figure does not include exposures of € 2.155 million, which had already benefited from a moratorium which had expired.

Within the moratoria in force at the end of 2020, Portugal had almost the full share (98,5 %) and €4.202 were in the households segment (of which 88,7% related to loans secured by residential property). In the corporate segment, exposures subject to moratorium concerning Non-Financial Corporations amounted to €4.516 million, of which €4.111 million concerning SME.

At the end of 2020, the weight of non-performing clients was 7.3% of the exposures subject to moratorium.

Regarding the remaining period of the moratoria, 90% would end within 6 to 9 months after 31 December 2020, being almost all this portion related with the legislative moratoria that, at that time, were set to be elapsed by 30 September 2021.

Another crucial support measure to the economy in the context of the covid-19 pandemic concerns the credit lines granted under the new public guarantee systems introduced in response to the covid-19 crisis, which at the end of 2020 amounted to 2.369 million euros, almost all of which was destined for Non-Financial Corporations, especially SMEs, with 92% of the total. Once again, Portugal's weight in the total is significant, with a share of 95.5% of the total support in this regard.

3.6.4. MARKET RISKS

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

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

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

The Trading Book portfolio is composed by positions held with the aim of obtaining short-term gains, through sale or revaluation. These positions are actively managed, traded without restrictions and can be precisely and frequently evaluated. The positions in question include securities and derivatives relative to the Treasury sales' activities. The Banking Book portfolio includes all the other positions, namely: the wholesale funding, the securities held for investment, the commercial activity and the structural activity.

In order to ensure that the risks incurred in the portfolios of the Group are in accordance with the Group's risk tolerance levels, several limits are defined for market risks (reviewed at least once a year) and are applied to all portfolios that, in accordance with the management model, might incur these risks.

The definition of these limits is based on the market risk metrics used by the Group in its control and monitoring, which are followed by the Risk Office on a daily basis (or intra-daily, in the case of the financial markets areas - Trading and Funding).

In addition to these risk limits, stop loss limits are also defined for the financial markets' areas, based on multiples of the previously defined risk limits, aiming at limiting the maximum losses which might occur within each of the areas. When these limits are reached, a review of the management strategy and assumptions for the positions in question must be undertaken.

Also, within the scope of risk appetite, the Group has clearly defined the list of products and currencies in which the dealing rooms of the different entities are authorized to trade. The introduction of any new product or currency is subject to approval by the Bank's Risk Committee, based on a reasoned proposal from the business areas subject to Risk Office's opinion.

The Group has in place procedures that aim to ensure the effective control of positions considering the entities' trading strategy, including the monitoring of transaction volume and compliance with expected holding periods.

The Group uses an integrated market risk measure that allows the monitoring of all the relevant sub-types of risk considered. This measure covers the evaluation of the following types of risk: generic risk, specific risk, non-linear risk and commodities' risk. The measurement used on the assessment of the generic market risk - relative to interest rate risk, exchange rate risk, equity risk and price risk of Credit Default Swaps uses a VaR (Value at Risk) model, where the calculation considers a time horizon of ten business days and a significance level of 99%.

A model is also used to assess the specific risk existing due to the ownership of securities (bonds, shares, certificates, etc.) and of derivatives which performance is directly related with the securities' value. With the necessary adjustments, this model follows the standard methodology defined in the CRD IV/CRR.

Other complementary methods are also applied to the remaining risk types, namely a non-linear risk measure that incorporates the option risk not covered by the VaR model, with a confidence interval of 99%, and a standardised approach for the commodities risk. These measures are integrated in the market risk indicator, with the conservative assumption of perfect correlation between the several risk types (worst-case scenario).

The amounts of capital at risk are thus determined, both on an individual basis, for each of the portfolio positions of the taking and managing risk areas, and in consolidated terms, considering the effects of diversification of the various portfolios.

To ensure that the internal VaR model is adequate to assess the risks involved in the positions held, there is a process of backtesting, carried out daily through which the VaR indicators are confronted with those that really occurred. This backtesting is made in a hypothetical manner (using the static portfolio for the estimation of the VaR and the market variations occurred in the meantime) and in a real manner (using the real result of the portfolio, writing off the intermediation results).

The interest rate risk derived from the operations of the Banking Book is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet.

This analysis considers the financial characteristics of the contracts available at the Group management information systems. Based on these data, the respective projection of expected cash flows is carried out, according with the repricing dates and any prepayment assumptions considered.

The aggregation, for each of the currencies assessed, of the expected cash flows for each of the periods of time, allows the determination of the interest rate gaps by repricing period.

The sensitivity of each currency to the interest rate risk is determined by the difference between the present value of the interest rate mismatch, discounted at market interest rates, and the present value of the same cash flows arising from the simulation of parallel and non-parallel shifts of the yield curves.

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

The Group performs hedging operations with the market on a regular basis, aimed at reducing the interest rate mismatch of risk positions associated to the portfolio of the Commercial and Structural areas.

In the context of market risk management, in 2020, the Group continued its efforts to continually improve the market risk management framework, leading to the reinforcement of the control mechanisms of the assumptions of the internal model used (VaR - Value at risk), to the update of Risk Appetite for market risks, namely, in what concerns the revision of the limits established for the different areas, and to the revision and formalisation of internal manuals that accordingly define the operationalisation of market risks' control.

The Risk Office's Market Risks Area is responsible for the following main activities:

- Proposing and implementing market risks' management policies and methodologies for their identification, measurement, limitation, monitoring, mitigation and reporting.
- Participating in the structural management of market risk, particularly in the planning processes, in ICAAP and Recovery Planning.
- Measuring, monitoring and reporting the risk positions and the results of stress test exercises, as well as compliance with the established internal limits, computing the capital requirements (or RWA) for market risks and ensure the calculation of the Credit Valuation Adjustment (CVA / DVA) for OTC derivatives.
- Modelling the market risk management system and ensure the respective updates as well as verify its operational implementation on the Bank's front-office platform.
- Reporting to the Executive Committee any excess over limits, as well as verifying the compliance with the required ratification and approval processes.
- Analysing the new products prior to their launching and the trading in new currencies.
- Defining and reporting the classification of financial instruments, in the fair value hierarchy under the terms defined in terms of IFRS 13 and ensure the calculation of impairment for capital instruments portfolio.
- Coordinating with the relevant Group entities the definition of the negotiation strategies, validating their compliance with the defined policy and limits.

On the other hand, the Market Risks Area acts independently – both organically and functionally - from all market risks taker, which ensures the autonomy of its management functions, oriented towards a risk profile in accordance with the Group's strategic goals.

3.6.5. OPERATIONAL RISK

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

In the management of this type of risk, the Group adopts duly documented principles and practices, which are expressed in control mechanisms subject to continuous improvement. This framework has a variety of features, such as: functions segregation, definitions for lines of responsibility and respective authorisations, tolerance limits for exposures to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, key risk indicators[1] (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

The operational risk management system adopts the 3 lines of defence model and is based on a structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, this processes' structure also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity.

Hence, the Group's subsidiaries have their own processes structure, which is periodically adjusted according to business evolution, to ensure suitable coverage of the business activities (or business support activities) developed.

The responsibility for the day-to-day management of operational risk lies with the 1st line of defence which is composed of process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the RSA exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic review of the processes' structure in each geography is ensured by their own structure units.

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

The objective of the risks self-assessment (RSA) is to promote the identification and mitigation (or even elimination) of risks, actual or potential, within each process. Each risk is classified according to its positioning on a tolerance matrix, for three different scenarios, which allows for the: determination of the risk of the process without considering the existent controls (Inherent Risk); assessment of the risks exposure of the different processes, considering the influence of existing controls (Residual Risk); and identification of the impact of the improvement opportunities in the reduction of the most significant exposures (Target Risk).

These exercises are based on workshops, attended by the Risk Office and with the participation of the process owners and process managers or questionnaires sent to the process owners to update the results, according to pre-defined updating criteria. Representatives from the Internal Audit (3rd Line of Defense), the IT Department, the Business Continuity Area and the Personal Data Protection Office are invited to participate in the RSA workshops.

The process owners play a relevant role in promoting the data collection on losses occurring within the context of their processes, which are identified through the systematic monitoring of their activities, through notifications of any employee or through communications from organisational units, following costs authorizations concerning operational flaws. The Risk Office ensures the completeness of the database, notifying process owners about events that are not yet registered in the database by using information made available by other areas, such as accounting, complaints management and insurance.

The main objective of data collection on operational loss events is to strengthen awareness of this type of risk and provide relevant information to the process owners, to be incorporated in the management of their processes, besides providing some feedback measure on the assessment made for each risk.

The identified operational losses are related to a process and risk and are registered in the Group's operational risk

[1] The monitoring of the KRI metrics enables the identification of changes in the risk profile or in the efficiency of the controls, providing the detection of opportunities for the launching of corrective actions to prevent effective losses. This management tool is used for all processes of the main Group geographies.

management IT application, being characterised by their respective process owners and process managers.

The full characterisation of an operational loss includes, in addition to the description of the respective cause-effect, its valuation and, when applicable, a description of the identified mitigation action (based on the analysis of the cause of loss) which was or will be implemented.

Each process has a set of identified KRI, the continuous monitoring of which allows to assess changes to the risk profile of the processes, thus trying to anticipate risk situations that have not yet materialised.

The consolidation of the loss data capture process at the different subsidiaries of the Group is evidenced by the evolution of its respective records in the database. Uniformity of criteria in data capture is ensured by the Group Risk Office, which analyses loss events data and promotes the circulation of information on the mitigation of events throughout all the geographical areas in which the Group operates.

The Risk Office integrates an Operational Risk Area that ensures the following activities:

- plan and carry out the annual Self Assessment exercise on operational risks in all Bank processes.
- monitor and control the recording of operational losses in the event database, ensuring their completeness, quality and timeliness.
- monitor the risk indicators (KRI) and plan and carry out the Scenario Analysis exercise.
- promote the assessment of the operational risks in terms of IT, cybersecurity and outsourcing risks.
- propose operational risk mitigation actions and monitor their implementation together with the respective Process Owners.
- support the design of measures to remedy internal control weaknesses and monitor the implementation of the respective mitigation plans.

3.6.6. LIQUIDITY RISK

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

The liquidity risk assessment is based on the regulatory framework, as well as on other internal indicators for which exposure limits have also been defined.

With regard to the evolution of liquidity, short-term indicators such as the LCR (Liquidity Coverage Ratio, a regulatory indicator) and the ratio between the buffer available for discount with central banks and customer deposits, and structural indicators such as the loan to deposits ratio and the NSFR (Net Stable Funding Ratio, a regulatory indicator) are monitored in the scope of the“ Risk Appetite Statement ”of the Group and each subsidiary. These high-level indicators are complemented at the operational level by metrics defined within the Group's liquidity risk management framework and adopted at the level of each of the main operations. All these indicators are regularly monitored and reported to the Bank's management bodies.

Liquidity risk management also includes the preparation of an annual Liquidity Plan defining the desired financing structure for the expected evolution of the Group's assets and liabilities, including a set of initiatives and an action plan to achieve the financing structure at both Group level and for the major subsidiaries and currencies. This plan is an integral part of the Group's planning process and is approved simultaneously with final budget approval.

At the same time, the Bank regularly monitors the evolution of the Group’s liquidity position, with the identification of all factors that may justify the variations occurred. This analysis is submitted to the appraisal of the CALCO, aiming at making decisions that enable to maintain financing conditions suitable for the development of the activity. The Risk Commission is responsible for the continuous assessment of the liquidity risk management framework and for controlling the approved limits for exposure to that same risk.

The Risk Office has a Liquidity Risk Area that has the following responsibilities:

- permanently monitor liquidity risk levels and promote the implementation of the respective control mechanisms.
- prepare limit proposals in the area of liquidity risks.
- coordinate the Group's ILAAP process.
- proceed with the design and performance of liquidity stress tests.
- support local risk offices in the implementation of the approved methodologies for the entire Group.

3.6.7. DEFINED BENEFIT PENSION FUND RISK

The responsibilities assumed by the BCP Group associated with the Bank's defined benefit Pension Fund are related with the payment of retirement pensions for old age, disability, and survival to its employees.

The defined benefit pension fund risk stems from the potential devaluation of the Bank's Defined Benefit Pension Fund, or from the decrease of its expected returns as well as from changes on the actuarial factors used on the fund projections, implying the necessity of unplanned contributions. The Pension Funds Risk Monitoring Commission is responsible for the regular monitoring and follow-up of this risk. This risk is subject to regular monitoring and follow-up of the respective management by the Pension Fund's Risk Monitoring Committee. This body evaluates and monitors the Fund's performance and risk and is responsible for establishing the appropriate investment policies and coverage strategies and approving changes in actuarial assumptions.

As of December 31, 2020, the Group's liabilities had a coverage level of 102.5% (104.3% according to the requirements of Banco de Portugal), being fully financed at levels above the minimum limits defined by regulator.

3.6.8. COMPLIANCE RISK

The compliance risk is materialized by the occurrence of financial losses (e.g. fines, fines, indemnities) or reputational damages resulting from non-compliance with laws, regulations or contractual commitments to which the Bank is obliged in its activity.

The Compliance Office's main mission is to promote the adoption of internal and external principles and rules that frame the Group's activity, and to ensure that all Group's entities comply with the legal and regulatory standards as well as with the contractual commitments and ethical values of the Group. The Compliance Office promotes the existence of a strong internal control culture, in order to contribute to the mitigation of the risk of imputation to the Group's entities of significant sanctions or damage to property or reputation.

In this context, compliance with the AML / CTF regulatory framework is particularly important, both in correspondence banking and trade finance operations involving jurisdictions classified as high risk, in the monitoring the financial and transactional behavior of the Bank's clients and in the risk analysis of new customers in the onboarding activity.

For AML / CTF risk control, the Bank has implemented in the central system a set of rules, procedures and operational criteria applied to customer processes and transactions that generate alerts to drive acceptance or refusal decisions, including refusal with report to competent authorities. In addition, the Bank monitors, through the exercise of due diligence procedures, the customers that were once participated to the authorities as well as all those that offer a higher AML / CTF risk, in accordance with the AML rating system implemented.

The Compliance Office also carries out the due diligence analysis of entities involved in credit operations, with a special focus on non-client entities or those in the beginning of a commercial relationship and ensures the updating and conformity of the information related to the identification data of Customers, representatives and beneficial owners, promoting their regularization whenever inconsistencies are detected.

Regarding the onboarding activity, simple or reinforce due diligence procedures, is carried out to new customers, deciding whether to continue or cancel account opening processes, through KYC (Know Your Customer) validation, existence of PEP (Politically Exposed Persons), and other AML / CFT risk factors considered relevant, including the verification of the existence of sanctions or embargoes, or belonging to "black" lists published by international entities.

The Compliance Office ensures the regulatory compliance of the new products approval policy, including the verification that the duties of informing customers are fulfilled. It also analyzes the compliance of internal regulations with the current regulatory and legal framework and issues opinions on situations established in internal policies, including those issued by the regulator, such as those concerning related parties and conflicts of interest.

In matters related to regulators, the Compliance Office, with the supervisory entities, monitors inspections in matters of behavioral and prudential supervision, ensuring compliance with various reporting duties. In this context, the role of prevention, control and monitoring of Market Abuse stands out.

It is also the responsibility of the Compliance Office to ensure the consistency of the Document Management Model in the BCP Group, as well as the preparation and review internal documentation.

3.6.9. ENVIRONMENTAL AND SOCIAL RISKS

Within the scope of the approach to environmental and social risks, the Bank created in 2019 the Sustainability Commission, dependent on the Executive Committee, with the objective of assisting this Committee in the integration of the principles of Sustainability (Environmental, Social and Corporate Governance / ESG) in the Bank's processes decision-making and management, to assess and approve the initiatives necessary to implement the actions defined to materialize the strategic axes of the Bank's Sustainability Master Plan, as well as other changes or adaptations necessary to meet the defined objectives, follow and monitor the progress approved initiatives.

In 2021, the Bank created a new department with an enhanced focus on the sustainability themes with direct report to the CEO, named Department of Economic Research, Sustainability and Cryptoassets. (DESC). This new department's mission, in the sustainability context, to propose and execute global and coherent sustainability policies and corporate social responsibility, which promote the business development with the incorporation of ESG principles and forward the growth of the Bank's reputation and its capacity to add social and environmental value eand to respond to needs and expectations of the stakeholders.

Aware of the impact of environmental and social risks on the planet and on the Bank, the Bank defined in its Sustainability Master Plan an approach to the management of environmental and social risks based on three areas of operation: the integration of ESG risk in the management procedures of risks, the identification and classification of customers with greater environmental and social risks and the awareness of customers in sectors of activity with greater exposure to environmental risks.

The Bank has been integrating environmental and social risks considering them as important risk drivers impacting several of the risks assessed in the risk identification process of the Bank and incorporating policies, standards, and procedures for their management. The analysis of environmental risk is integrated in the Customer evaluation processes in the granting of credit and project finance, taking into account not only the risks associated with the activity's sectors of operations, but also the ESG performance of our Customers. The Bank is developing and implementing ESG risk scoring processes for Large Corporate clients and is defining sectoral financing and investment policies for industries with high exposure to environmental risks (positive and negative screening).

In this context, a Sustainable Financing Task Force was created, which is working on the development of a complete and comprehensive offer of ESG financial products and services. As part of the development of its responsible business lines, BCP continues to provide products and services that incorporate social principles and respect for the environment and nature. It is also aware that the implementation of social and environmental criteria and standards in the commercial offer translates into more effective risk management, reputational value and better quality of products and services made available to customers.

BCP also meets the needs of investors who consider it relevant to include, in their investments, social and environmental risk factors, making Responsible Investment Funds available for subscription. Likewise, the Bank assesses the ESG risk of each of the managed portfolios, integrating information on the ESG risk in the construction of portfolios.

The BCP Group monitors legal and regulatory initiatives related to climate change as a systemic risk for the financial system, especially the Task Force on Climate Related Disclosures sponsored by the Financial Stability Board and the Principles of Responsible Banking promoted by the UN.

The Bank is also attentive to the changes that will occur in the prudential and supervisory areas, following the development of criteria and technical standards to be adopted broadly and unequivocally in the market, in order to avoid a dichotomy between the approaches of each company, with disruptive effects for the financing of the economy.

The Bank prepared for 2021 an Action Plan with a view to aligning with the expectations of the ECB Guide on climate and environmental risks.

3.6.10. LITIGATION RISK IN SWISS FRANCS PORTFOLIO IN POLAND

Regarding mortgage loans indexed to Swiss francs (CHF) granted by Bank Millennium, there are risks related to verdicts issued by Polish courts in lawsuits against banks (including Bank Millennium) raised by borrowers of FX-indexed mortgage loans, as well as risks related with the possible application of a sector-wide solution, i.e. a solution applied to all contracts (Swiss Franc-denominated/indexed mortgage loans) in the Polish financial sector. The Polish Financial Supervisory Authority suggested a possible sector-wide solution in December 2020, which has, since then, been under consideration by Polish banks.

On 3 October 2019, the Court of Justice of the European Union (CJEU) issued a judgment on Case C-260/18. This judgement has legal interpretations in connection with the preliminary questions formulated by the District Court of Warsaw in the lawsuit against Raiffeisen Bank International AG, relative to CHF-indexed loans.

Since then, the trend of court rulings, that had been mostly favourable to banks, begun to reverse. The CJEU ruling only concerns situations where the national court has previously determined that contract terms are unfair. It is the exclusive competence of national courts to assess, in the course of judicial proceedings, whether a particular term of a contract can be identified as unfair according to the circumstances of the case.

On 29 January 2021, it was published a set of questions addressed by the First President of the Supreme Court to the Civil Chamber of the Supreme Court, which may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court was requested to respond to certain requirements related to FX-indexed mortgage agreements: (i) is it permissible to replace - through legal or customary provisions - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/denominated loan agreement - is it possible to keep the agreement in force in its remaining scope; as well as, (iii) if, in case of invalidity of the CHF loan agreement, there would be applicable the theory of equity (i.e., does it arise a single claim which is equal to the difference between value of claims of bank and the customer), or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court was also requested for commenting on (iv) the determination of the moment from which the limitation period should start counting in case of a claim being filed by a lending bank for repayment of borrowed amounts and, (v) whether banks and consumers may receive remuneration on their pecuniary claims on the other party arising from the contract. The date of the Supreme Court meeting, which was scheduled for 25 March 2021, has since been changed to 13 April 2021. Bank Millennium will assess in due time the implications of the potential decisions of the Supreme Court on the level of provisions constituted for the legal risk. Given the Group's inability to predict the results of that Supreme Court decision, this matter was not considered in the determination of the provision.

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (PFSA), proposed a sectoral solution to address the sector risks related to FX-indexed mortgages. The solution would consist in banks offering to their clients a possibility of concluding liability settlement agreements based on which a client would conclude with the bank a settlement as if the loan had been, from the very beginning,

A PLN-indexed loan, bearing interest at an appropriate WIBOR rate, increased by the margin historically employed for such loan.

Following that public announcement, the idea has been subject of consultations between banks under the auspices of the PFSA and Polish Bank Association. Banks are assessing the conditions under which such solution could be implemented and consequent impacts.

In the view of Bank Millennium's Management Board, important aspects to be taken into consideration when deciding on potential implementation of such program are: a) favorable opinion or, at least, non-objection from important public institutions; b) support from the National Bank of Poland (NBP) for the implementation; c) level of legal certainty of the settlement agreements to be signed with the borrowers; d) level of the financial impact on a pre- and after tax basis; e) capital consequences, including regulatory adjustments in the level of capital requirements associated with FX-indexed mortgage loans.

At the time of publishing the Group's Consolidated Report, neither its Management Board nor any other corporate body of Bank Millennium or of the Bank took any decision regarding the implementation of such program. For this reason, the potential effects of this matter were not reflected in the determination of the provision. If, or when, a recommendation regarding the program is be ready, Bank Millennium's Management Board will submit it to the Supervisory Board and General Shareholders' meeting, taking into consideration the relevance of such decision and its implications.

According to preliminary calculations, implementation of a solution whereby loans would be voluntarily converted to PLN as if they had been a PLN loan from the very beginning, bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans, could imply provisions for the losses resulting from conversion of such loans (if all the current portfolio would be converted) with a pre-tax impact between PLN 4.100 million (Euros 899.06 million) to PLN 5.100 million (Euros 1,118.35 million) (non-audited data). The impacts in Bank Millennium's capital can significantly change in case of variation of the exchange rate and other assumptions of diverse nature. Impacts on capital could be partially absorbed and mitigated by the combination of the existing surplus of capital over the current minimum requirements, the reduction of risk-weighted assets and the decrease or elimination of Pillar 2 buffer. The above mentioned impact would be substantially higher than the estimated impact of PLN 500 million (Euros 109.64 million) to PLN 600 million (Euros 131.57 million) (non-audited data) in the scenario of replacing the exchange rate applied in the contracts by the average NBP exchange rate. Finally, it should be mentioned that Bank Millennium, as at 31 December 2020, maintained additional own funds for the coverage of additional capital requirements related to FX-indexed mortgage portfolio risks (Pillar II buffer), in the amount of 3.41 p.p. (3.36 p.p. at the BCP Group level), part of which is allocated to operational/legal risk.

Due to the complexity and uncertainty regarding the outcome of court cases, as well as due to the potential implementation of PFSA Chairman's solution or potential Supreme Court decisions, it is difficult to reliably estimate potential impacts of such outcomes and their interaction as at the date of publication of the Group's financial statements.

3.7. CONCISE RISK APETITE STATEMENT

BCP Group carries out its business activities in a sustained, controlled and prudent way, based at all times on the adequacy and compatibility between the objectives set for the business and the levels of risk tolerance that are defined in accordance to the long-term sustainability and profitability of the business.

These risk tolerance levels are embodied in the Group's "Risk Appetite Framework" (RAF) which incorporates the following elements which is an active constraint in what concerns the levels of risk arising from the Bank's plan and budget and is subject to regular reviews considering the various developments in the internal and external environment and of the way in which these have an influence on the perspective evolution of the Bank's risks.

The Group's RAS is articulated and complemented by the RAS of the various subsidiaries, creating a coherent framework that ensures consistency between the risk tolerance levels of the various entities / geographies and the Group on a consolidated basis.

The Group's RAS currently consists of a set of around 27 indicators, defined according on the materiality assessed for the risks they measure and to their importance in relation to the business objectives that are defined in the BCP Group's strategic plan.

The RAS for Portugal includes 46 indicators in question reflect limits associated with different analytical views on the Group's business that are considered imperative for its continuity and sustainability - Solvency / Liquidity and funding / Profitability and business mix / Reputation and brand – and are directly or indirectly linked to the different objectives' types of the strategic plan, namely: Business growth / Value creation / Asset quality.

The indicators of the Group's and Portugal's RAS are approved by the Board of Directors of Banco Comercial Português, S.A., from a proposal of BCP's Risk Office – the structure unit that coordinates the implementation and maintenance of the mechanisms and definitions of the RMS – after an opinion from the BoD's Executive Committee and Committee for Risk Assessment.

The RAS is reviewed at least once a year (or whenever the risk circumstances identified at any given moment so determine), both in terms of the list of indicators considered and their limits thresholds. For each indicator, the limits are fixed using a "RAG" approach (red, amber, green):

- Red = critical level, represented by an excess or insufficiency, that must be corrected in the shortest time possible.
- Amber = alert level, representing a negative evolution towards an excess or insufficiency, which should prompt immediate corrective and/or mitigation measures.
- Green = comfort level, within the defined risk tolerance.

For the main subsidiaries of the group - Bank Millennium (Poland), Banco Internacional de Moçambique (Mozambique) and Millennium Banque Privée (Switzerland) - local RAS are defined, with the same structure of risk areas as in the parent company, adapted to the specificities of the business in these geographies and calibrated in order to ensure consistency with the Group's RAS.

The Group has defined a set of indicators to be included in the RAS of all entities it consolidates - the so-called Corporate RAS - and which allows monitoring and comparing the Group's material risks at the consolidated and individual level of each subsidiary / geography, ensuring the comparability of the information between the various entities of the group. In addition to the set of corporate RAS indicators, the different geographies define other indicators to include in their RAS for monitoring material risks at the local level.

The implementation of a comprehensive and diversified structure of mechanisms necessary for the identification, measurement, monitoring, control, prevention and mitigation of the various risks incident on the Group's activities is based on criteria of economic and financial rationality (based, *inter alia* , on a cost/benefit analysis), in order to allow the sustained (and sustainable) development of all business activities, in a simultaneously profitable and prudent manner, adequate to the defined objectives.

3.8. RISK IDENTIFICATION AND RISK TAXONOMY

The Bank has implemented a regular risk identification process at BCP Group consolidated level and at each Entity level in order to assure that all potential risks to capital, earnings and liquidity are regularly considered, and that the Group decides on respective high-level risk materiality, resulting on a comprehensive internal risk inventory.

The BCP Group's risk identification process is led by BCP's Risk Office and is based on a risk taxonomy, in which the main risk categories (eg credit, market, liquidity, operational, etc.) are broken down into a wide range of types of risk to be analyzed by the Bank in a self-assessment exercise, in order to predict the respective impact on the risk profile of the BCP Group or any of its Entities. To this end, materiality thresholds are approved by the Committee for Risk Assessment to be used as references for assessing the risks likelihood and impact on solvency or liquidity. Based on this reference framework, the risks considered material for the Group are selected. The results of the risk identification process are approved by the Board of Directors, following a recommendation of the Committee for Risk Assessment.

The BCP Group risk taxonomy, containing the list of risks that are formally assessed in the annual risk identification processis regularly updated in order to reflect all the risk types that may impact in or arise from the activity of the BCP Group.

TABLE 6 – RISK TAXONOMY

Risk Name	Credit risk
Credit default risk	The current or prospective risk to earnings, capital and liquidity arising from an obligor's failure to meet the terms of any contract with the institution or its failure to perform as agreed,which includes the potential impact of climate related risks, namely the physical and transition risks.
Issuer credit risk	The current or prospective risk to earnings, capital and liquidity arising from default or downgrade of issuer of security or contractual trading party. This includes e.g. loans, bonds and potential future exposure through OTC derivatives.

Counterparty credit risk	The current or prospective risk to earnings, capital and liquidity arising from the risk of a trading counterparty defaulting before the settlement date of a transaction, which includes the potential impact of climate related risks, namely the physical and transition risks.
Settlement risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that the credit institution will deliver the asset sold or cash to the counterparty and will not receive the purchased asset or cash as expected. As such a settlement risk comprises credit risk and liquidity risk.
Securitization risk	The risk of loss associated with buying or selling asset-backed securities (investor perspective). The current or prospective risk to earnings, capital and liquidity arising from an obligor's failure to meet the terms of any contract with the institution or its failure to perform as agreed, in a securitized exposure that is not de-recognized for risk purposes (originator perspective).
Country risk	The current or prospective risk to earnings, capital and liquidity arising from the risk of exposure to losses caused by events in a specific country (countries where Bank does not have a local presence), which may be under the control of the government but not under the control of a private enterprise or individual.
Residual risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that recognized risk measurement and mitigation techniques used by the firm prove less effective than expected.
Transfer risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that the government will impose restrictions on the transfer of funds by debtors in the country in question to foreign creditors, either for financial or other reasons. This risk is almost exclusively related to foreign currency exposure.
Wrong way risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty.
Sovereign risk	The current or prospective risk to earnings, capital and liquidity arising from the credit risk related with all sovereign exposures, including the risk associated with the impact of changes of rating of Sovereign debt or events of default (Banking Book) and the risk arising from the possibility that changes in credit spreads will affect the value of financial instruments or contracts (fair value Banking Book exposures).
Migration risk	The current or prospective risk to earnings, capital and liquidity arising from the risk that a portfolio's credit quality will materially deteriorate over time without allowing a repricing of the portfolio to compensate the creditor for the now higher default risk being undertaken.
FX Lending	The current or prospective risk to earnings, capital and liquidity arising from an obligor's failure to meet the terms of any lending contract in non-local currency or increased probability of default in such contracts only due to changes in FX rates and not by the deterioration of the credit quality of the debtor.

Risk Name	Credit concentration risk
Single name	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with large individual exposures.
Sector	The current or prospective risk to earnings, capital and liquidity arising from significant exposures to groups of counterparts whose likelihood of default is driven by common industrial sector underlying factors.
Geography	The current or prospective risk to earnings, capital and liquidity arising from significant exposures to groups of counterparts whose likelihood of default is driven by common geographical underlying factors.

Risk Name	Liquidity risk
Intra-day liquidity risk	The current or prospective risk to earnings, capital and liquidity arising from a liquidity constrains during the daily operations.
Short term cash flow risk	The current or prospective risk to earnings, capital and liquidity arising from an institution's inability to meet its liabilities when they come due in the short term.
Structural liquidity	The current or prospective risk to earnings, capital and liquidity arising from an institution's inability to meet its liabilities when they come due arising from balance sheet structural imbalances of assets and liabilities terms NSFR, including the potential impact of climate related risks, namely the physical and transition risks.
FX Liquidity Risk	The current or prospective risk to earnings, capital and liquidity arising from an institution's inability to meet its liabilities in foreign currency.
Funding concentration risk	The current or prospective risk to earnings, capital and liquidity arising from the potential cost to obtain additional funding to compensate significant and sudden withdraw from large funding providers.
Funding cost risk	The current or prospective risk to earnings, capital and liquidity arising from an increase in the cost of the wholesale funding of the Bank

Risk Name	Market risk
Traded market risk	The current or prospective risk to earnings, capital and liquidity arising from adverse movements in bond prices, security or commodity prices, interest rates or foreign exchange rates in the trading book. It can arise from market making, dealing, and position taking in bonds, securities, currencies, commodities, or derivatives (on bonds, securities, currencies, or commodities).
CVA risk	The current or prospective risk to earnings, capital and liquidity arising from the fair value adjustment, required for OTC derivatives, due to the additional risk implied for positive fair values due to the counterparty inability to pay the required cash flows.
Non-traded market risk - FX rate risk BB	The current or prospective risk to earnings, capital and liquidity arising from the risk of holding or taking positions in foreign currencies in the banking book (e.g. in the form of loans, bonds, deposits or cross-border investments, including financial participations in foreign currencies).
Market concentration risk	The current or prospective risk to earnings, capital and liquidity arising from the risk of loss arising from a large position in a single asset or market exposure. An excessive concentration can give rise to liquidity risk or market risk losses (Trading Book).

Credit spread risk	The current or prospective risk to earnings, capital and liquidity arising from the possibility that changes in credit spreads will affect the value of financial instruments or contracts (including both trading and banking book positions) excluding fair value Banking Book sovereign debt portfolio.
Financial instruments Price Risk (BB)	The current or prospective risk to earnings, capital and liquidity arising from adverse movements in bond prices, security or commodity prices in the banking book (BB), which includes the potential impact of climate related risks, namely the physical and transition risks.
Default and migration risk	The current or prospective risk to earnings, capital and liquidity arising from the materialization of credit default and credit migration risks types.
Market liquidity risk	Also named "asset illiquidity risk". The current or prospective risk to earnings, capital and liquidity arising from positions that cannot easily be unwound or offset at short notice without significantly influencing its market price, because of insufficient market depth or market disruption. Includes risk from holding illiquid equity assets.
Valuation risk	The current or prospective risk to earnings, capital and liquidity arising from mispricing or pricing adjustments, due to complex pay-offs/pricing models or illiquidity / unobservability of pricing model's input parameters as well as adjustments made to the mid-price of fair valued positions (e.g. valuation adjustments on derivatives due to collateral, liquidity, funding costs, model risk, close out costs, etc.).

Risk Name	Operational risk
Process risk	
Damage to physical assets	The current or prospective risk to earnings, capital and liquidity arising from damages to the Bank's physical assets, caused by accidental or deliberate events such as climate risks, natural disasters, terrorism or vandalism acts, etc.
Execution, delivery & process management	The current or prospective risk to earnings, capital and liquidity arising from errors in execution of operative processes (e.g., "fat finger errors"; lack of or loosing documentation), including failed process management and relations with counterparties and vendors (e.g. outsourcing), excluding ICT related risks.
External fraud risk	The current or prospective risk to earnings, capital and liquidity arising from external fraud.
Employment practices and workplace safety	The current or prospective risk to earnings, capital and liquidity arising from losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.
Model risk	The current or prospective risk to earnings, capital and liquidity arising from the development or the use of any flawed of inappropriately applied models/algorithms, within the scope of pricing or transactions' decision making, internal capital quantification models or business decisions.
ICT risk	
ICT - Security risks	The current or prospective risk to earnings, capital and liquidity arising from a financial loss, disruption or damage to the reputation connected with activity online, internet trading, electronic systems and technological networks, as well as storage of personal data, (e.g., disruptive cyber-attacks and other external based attacks; inadequate IT physical or logical security).
ICT - Availability and continuity risk	Or "Business disruption and system failures". The current or prospective risk to earnings, capital and liquidity arising from disruption of business or system failures (e.g., inadequate capacity management; inadequate continuity and disaster recovery planning; dysfunctional data processing or handling; ill designed data validation controls in systems; ill designed and/or managed data architecture, data flows, data models or data dictionaries).
ICT - Data integrity risk	The current or prospective risk to earnings, capital and liquidity arising from data stored and processed by ICT systems incomplete, inaccurate or inconsistent across different ICT systems, for example as a result of weak or absent ICT controls during the different phases of the ICT data life cycle, impairing the ability of an institution to provide services and produce (risk) management and financial information in a correct and timely manner.
ICT change risk	The current or prospective risk to earnings, capital and liquidity arising from the inability of the institution to manage ICT system changes in a timely and controlled manner, in particular for large and complex change programmes (e.g., inadequate controls over systems changes and development; inadequate architecture; inadequate lifecycle and patch management).
ICT Outsourcing risk	The current or prospective risk to earnings, capital and liquidity arising from engaging a third party, or another Group entity (intra-group outsourcing), to provide ICT systems or related services adversely impacts the institution's performance and risk management (e.g. inadequate SLA, breaches in the SLA, fail of the providers).
Legal and compliance risk	
Compliance and conduct risk	Or "Clients, products & business practices". The current or prospective risk to earnings, capital and liquidity arising from violations or non-compliance with laws and regulations due to internal fraud or unintentional or negligent failure to meet a professional obligation to specific clients, including fiduciary and suitability requirements, from the nature or design of a product, or from market manipulation, antitrust or improper trade and customer conduct risk.
Financial crime risk	The current or prospective risk to earnings, capital and liquidity arising from violations or non-compliance with financial regulations (includes AML-Anti money laundering and CTF - Counter terrorism financing, sanctions and bribery)
Data protection risk	The current or prospective risk to earnings capital and liquidity arising from failing to ensure the data protection legal requirements.
Litigation risk	The current or prospective risk to earnings, capital and liquidity arising from court processes started by clients due to contractual disagreements.
Governance risk	The current or prospective risk to earnings capital and liquidity arising from violations or non-compliance with principles of good governance within the firm.

Risk Name	IRRBB - Interest rate risk in the Banking Book
Behavioral and optional risk	The current or prospective risk to earnings, capital and liquidity arising from early unscheduled return of principal on interest rate sensitive asset and liabilities (e.g. changes in the behavioral profile of classes of customers and products, including embedded options.

Gap risk	The current or prospective risk to earnings, capital and liquidity arising from direct or indirect financial losses in the banking book due to movements in interest rates and mismatch between assets and liabilities, making the bank vulnerable to changes in the yield curve, under the current behavioral and prepayment customer and product profiles
Basis risk	The current or prospective risk to earnings, capital and liquidity arising from imperfect hedges.

Risk Name	Business risk
Economic risk	The current or prospective risk to earnings, capital and liquidity arising from the uncertainty in revenues in the short run (< 1 year) due to unforeseen changes in the economic and competitive environment as well as risk of regulatory changes and requirements.
Strategic risk	The current or prospective risk to earnings, capital and liquidity arising from changes in strategy and from adverse business decisions.
Participations	The current or prospective risk to earnings, capital and liquidity arising from the risk of depreciation of strategic financial participations outside the consolidation perimeter.
IT Strategy risk	The current or prospective risk to earnings, capital and liquidity arising from misalignment between the IT framework and the strategy of the Bank

Risk Name	Reputational risk
Reputational risk	The current or prospective risk to earnings, capital and liquidity arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators due to actions of any BCP Group entity or its employees, which may also result from potential impact of climate related risks, namely the physical and transition risks.
Industry-wide reputational risk	The current or prospective risk to earnings, capital and liquidity arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators due to actions of the wider industry.
Insurance reputation	The current or prospective risk to earnings, capital and liquidity arising from reputational risk associated with the selling process of financial insurance.

Risk Name	Other risks
Real estate risk	The current or prospective risk to earnings, capital and liquidity arising from changes in value of firm-owned real estate
Step-in risk	The current and prospective risk to earnings, capital and liquidity due to the need of the Bank, by reputational reasons, to provide financial support to an entity beyond or in the absence of contractual obligations, should the entity experience financial stress (unconsolidated entities, only)
Pension fund risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with the uncertainty surrounding required contributions to defined benefit pension schemes or with market rates movements that could lead to direct or indirect financial losses in the pension fund assets.
Underwriting risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with underwriting issuance of equity or debt securities.
Equity risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with the issuance stock at incorrect risk premiums.
Insurance risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with future income/expenses due to life insurance business arm.
Re-hypothecation risk	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with the use of assets that have been posted as collateral by bank´s clients.
Geo-political risks	The current or prospective risk to earnings, capital and liquidity arising from the risk associated with political and/or economic and/or military developments in particular geographies where the Group operates or which may indirectly impact Group operations.
Resolution fund risk	The current or prospective risk to earnings, capital and liquidity arising from the value of the increase in the future contributions to the Resolution Fund.
Circumstantial risks	Other risks that should be evaluated in specific moments on time which due to its temporary nature do not require to be systematically evaluated every year.

The set of risks identified as material risks in the Risk Identification Processo of 2020 are disclosed in the Table 19 of this report.

3.9. REPORTING AND RISK MEASUREMENT SYSTEMS

The BCP Group has implemented an IT infrastructure – SAS Solution for Risk Management - that includes the Risk Office Data Mart (RODM) and SAS Risk Dimensions that capture the majority of the risk exposure at a Group level.

SAS Solution for Risk Management is a complete end-to-end application for measuring, exploring, managing, regulatory reporting (COREP/FINREP) and ALM (Assets & Liabilities Management), among other objectives. This solution integrates data access, mapping, enrichment, and aggregation with advanced analytics and flexible calculation and reporting, all in an open, extensible, client server framework.

The Risk Office DataMart (RODM) is an information repository that was designed to support the risk analysis and capital calculation. This application allows the collection of specific and relevant information in terms of risk, from all relevant systems of the Group (domestic and international operations).

RODM aggregates and manages several types of information, namely financial, transactions, customer details, ratings, customer limits, collaterals / guarantees.

The data is obtained directly from the Group's IT systems through automated procedures, which regularly stores data into the RODM, corresponding to the Group's position by the end of each month. The procedures for the loading of updated data were designed by the Group's IT Division at the Risk Office's request and involve the feeding of data from the Group's operational systems, concerning transactions, positions or entities (clients and counterparties) registered into those systems.

The information stored in RODM is used to feed the SAS Risk Dimensions, a simulation software that implements advanced methods for credit risk management, performs risk assessment and mitigation of credit risks through an optimized allocation process, calculates the capital requirements for Pillar I and produces sensitivity analysis and feeds into stress tests exercises. This solution also covers liquidity risk and interest rate risk management.

The main outcomes from this system are:

- Assets & Liabilities Management (ALM), including interest rate risk identification and calculation for all balance sheet (and off-balance) interest-sensitive items, and Gap Analysis for liquidity risk control.
- Capital requirements calculation.
- Regulatory reporting, namely COREP and FINREP.

It also enables Credit risk analysis, monitoring and reporting, such as exposures, risk weighted assets, Non-Performing Loans, concentration risk, impairment and other credit risk indicators that can be aggregated by geography, business line, product, etc.

Data quality is an essential tool for risk information and therefore to a sound and effective risk management. The Bank is implementing the BCBS 239 Project - Governance and Data Quality, which develops permanently processes and enhancements to comply with the principles for effective risk data aggregation and risk reporting, as presented in BCBS 239, the Basel Committee on Banking Supervision (BCBS) Principles for effective risk data aggregation and risk reporting.

The Bank has established an operating model for Data Quality and Governance, based on segregated responsibilities:

- In the first line of defense, roles deal with the Bank's daily operations and, as a result, ensure a proper usage of data and fulfilment of its requirements.
- In the second line of defense, functions aid the first line by monitoring and providing recommendations, such as setting standards, policies, and procedures.
- In the third line of defense, functions are independent from the Governance and Data Quality framework, allowing them to ensure compliance with the BCBS 239 principles and guarantee that the Bank's objectives and strategy are also aligned.

The process is supported by a complete set of internal regulations and procedures detailing the Bank's Data Governance and Quality model, in accordance with the guidelines of the Group Data Officer (CDO), responsible for defining the global principles and rules applicable throughout the Group and published in the form of Group Codes. In addition, the Group CDO is also responsible for monitoring compliance across the group, in coordination with the CDOs of the subsidiaries.

The Governance and Data Quality supervisory functions were incorporated in the Security and Data Quality and Protection Commission.

Data quality metrics were added to the BCP Group RAS.

The risk management and control information need of the governing bodies are fulfilled by the production of several periodic risk reports, presented to the Committees and Commissions of the Bank. The most high level reports are the RAS Monitoring Report, presented monthly to the Board of Directors, the Executive Committee and the Committee for Risk Assessment and the Key Risk Indicators, covering in detail all material risks of the Bank, presented monthly to the Executive Committee and Committee for Risk Assessment.

3.10. REGULATORY CALCULATION METHODOLOGIES

Following the request submitted by Millennium bcp in the first six months of 2009, the Bank received authorisation from Banco de Portugal to use the advanced approach (internal model) for the generic market risk and to use the standard approach for operational risk.

Banco de Portugal authorised, with effects as of 31 December 2010, the adoption of methodologies based on the Internal Ratings Based models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risks of the activity in Portugal.

Subsequently, within the scope of the gradual adoption of the IRB approach in the calculation of capital requirements for credit and counterparty risks, Banco de Portugal authorised the extension of this methodology to the subclasses

"Renewable Retail Positions" and "Other Retail Positions" in Portugal, effective as of 31 December 2011.

With reference to 31 December 2012, Banco de Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for the "Corporate" risk class in Portugal and the adoption of IRB models for "Loans secured by residential real estate" and for "Renewable Positions" in the retail portfolio of Bank Millennium, the Group's subsidiary in Poland.

On 31 December 2013, Banco de Portugal authorised the extension of the IRB method to the real estate promotion segment, as well as the adoption of own estimations of LGD (Loss Given Default) for the "Corporate" exposures in Portugal.

Without prejudice to the provision of more detailed information in the next chapters, it is shown in the following table as a summary of the calculation methodologies of the capital requirements used in the regulatory reporting as well as of the respective geographic application scope.

TABLE 7 – CALCULATION METHODS AND SCOPE OF APPLICATION

	31 Dec. 20	31 Dec. 19
CREDIT RISK AND COUNTERPARTY CREDIT RISK		
PORTUGAL		
Retail	IRB Advanced	IRB Advanced
Corporates	IRB Advanced (1)	IRB Advanced (1)
POLAND		
Retail		
- Loans secured by residential real estate	IRB Advanced	IRB Advanced
- Renewable positions	IRB Advanced	IRB Advanced
OTHER EXPOSURES (ALL ENTITIES OF THE GROUP)	Standardised	Standardised
MARKET RISKS (2)		
Generic market risk in debt and equity instruments	Internal Models	Internal Models
Foreign exchange risk	Internal Models	Internal Models
Commodities risk and market risk in debt and equity instruments	Standardised	Standardised
OPERATIONAL RISK (3)	Standard	Standard

(1) Excluding exposures derived from the SOE rating systems and the simplified rating system, which were weighted by the standardised approach.
(2) For exposures in the perimeter centrally managed from Portugal; for all other exposures the only approach applied is the standardised method.
(3) The adoption of the standard method of operational risk was authorised in 2009 for application on a consolidated basis.

4. CAPITAL ADEQUACY

4.1. REGULATORY FRAMEWORK

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

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

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

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

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

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

Capital buffers required by the regulator were established with the objective of allowing banks to face adverse shocks. While the European banking sector has built up a significant amount in capital buffers, the ECB has allowed banks to operate temporarily below the capital level defined by Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the systemic buffer (O-SII). Furthermore, several National Supervisory Authorities have reduced or temporarily eliminated the need for the creation of countercyclical buffers (CCyB).

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

TABLE 8 – MINIMUM CAPITAL REQUIREMENTS FROM SREP

31/12/2020

	Minimum required Pillar 1	Additional requirements Pillar 2	Capital conservation buffer	O-SII capital buffer	Total
CET1	4,5%	1,27%	2,500%	0,563%	8,828%
T1	6,0%	1,69%	2,500%	0,563%	10,750%
Total	8,0%	2,25%	2,500%	0,563%	13,313%

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

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

4.2. OWN FUNDS AND CAPITAL ADEQUACY ON 31 DECEMBER OF 2020 AND 2019

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

Common equity tier 1 includes:

(i) paid-up capital, share premium, reserves and retained earnings with the deduction of expected dividends and non-controlling interests.

(ii) and deductions related to own shares and loans given to finance the acquisition of Bank's shares, the shortfall of value adjustments and provisions to expected losses concerning exposures whose capital requirements for credit risk are calculated under the IRB approach and goodwill and other intangible assets and the additional value adjustments required by applying prudent valuation requirements to all assets valued at fair value.

Reserves and retained earnings are adjusted by the reversal of unrealised gains and potential losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the capital requirements attributable to the minorities.

In addition, the deferred tax assets arising from unused tax losses are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

The additional value adjustments under SREP as well as the irrevocable payment commitments for the Deposits Guarantee Fund and the Single Resolution Fund and the additional coverage of non-productive exposures are also deducted.

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

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

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

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

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

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

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

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

TABLE 9 - CAPITAL RATIO AND SUMMARY OF THE MAIN AGGREGATES

(Thousand euros)

	Fully implemented		*Phased-in*	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
OWN FUNDS				
Tier I	6 187 379	5 918 966	6 193 989	5 932 462
of which: Common Equity Tier I	5 651 316	5 415 326	5 657 289	5 428 513
Tier II	1 025 336	1 032 681	1 018 263	1 027 643
Total capital	**7 212 715**	**6 951 648**	**7 212 252**	**6 960 105**
RWA				
Credit risk and counterparty credit risk	39 912 807	39 468 942	40 003 475	39 528 525

Market risk	2 322 058	1 301 134	2 322 058	1 301 134
Operational risk	4 014 374	4 058 072	4 014 374	4 058 072
Credit Valuation Adjustments (CVA)	73 141	113 884	73 141	113 884
Total	**46 322 379**	**44 942 031**	**46 413 048**	**45 001 614**
CAPITAL RATIOS				
Common Equity Tier I	12,2%	12,0%	12,2%	12,1%
Tier I	13,4%	13,2%	13,3%	13,2%
Total capital	**15,6%**	**15,5%**	**15,5%**	**15,5%**

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

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

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

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

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

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

(Thousand euros)

	RWA			Minimum capital requirements		
	31 Dec 2020	**30 Sep 2020**	**31 Dec 2019**	**31 Dec 2020**	**30 Sep 2020**	**31 Dec 2019**
CREDIT RISK (EXCLUDING CCR)	**37 159 709**	**37 253 428**	**36 871 770**	**2 972 777**	**2 980 274**	**2 949 742**
of which:						
Standardised Approach	12 601 993	12 644 828	**12 934 834**	**1 008 159**	**1 011 586**	**1 034 787**
Foundation IRB (FIRB) Approach						
Advanced IRB (AIRB) Approach	24 557 716	24 608 600	**23 936 936**	**1 964 617**	**1 968 688**	**1 914 955**
Equity under the Simple Risk-weighted Approach						
CCR	**342 825**	**367 835**	**522 857**	**27 426**	**29 427**	**41 829**
of which:						
Mark to Market	269 684	291 124	**408 973**	**21 575**	**23 290**	**32 718**
Original exposure						
Standardised Approach						
Internal Model Method (IMM)						
Risk exposure amount for contributions to the default fund of a CCP						
CVA	73 141	76 711	**113 884**	**5 851**	**6 137**	**9 111**
SETTLEMENT RISK						
SECURITISATION EXPOSURES IN THE BANKING BOOK (AFTER THE CAP)	**482 034**	**497 047**	**258 666**	**38 563**	**39 764**	**20 693**
of which:						
IRB Approach	1 256	1 256	**1 874**	**101**	**101**	**150**
IRB Supervisory Formula Approach (SFA)	480 778	495 791	**256 791**	**38 462**	**39 663**	**20 543**
Internal Assessment Approach (IAA)						
Standardised Approach						
MARKET RISK	**2 322 058**	**1 928 663**	**1 301 134**	**185 765**	**154 293**	**104 091**
of which:						

Standardised Approach	1 640 364	990 002	433 699	131 229	79 200	34 696
IMA	681 694	938 660	867 435	54 536	75 093	69 395
LARGE EXPOSURES						
OPERATIONAL RISK	4 014 374	4 058 072	4 058 072	321 150	324 646	324 646
of which: Basic Indicator Approach						
Standardised Approach	4 014 374	4 058 072	4 058 072	321 150	324 646	324 646
Advanced Measurement Approach						
AMOUNTS BELOW THE THRESHOLDS FOR DEDUCTION (subject to 250% risk weight)	2 092 049	2 106 363	1 989 116	167 364	168 509	159 129
Floor Adjustment						
TOTAL	46 413 048	46 211 407	45 001 614	3 713 044	3 696 913	3 600 129

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

TABLE 11 – RECONCILIATION BETWEEN ACCOUNTING AND REGULATORY CAPITAL

(Thousand euros)

		31 Dec 2020	31 Dec 2019
1	Share capital	4 725 000	4 725 000
2	Own shares	-40	-102
3	Share premium	16 471	16 471
4	Preference shares		
5	Other capital instruments	400 000	400 000
6	Reserves and retained earnings	896 861	676 358
7	Net income for the period attributable to Shareholders	183 012	302 003
	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**6 221 304**	**6 119 730**
8	Non-controlling interests (minority interests)	1 131 248	1 225 870
	TOTAL EQUITY	**7 352 552**	**7 345 600**
9	Own shares of CET1 not elegible instruments	-1 823	-3 010
10	Preference shares not eligible for CET1		
11	Other capital instruments not eligible for CET1	-400 000	-400 000
12	Subordinated debt fully subscribed by the Portuguese State eligible for CET1	-12 278	-157 692
13	Non-controlling interests not eligible for CET1	-442 927	-476 700
14	Other regulatory adjustments	-838 235	-879 685
	Of which: Intangible assets	-44 436	-294 159
	Of which: Goodwill	-184 990	-204 073
	Of which: Deferred tax assets	-176 876	-120 283
	Of which: Other	-431 933	-261 170
	COMMON EQUITY TIER 1 (CET1)	**5 657 289**	**5 428 513**
15	Subordinated debt	400 000	400 000
16	CET1 transferred adjustments	136 700	103 949
17	T2 transferred adjustments		
18	Other Adjustments		
	Of which: Intangible assets		
	Of which: Shortfall of impairment to expected loss		
	Of which: Residual amounts of CET1 instruments of financial entities in which the institution has a significant investment		

	Of which: Other		
	TIER 1 (T1)	**6 193 989**	**5 932 462**
19	Subordinated debt	765 490	821 704
20	Non-controlling interests eligible for T2	311 573	264 739
21	Preference shares eligible for T2		
22	Adjustments with impact in T2, including national filters	-58 800	-58 800
23	Adjustments that are transferred for T1 for insufficient T2 instruments		
	TIER 2 (T2)	**1 018 263**	**1 027 643**
	OWN FUNDS	**7 212 252**	**6 960 105**

Notes:
The sum of items 1, 2, 3 e 9 is equivalent to the item 1 of Template CC1.
Item 6 is equivalent to the sum of items 2 and 3 of Template CC1.
The sum of items 7 e 12 is equivalent to the item 5a of Template CC1.
Item 14 is equivalent to the item 28 of Template CC1.
Item 15 is equivalent to the item 30 of Template CC1.
Item 16 is equivalent to the item 34 of Template CC1.
Item 19 is equivalent to the item 46 of Template CC1.
Item 20 is equivalent to the item 48 of Template CC1.
Item 22 is equivalent to the item 55 of Template CC1.

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

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

(Thousand euros)

		31 Dec 20	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	4,739,608	
	of which: Instrument type 1	4,725,000	37
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	721,731	41;43
3	Accumulated other comprehensive income (and other reserves)	175,131	41;43
3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-58,410	45
5	Minority interests (amount allowed in consolidated CET1)	746,732	45
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	170,734	44
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6,495,525**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-13,468	
8	Intangible assets (net of related tax liability) (negative amount)	-229,426	14;18
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-176,885	20

11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-39,479	43
12	Negative amounts resulting from the calculation of expected loss amounts	-24,730	
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-408	43
15	Defined-benefit pension fund assets (negative amount)	-93,041	21
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-37	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
20b	of which: qualifying holdings outside the financial sector (negative amount)		
20c	of which: securitisation positions (negative amount)		
20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-52,915	20
22	Amount exceeding the 17,65% threshold (negative amount)	-145,614	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-59,656	14
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary differences	-85,959	20
25a	Losses for the current financial year (negative amount)		
25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
26	Empty set in the EU		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	-62,231	14, 20, 21
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-838,235**	
29	**Common Equity Tier 1 (CET1) capital**	**5,657,289**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	400,000	40
31	of which: classified as equity under applicable accounting standards	400,000	
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR		
33a	Amount of qualifying items referred to in Article 494a (1) CRR subject to phase out from AT1		
33b	Amount of qualifying items referred to in Article 494b (1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	136,700	45
35	of which: instruments issued by subsidiaries subject to phase out	636	45

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

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

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

(Thousand euros)

		Balance sheet as in published financial statements 31 Dec 20	Under regulatory scope of consolidation 31 Dec 20	Reference to Template CC1
ASSETS				
1	Cash and deposits at Central Banks	5 303 864	5 303 862	
2	Loans and advances to credit institutions repayable on demand	262 395	261 374	
3	Financial assets at amortised cost			
4	Loans and advances to credit institutions	1 015 087	1 006 140	
5	Loans and advances to customers	52 120 815	52 134 631	
	Of which:			
	Subordinated loans		58 800	55
6	Debt instruments	6 234 545	6 214 057	
7	Financial assets at fair value through profit or loss			
8	Financial assets held for trading	1 031 201	1 025 062	
9	Financial assets not held for trading mandatorily			
	at fair value through profit or loss	1 315 467	1 626 336	
10	Financial assets designated at fair value			
	through profit or loss			
11	Financial assets at fair value through			
	other comprehensive income	12 140 392	12 160 599	
12	Assets with repurchase agreement			
13	Hedging derivatives	91 249	91 249	
14	Investments in associated companies	434 959	466 674	
	Of which:			
	Direct, indirect, and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		59 656	23
	Other regulatory adjustments to CET1 capital		23	27a
	Goodwill		37 249	8
15	Non-current assets held for sale	1 026 481	793 533	
16	Investment property	7 909	2 891	
17	Other tangible assets	640 824	569 619	
18	Goodwill and intangible assets	245 954	245 203	
	Of which:			
	Goodwill and intangible assets, excluding software classified as intangible assets not within the scope of article 13a of Regulation 241/2014		192 178	8
19	Current tax assets	11 676	11 662	
20	Deferred tax assets	2 633 790	2 628 727	
	Of which:			
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences		176 885	10
	Arising from temporary differences (amount above 10% threshold)		52 915	21
	Arising from temporary differences (amount above 17,75% threshold)		85 959	25
	Other regulatory adjustments to CET1 capital		-6 624	27a
21	Other assets	1 296 811	1 262 856	

	Of which:			
	Defined-benefit pension fund assets		93 041	15
	Single resolution fund		17 276	27a
	Total Assets	**85 813 420**	**85 804 474**	
LIABILITIES				
22	Financial liabilities at amortised cost			
23	Resources from credit institutions	8 898 759	8 898 759	
24	Resources from customers	63 000 829	63 047 962	
25	Non subordinated debt securities issued	1 388 849	1 388 849	
26	Subordinated debt	1 405 172	1 405 172	
	Of which:			
	Capital instruments and the related share premium accounts		765 490	46
	Qualifying own funds instruments issued by subsidiaries and held by third parties		129 307	48, 49
27	Financial liabilities at fair value through profit or loss			
28	Financial liabilities held for trading	278 851	278 851	
29	Financial liabilities at fair value			
30	through profit or loss	1 599 405	1 599 405	
31	Hedging derivatives	285 766	285 766	
32	Non-current liabilities held for sale			
33	Provisions	443 799	408 146	
34	Current tax liabilities	14 827	15 522	
35	Deferred tax liabilities	7 242	7 222	
36	Other liabilities	1 103 651	1 116 267	
	Total Liabilities	**78 427 150**	**78 451 921**	
EQUITY				
37	Share capital	4 725 000	4 725 000	1
38	Share premium	16 471	16 471	1
39	Preference shares			
40	Other equity instruments	400 000	400 000	31
41	Legal and statutory reserves	254 464	254 464	2;3
42	Treasury shares	-40	-40	1
43	Reserves and retained earnings	642 397	642 397	2;3;11;14
44	Net income for the year attributable to Shareholders	183 012	183 012	5a
	Total Equity attributable to Shareholders	**6 221 304**	**6 221 304**	
45	Non-controlling interests	1 164 966	1 131 248	
	Of which:			
	Amount allowed in consolidated CET1		688 322	4, 5
	Amount allowed in consolidated AT1		137 336	34, 35
	Amount allowed in consolidated T2		175 193	48, 49
	Total Equity	**7 386 270**	**7 352 552**	
	Total Liabilities and Equity	**85 813 420**	**85 804 474**	

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

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	BCP Finance Bank, Ltd.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	PTBIVXOM0013	PTBIVSOM0077	PTBIUGOM0072	XS0686774752	PTBCPWOM0034	PTBIT3OM0098	PLBIG0000453	PLBIG0000461	PTBCPFOM0043	PTBCP0AM0015
2a	Public or private placement	Private placement	Private placement	Private placement	Public placement	Public placement	Public placement	Public placement	Public placement	Public placement	Public placement
3	Governing law(s) of the instrument	English and Portuguese law	English and Portuguese law	English and Portuguese law	English law	English and Portuguese law	English and Portuguese law	Polish law	Polish law	English and Portuguese law	Portuguese law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No	No	No	Yes	Yes	N/A	N/A	Yes	N/A
REGULATORY TREATMENT											
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Common Equity Tier 1
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated	Solo / (Sub) consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Other Capital Instruments	Ordinary Shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	5 573 333	3 240 611	2 158 333	4 517 410	300 000 000	450 000 000	59 160 098	70 146 974	399 999 980	4 723 137
9	Nominal amount of instrument	114 000 000	64 100 000	35 000 000	98 850 000	300 000 000	450 000 000	PLN 700.000.000 (153.498.673)	PLN 830.000.000 (182.005.570)	400 000 000	N/A
9a	Issue price	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A
9b	Redemption price	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity	Shareholders' equity
11	Original date of issuance	28 March 2011	1 April 2011	21 April 2011	13 October 2011	07 December 2017	27 September 2019	07 December 2017	30 January 2019	31 January 2019	N/A
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Perpetual	No maturity
13	Original maturity date	28 March 2021	1 April 2021	21 April 2021	13 October 2021	07 December 2027	27 March 2030	07 December 2027	30 January 2029	N/A	N/A
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	N/A	Yes	Yes	Yes	Yes	Yes	N/A
15	Optional call date, contingent call dates and redemption amount	In case of Capital Disqualification Redemption Event. The Notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The Notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The Notes will be redeemed at par.	N/A.	07 December 2022. Existence of call option, at any moment, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	27 MArch 2025. Existence of call option, at any moment, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	08 December 2022. Existence of call option, on each interest payment date, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	30 January 2024. Existence of call option, on each interest payment date, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	First date: 31 January 2024. Existence of call option, on each interest payment date, in case of determined tax and regulatory events. If the option is exercised, the notes will be redeemed at par.	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	First call date and on each interest payment date thereafter	N/A

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	BCP Finance Bank, Ltd.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Bank Millennium S.A.	Bank Millennium S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
COUPONS/DIVIDENDS											
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Fixed	Fixed (reset)	Fixed (reset)	Floating	Floating	Fixed	Floating
18	Coupon rate and any related index	Euribor 3m + 3.75%	Euribor 3m + 3,75%	Euribor 3m + 3,75%	13,00%	First 5 years. 4.5%. Refixing at the end of the 5th year: MS 5y rate + Initial Margin (4,267%)	First 5,5 years. 3.871%. Refixing at the end of the 5,5th year: MS 5y rate + Initial Margin (4,231%)	Wibor 6M + 2,30%	Wibor 6M + 2,30%	MS 5y rate + 941.4 bps first 5 years; Refixing every 5 years. Until 31 Juanuary 2019: 9.25%	N/A
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary	N/A
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No	N/A
22	Noncumulative or cumulative	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

[2] On the Issue Date

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

TABLE 15 – UNIFORM DISCLOSURE OF IFRS9 TRANSITIONAL ARRANGEMENTS

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

(Thousand euros)

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

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

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

(Thousand euros)

31/12/2020

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

TABLE 17 – CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

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

4.4. LEVERAGE RATIO ON 31 DECEMBER 2020

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

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

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

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

(Thousand euros)

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

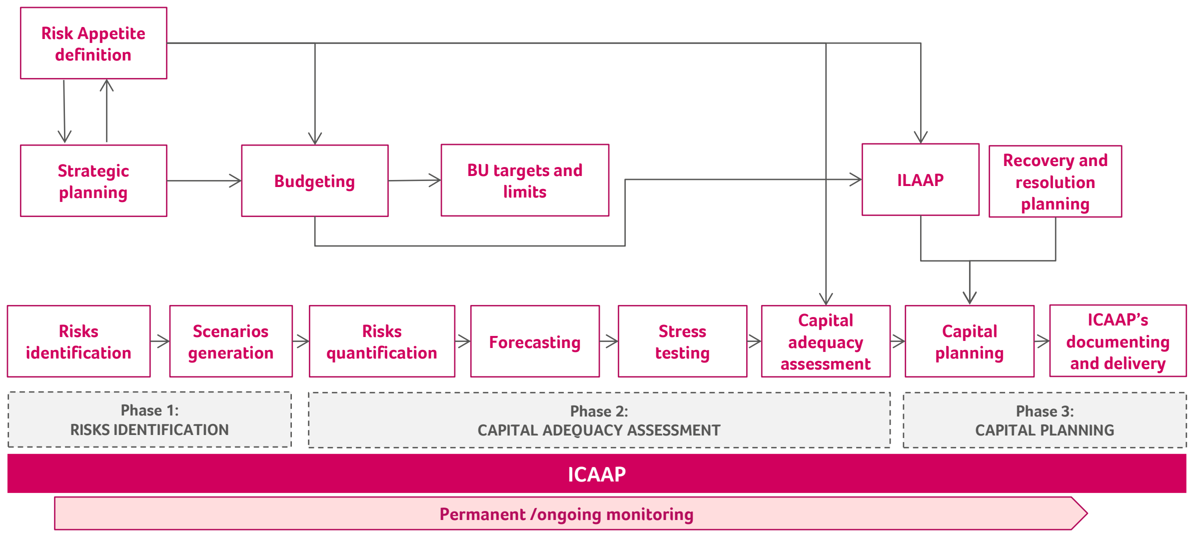
Leverage ratio common disclosure		31/12/2020 Applicable amount	30/06/2020 Applicable amount
	On-balance sheet exposures (excluding derivatives, SFT and fiduciary assets)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	85,851,688	86,999,329
2	Asset amounts deducted in determining Tier 1 capital	-825,493	-878,712
3	**Total of on-balance exposures (excluding derivatives, SFT and fiduciary assets) = sum of lines 1 and 2**	**85,026,195**	**86,120,617**
	On-balance sheet exposures (excluding derivatives, SFT and fiduciary assets)		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	376,749	437,485
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	274,156	425,477
UE-5a	Exposure determined under the Original Exposure Method	0	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	-132,910	-129,380

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

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

4.5. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

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



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

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

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

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

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

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

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

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

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

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

TABLE 19 – MATERIAL RISKS

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

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

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

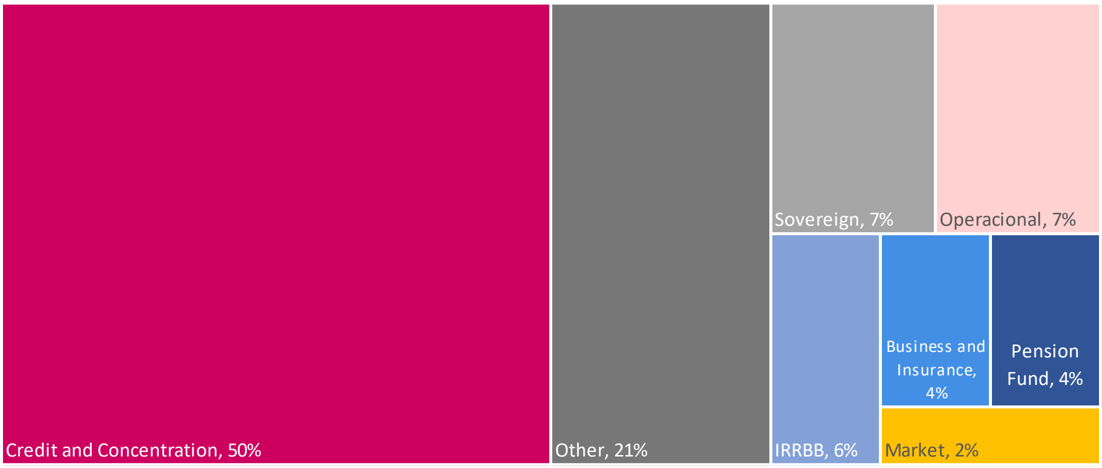
The Group assumes a high quality Risk-Taking Capacity (RTC) in line with the definition of regulatory capital ratios under Directive 2013/36 / EU and CRR, including some adjustments to include others capital elements or instruments that the Group considers appropriate to cover existing risks, prudently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

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

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

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

TABLE 20 – INTERNAL CAPITAL REQUIREMENTS PER TYPE OF RISK



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

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

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

5. CREDIT RISK

5.1. DEFINITIONS AND POLICIES FOR LOSSES AND PROVISIONING ASSESSMENT

Credit risk is associated with the potential losses and with the uncertainty concerning the expected returns due to the failure of the borrower – and of its guarantor, if there is one – or of the issuer of a security or of the counterparty of a contract in complying with their duties.

Past due loans, for accounting purposes, correspond to the global value of the credits and instalments due and not collected associated to credit agreements recognised in the balance sheet in any form whatsoever. Thus, all the credits (capital) that have not been settled 30 days after their maturity date are accounted in past due loans.

This framework also includes the capital instalments contractually foreseen for future periods but that, due to the non-payment of one of the instalments (of capital or of interests) may, in accordance with the law, be considered due and there are doubts on whether they will be paid.

A loan, including its components of principal, interest and expenses, is "non performing" whenever a previously established limit has been exceeded, whenever a contractual covenant has been breached or when an overdraft situation has occurred (with no previous approval and after its liquidation has been requested to the debtor). Materiality thresholds per client segment are defined for the monitoring of credit risk.

Restructured credits (Forborne) are credit operations for which deferral measures have been granted. Deferral measures are concessions made to a debtor that is going through or will soon go through difficulties in meeting its financial commitments (financial difficulties).

Since January 1, 2019, the credit impairment calculation process incorporates the general principles defined by IFRS 9 and the guidelines issued by Banco de Portugal through Circular Letter 2018/00000062.

All customers in default (i.e. classified with Risk Grade 15 on the Bank's internal rating scale) are considered as having objective signs of impairment, in accordance with the provisions of the definition of default, which were subject to change at the beginning of 2020, presented below:

- Days past due: The obligor is more than 90 days past due on any obligation above the following thresholds: 100 Euros, for retail obligors or above 500 Euros for non-retail obligors; and 1% of total (on-balance sheet) exposure (irrespective of whether it is a retail obligor or not).
- Non-accrual status: The obligor has had at least one obligation that has ceased to recognize interest income because of a perceived decline in its credit quality.
- Debtor with credit impairment: The obligor has been submitted to the individual impairment analysis and it has been concluded as having objective signals of impairment.
- Sale of the credit obligation: The obligor's exposure(s) have been sold – partially or in full – with a material loss (5%).
- Restructuring due to financial difficulties: The debtor was subject to a restructuring due to financial difficulties with an economic loss higher than 1%.
- Bankruptcy: The obligor that has filed for bankruptcy (insolvency) or similar arrangement: (i) PEAP; or (ii) EPR; or (iii) PER; or (iv) "Pré-insolvência".
- Credit arrears after restructuring due to financial difficulties: The debtor has a significant credit obligation overdue for more than 30 days on a restructured credit obligation.
- Restructuring recurrence: The debtor has a restructured obligation and requests additional restructuring measures, regardless of the loss/gain from the restructuring.
- Legal recovery proceedings: The obligor that is sent to legal recovery proceedings
- Guarantors of exposures in default: The obligor is a guarantor of a defaulted exposure, provided that (i) the guarantee has been officially claimed; and (ii) after the foreseen contractual period the overdue amount has not been paid.
- Credit fraud: The debtor has participated in credit fraud.
- Cross default at the BCP Group level: The common obligor (between BCP and any other Group entity) is in a default status in any entity of BCP Group.
- Breach of covenants in a credit agreement: The debtor that, as a result of a case-by-case analysis, is considered to have any other indication of reduced probability of payment, taking into consideration the breach of covenants in a credit agreement.

- Contagion of default in economic group: The debtor who, as a result of a case-by-case analysis, is considered to have any other indication of reduced probability of payment, taking into consideration the contagion of default at the level of a group of related debtors.
- Days past due on joint credit obligations: The obligor has, together with other obligors classified as in default, a significant credit obligation overdue for more than 90 days (or 30 days in case of a restructured credit obligation) - in this case, the materiality thresholds are analysed considering only the amounts of the obligation.

Clients representing high risk and exposure for which objective signs of impairment exist (Stage 3) are submitted to individual impairment analysis.

That individual analysis in a regular process for the allocation of a recovery expectation concerning all the exposures, as well as of a term expected for the recovery. The impairment amount for each client is based, essentially, in the prospects of repayment and repayment term, concerning monetary, financial or physical assets. This periodic process is based on the elements that are relevant for the impairment assessment, namely:

- Financial and economic data based on the Client’s most recent accounting statements.
- Qualitative data that characterise the Client’s situation in what concerns the economic viability of the business.
- Projected cash-flows for clients that are analysed in a ‘going concern’ perspective.
- Creditworthiness track-record of the Client within the Bank and the financial system.

Collateral and guarantees data are of particular importance, especially in real estate companies and in cases for which economic viability is reduced (“gone concern” approach).

The Bank has a conservative approach towards the treatment of collateral, materialised in the use of haircuts, aiming at incorporating the assets’ devaluation risk, the costs inherent to their selling and the maintenance costs and term that occur until the sale.

For each client, impairment is calculated as the difference between the respective exposure and the total of expected cash-flows for the various operations, discounted at the effective interest rate of each operation.

The credits that are not subject to individual impairment analysis are grouped, taking into consideration their risk features and impairment assessed is based on homogeneous populations (collective analysis), defined in accordance to the risk grade and the segment of clients.

For these cases, the following main parameters are used for impairment assessment:

- PD: Probability of Default (‘1-year’ for credits in Stage 1, ‘lifetime’ for credits in Stage 2);
- LGD: Loss Given Default;
- CCF: Credit Conversion Factor applicable to the undrawn off-balance amount.

These parameters are estimated through statistical internal models, including macro-economic adjustments in a forward-looking perspective. Those models are updated annually and submitted for appreciation to the Models’ Validation and Monitoring Office. Considering the extraordinary impacts of the pandemic outbreak COVID-19, the macroeconomic scenarios were updated extraordinarily in June and December 2020.

The results of the impairment assessment process are duly registered in accounting terms.

In accordance with Banco de Portugal Circular Letter No. CC / 2017/00000020, the Bank has defined in its internal regulations a policy for the classification, derecognition and monitoring of credits considered uncollectible. The Bank recognizes a credit as written off to the balance sheet when it there are no reasonable expectations of its recovery in whole or in part. This registration occurs after all the recovery actions carried out have proved unsuccessful. Thus, when a credit reaches 100% impairment, its classification as uncollectible should be considered. However, even if a loan does not yet have 100% impairment, it can also be classified as uncollectible if there are no expectations of recovery. In this case, impairment should be recognized for the remaining amount. In the case of credits that still have collateral, write-offs can only be made on the part not covered, if there is evidence of the uncollectibility of the excess on the value of the collateral and it is 100% covered by impairment. The credit uncollectibility decision is the responsibility of the Credit Decision Bodies, under the proposal of the recovery area responsible for the Client's management. As a rule, the removal of an uncollectible credit from the balance sheet is irreversible, so, if any amount related to these credits is recovered, the recovery amount is recognized as an income in the profit and loss account. Loans written off are recorded in off-balance sheet items when they are derecognised from the balance sheet and kept until the moment of the definitive extinguishment of the liabilities.

On each balance date, an evaluation of the objective evidence of impairment is made. A financial asset or group of financial assets is impaired whenever there is objective evidence of impairment, resulting of one or more events that occurred after its initial recognition, such as: (i) for listed securities, a continued or significant price devaluation, and (ii) for unlisted securities, when that event (or events) has an impact in the financial asset, or group of financial assets, estimated future cash flow value that can be reasonably estimated. According to the Group’s policies, 30% of devaluation of the fair value of a debt instrument is considered a significant devaluation and the one-year period is assumed as a continued devaluation of the fair value below acquisition cost.

If impairment is detected in a debt instrument classified as financial asset at fair value through other comprehensive income, the accumulated loss (measured as the difference between the acquisition cost and the fair value, excluding impairment losses previously recognised against results) is allocated to fair value changes and recognised in the results. If, in a subsequent period, the fair value of the debt instruments classified as financial assets at fair value through other comprehensive income increases and that increase may be objectively related with an event that occurred after the recognition of the impairment loss in the results, the impairment loss is reverted against results.

Finally, provisions are recognised when (i) the Group has a current liability (legal or deriving from practices or policies that imply the recognition of certain liabilities), (ii) it is likely that its payment is demanded and (iii) when a reliable estimation of the value of that liability can be made.

In cases where the discount effect is material, provisions are recorded, corresponding to the present value of expected future payments, discounted at a rate that reflects the risk associated with the liability.

The provisions are reviewed in the end of each reporting date and adjusted to show the better estimation, being reverted to results in the same proportion as unlikely payments. The provisions are derecognised by using them to pay the liabilities for which they have initially been made for or when the same are no longer required.

The conciliation of the general and specific credit risk adjustments, concerning exposures subject to impairment, is presented in Table 21.

TABLE 21 – TEMPLATE 16 / EU CR2-A – CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

31/12/2020		(Thousand euros)
	Accumulated specific credit risk adjustment (1)	Accumulated general credit risk adjustment (2)
OPENING BALANCE IN 1 JULY	**1 888 854**	**368 732**
Increases due to amounts set aside for estimated loan losses during the period	264 590	100 459
Decreases due to amounts reversed for estimated loan losses during the period	-471 316	-2 414
Decreases due to amounts taken against accumulated credit risk adjustments	-39 564	-55 023
Transfers between credit risk adjustments	-6 773	6 773
Impact of exchange rate differences		
Business combinations including acquisitions and disposals of subsidiaries		
Other adjustments	-55	
CLOSING BALANCE IN 31 DECEMBER	**1 635 736**	**418 527**
Recoveries on credit risk adjustments recorded directly to the statement of profit and loss	9 791	
Specific credit risk adjustments directly recorded to the statement of profit and loss		

30/06/2020		(Thousand euros)
	Accumulated specific credit risk adjustment (1)	Accumulated general credit risk adjustment (2)
OPENING BALANCE IN 1 JANUARY	**2 128 413**	**304 683**
Increases due to amounts set aside for estimated loan losses during the period	223 497	88 285
Decreases due to amounts reversed for estimated lon losses during the period	-423 934	-1 470
Decreases due to amounts taken against accumulated credit risk adjustments	-62 516	-13 598
Transfers between credit risk adjustments	9 168	-9 168
Impact of exchange rate differences		
Business combinations including acquisitions and disposals of subsidiaries		
Other adjustments	14 224	
CLOSING BALANCE IN 30 JUNE	**1 888 854**	**368 732**
Recoveries on credit risk adjustments recorded directly to the statement of profit and loss	12 889	
Specific credit risk adjustments directly recorded to the statement of profit and loss		

(1) Impairment for credit in stage 3

(2) Impairment for credit in stages 1 and 2

The changes in the stock of defaulted and impaired loans and debt securities is shown in table 22.

TABLE 22 – TEMPLATE 17 / EU CR2-B - CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

(Thousand euros)

	Gross carrying value of defaulted exposures	
	Dec 20	Jun 20
OPENING BALANCE (*)	**3 954 703**	**4 217 702**
Loans and debt securities that have defaulted or impaired since the last reporting period	339 181	612 892
Returned to non-defaulted status	-125 648	-135 882
Amounts written off	-176 304	-117 170
Other changes	-670 610	-622 839
CLOSING BALANCE (**)	**3 321 321**	**3 954 703**

(*) 31/12/2019 for Jun 2020; 30/06/2020 for Dec 2020

(**) 30/06/2020 for Jun 2020; 31/12/2020 for Dec 2020

The decrease in the final balance between December 2020 and June 2020 reflects the reduction in NPE in the Group.

5.2. CREDIT QUALITY

The following tables present the breakdown of both on-balance and off-balance sheet items' credit quality, excluding counterparty credit positions (except in the Table 30).

TABLE 23 - TEMPLATE 11 / EU CR1-A – CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

(Thousand euros)

	Dec 2020						
	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Central Governments or Central Banks							
Institutions							
Corporates	1 722 753	17 679 556		1 181 752			18 220 557
Retail	1 017 537	31 214 128		396 473			31 835 193
Equity		1 391 890		22 571			1 369 319
TOTAL IRB APPROACH	**2 740 290**	**50 285 574**		**1 600 796**			**51 425 068**
Central Governments or Central Banks		19 726 743		3 355			19 723 388
Regional Governments or Local Authorities		1 262 288		2 914			1 259 374
Public Sector Entities		300 668		421			300 247
Multilateral Development Banks		40 029					40 029
International Organisations							
Institutions		2 609 300		968			2 608 333
Corporates		9 206 833		108 712			9 098 121
Retail		5 960 587		93 430			5 867 157
Secured by mortgages on immovable property		2 083 650		13 018			2 070 633
Exposures in default	882 512			350 440			532 072
Items associated with particularly high risk		5 738		130			5 607
Covered bonds							
Claims on institutions and corporates with a short-term credit assessment							
Collective Investment Undertakings		100 317					100 317
Equity exposures		29 967					29 967
Other exposures		90 941					90 941
TOTAL STANDARDISED APPROACH	**882 512**	**41 417 061**		**573 388**			**41 726 185**
TOTAL	**3 622 802**	**91 702 634**		**2 174 184**			**93 151 253**

	Jun 2020						
	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Central Governments or Central Banks							
Institutions							
Corporates	2 183 778	16 731 084		1 417 096			17 497 767
Retail	1 087 740	30 589 735		348 215			31 329 260
Equity		1 379 789		18 247			1 361 543
TOTAL IRB APPROACH	**3 271 518**	**48 700 608**		**1 783 557**			**50 188 569**
Central Governments or Central Banks		18 863 772		3 501			18 860 271
Regional Governments or Local Authorities		1 129 881		2 137			1 127 744
Public Sector Entities		305 893		390			305 503
Multilateral Development Banks		40 856					40 856
International Organisations							
Institutions		3 048 875		3 156			3 045 719
Corporates		9 346 320		53 070			9 293 250
Retail		5 726 281		65 320			5 660 961
Secured by mortgages on immovable property		2 249 681		13 222			2 236 459
Exposures in default	916 356			365 488			550 868
Items associated with particularly high risk		1 541		6			1 535
Covered bonds							
Claims on institutions and corporates with a short-term credit assessment							
Collective Investment Undertakings		108 899					108 899
Equity exposures		32 832					32 832
Other exposures							
TOTAL STANDARDISED APPROACH	**916 356**	**40 854 831**		**506 288**			**41 264 899**
TOTAL	**4 187 874**	**89 555 440**		**2 289 846**			**91 453 468**

TABLE 24 - TEMPLATE 12 / EU CR1-B – CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

31/12/2020 (Thousand euros)

	a	b	c	d	e	f	g
	Gross carrying values of						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
Mortgage credit	622 878	24 301 411		174 076			24 750 214
Services	697 802	10 091 769		411 319			10 378 251
Consumer credit	746 580	14 556 134		602 664			14 700 050
Construction	447 797	2 334 137		173 514			2 608 419
Other activities - national	601 581	25 317 833		417 608			25 501 807
Other activities - international	2	292		1			292
Wholesale business	89 842	2 298 610		71 347			2 317 105
Other	416 321	11 189 334		301 084			11 304 572
TOTAL	**3 622 802**	**90 089 520**		**2 151 612**			**91 560 710**

30/06/2020 (Thousand euros)

	a	b	c	d	e	f	g
	Gross carrying values of						
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
Mortgage credit	684 346	24 150 350		143 221			24 691 475
Services	680 097	9 809 008		388 147			10 100 958
Consumer credit	1 069 162	13 403 513		834 914			13 637 761
Construction	488 688	2 191 513		146 572			2 533 630
Other activities - national	580 162	25 558 583		325 858			25 812 887
Other activities - international		332		2			330
Wholesale business	116 616	2 206 046		89 571			2 233 091
Other	568 800	10 714 576		343 316			10 940 059
TOTAL	**4 187 871**	**88 033 919**		**2 271 599**			**89 950 191**

TABLE 25 - TEMPLATE 13 / EU CR1-C – CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

31/12/2020 (Thousand euros)

	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Portugal	2 665 038	64 190 346		1 586 371			65 269 013
Poland	860 481	23 250 320		522 727			23 588 074
Mozambique and other	97 284	2 648 854		42 515			2 703 622
TOTAL	**3 622 802**	**90 089 520**		**2 151 612**			**91 560 710**

30/06/2020 (Thousand euros)

	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Portugal	3 190 794	60 466 136		1 735 294			61 921 636
Poland	813 840	24 780 863		446 581			25 148 122
Mozambique and other	183 240	2 786 920		89 724			2 880 437
TOTAL	**4 187 874**	**88 033 919**		**2 271 599**			**89 950 195**

TABLE 26 - TEMPLATE 1 - EBA/GL/2018/10 – CREDIT QUALITY OF FORBORNE EXPOSURES

(Thousand euros)

	Dec 2020							
	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forebearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
1.Loans and advances	977 113	1 698 089	1 693 152	1 668 508	-47 623	-851 991	1 307 344	682 124
2. Central banks								
3. General governments	53 925				-1 515		43 310	
4. Credit institutions								
5. Other financial corporations	47 859	125 743	125 743	125 743	-1 720	-101 892	62 427	23 851
6. Non-financial corporations	541 865	1 090 805	1 087 408	1 090 803	-41 731	-602 341	707 237	449 859
7. Households	333 464	481 542	480 000	451 962	-2 657	-147 759	494 371	208 414
8. Debt securities		9 035	9 035	9 035		-2 245	6 790	6 790
9. Loan commitments given	1 808	1 092	1 092	1 092	-11	-213	607	148
TOTAL	978 921	1 708 216	1 703 279	1 678 635	-47 635	-854 449	1 314 741	689 062

	Jun 2020							
	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forebearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
1.Loans and advances	1 075 593	2 001 875	1 978 524	1 959 465	-49 957	-988 020	1 543 957	826 819
2. Central banks								
3. General governments	70 807				-1 391		50 391	
4. Credit institutions								
5. Other financial corporations	70 615	175 396	175 396	175 396	-1 802	-122 664	110 512	49 306
6. Non-financial corporations	572 986	1 308 034	1 304 594	1 308 032	-42 582	-733 639	819 639	523 683
7. Households	361 184	518 445	498 534	476 036	-4 182	-131 717	563 415	253 829
8. Debt securities	9 216				-72		9 145	
9. Loan commitments given	2 655	1 710	1 710	1 710	21	948	501	33
TOTAL	1 087 464	2 003 585	1 980 235	1 961 175	-50 008	-987 072	1 553 603	835 997

TABLE 27 - TEMPLATE 2 - EBA/GL/2018/10 – QUALITY OF FORBEARANCE

(Thousand euros)	Dec 2020	Dec 2019
	a	a
	Gross carrying amount of forborne exposures	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	196 029	650 247
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	945 947	71 279

Regarding the item "Non-productive forborne loans and advances that failed to meet non-performing exit criteria", the evolution between the two reported dates is explained by the implementation of new definition of default and by a different interpretation of concepts arising from the entry into force in June / 2020 of the new FINREP taxonomy 2.9. In December 19, only operations that did not present any other reason for marking as NPE were included, other than the criteria for demarcating the restructured operations. Since June / 2020, this item covers all operations that maintain the NPE classification after one year of restructuring.

TABLE 28 - TEMPLATE 3 - EBA/GL/2018/10 – CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

(Thousand euros)

	Dec 2020											
	a	b	c	d	e	f	g	h	i	j	k	l
	Montante escriturado bruto / Montante nominal											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days and ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1. Cash balances at central banks and other demand deposits	4 985 242	4 985 242										
2. Loans and advances	52 250 199	52 160 233	89 967	3 295 271	1 551 189	173 927	277 515	315 885	719 655	105 362	151 738	3 278 072
3.Central Banks	291 587	291 587										
4. General governments	1 124 732	1 124 732		1		0	0	0	0		1	1
5.Credit institutions	683 258	683 258										
6. Other financial corporations	715 186	715 185	1	220 694	129 834	1 759	69	19 974	59 413	9 587	59	220 694
7. Non-financial corporations	17 730 541	17 725 550	4 991	1 812 790	864 822	71 210	156 024	120 637	485 593	44 669	69 835	1 805 108
8. Of which SME	13 581 096	13 576 140	4 955	1 117 968	717 291	59 930	99 353	88 331	87 060	33 139	32 865	1 113 258
9. Households	31 704 896	31 619 921	84 975	1 261 785	556 533	100 959	121 421	175 274	174 649	51 107	81 843	1 252 269
10. Debt securities	19 533 341	19 533 341		100 320	98 559			1 722		40		100 320
11. Central banks	269 823	269 823										
12. General governments	14 624 945	14 624 945										
13.Credit institutions	358 984	358 984		1	1							1
14. Other financial corporations	1 396 473	1 396 473										
15. Non-financial corporations	2 883 115	2 883 115		100 320	98 558			1 722		40		100 320
16.Off-balance sheet exposures	15 398 008			442 711								434 309
17. Central banks												
18. General governments	115 299											
19.Credit institutions	730 122											
20. Other financial corporations	622 735			16 064								16 064
21. Non-financial corporations	11 111 301			411 021								403 759
22. Households	2 818 551			15 626								14 486
TOTAL	87 181 548	71 693 573	89 967	3 838 302	1 649 748	173 927	277 515	317 606	719 655	105 402	151 738	3 812 701
NPL Ratio			5,93%									

For the purpose of this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits are excluded.

	Jun 2020											
	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount / nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days and ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1. Loans and advances	50 995 428	50 865 826	129 602	3 934 107	1 873 065	310 220	314 939	335 847	827 600	99 464	172 972	3 884 884
2.Central Banks	111 493	111 493										
3. General governments	1 192 178	1 192 178	0	1		0	0	0	0		1	1
4.Credit institutions	923 155	923 155		0		0						
5. Other financial corporations	779 184	779 176	8	276 440	150 654	1 822	1 182	53 720	63 368	5 634	59	276 440
6. Non-financial corporations	16 735 215	16 719 936	15 279	2 288 318	1 156 036	157 839	172 318	125 616	566 989	38 541	70 980	2 272 705
7. Of which SME	12 969 680	12 955 693	13 987	1 368 486	932 953	122 232	66 527	87 334	106 829	18 596	34 014	1 358 463
8. Households	31 254 203	31 139 888	114 316	1 369 347	566 375	150 559	141 439	156 511	197 242	55 289	101 931	1 335 737
9. Debt securities	20 278 435	20 278 435		94 092	92 293		1 759			40		94 092
10. Central banks	539 111	539 111										
11. General governments	14 640 603	14 640 603										
12.Credit institutions	281 598	281 598										
13. Other financial corporations	1 732 512	1 732 512		7 750	7 750							7 750
14. Non-financial corporations	3 084 611	3 084 611		86 342	84 543		1 759			40		86 342
15.Off-balance sheet exposures	14 747 374			505 208								496 264
16. Central banks												
17. General governments	110 828			10								
18.Credit institutions	723 915											
19. Other financial corporations	433 867			17 745								17 745
20. Non-financial corporations	10 712 116			472 484								463 852
21. Households	2 766 648			14 970								14 667
TOTAL	86 021 237	71 144 261	129 602	4 533 407	1 965 358	310 220	316 698	335 847	827 600	99 504	172 972	4 475 240

TABLE 29 - TEMPLATE 4 - EBA/GL/2018/10 – PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

(Thousand euros)

	Dec 2020														
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1. Cash balances at central banks and other demand deposits	4 985 242	4 985 242													
2. Loans and advances	52 250 199	44 720 871	7 182 606	3 295 271	5 177	3 267 264	-406 852	-169 340	-237 512	-1 643 540	-1 257	-1 628 715		37 858 109	1 202 007
3.Central Banks	291 587	291 587													
4. General governments	1 124 732	906 419	218 312	1	0	1	-4 444	-763	-3 681	-1	0	-1		331 104	
5.Credit institutions	683 258	683 199	58				-45	-42	-3					6	
6. Other financial corporations	715 186	517 219	197 967	220 694	0	220 694	-8 524	-2 403	-6 121	-187 175		-187 175		509 916	32 352
7. Non-financial corporations	17 730 541	14 049 532	3 671 542	1 812 790	171	1 812 048	-266 638	-105 063	-161 575	-986 659	-61	-986 337		12 587 765	682 314
8. Of which SME	13 581 096	10 495 983	3 075 831	1 117 968	168	1 117 230	-218 863	-82 398	-136 465	-556 545	-61	-556 224		10 272 315	466 263
9. Households	31 704 896	28 272 916	3 094 727	1 261 785	5 006	1 234 520	-127 201	-61 069	-66 133	-469 705	-1 196	-455 203		24 429 319	487 341
10. Debt securities	19 533 341	18 197 634	124 389	100 320		16 904	-10 416	-9 614	-802	-73 755		-7 021		570 156	9 870
11. Central banks	269 823	269 823					-215	-215							
12. General governments	14 624 945	14 624 792					-4 660	-4 660							
13.Credit institutions	358 984	358 984		1		1									
14. Other financial corporations	1 396 473	182 565	14 513				-291	-249	-42					49 398	
15. Non-financial corporations	2 883 115	2 761 470	109 876	100 320		16 903	-5 251	-4 491	-760	-73 755		-7 021		520 758	9 870
16.Off-balance sheet exposures	15 398 008			442 711								81 102		2 755 227	192 432
17. Central banks															
18. General governments	115 299													694	
19.Credit institutions	730 122													41 994	
20. Other financial corporations	622 735			16 064								2 971		105 261	
21. Non-financial corporations	11 111 301			411 021								76 280		2 568 613	191 300
22. Households	2 818 551			15 626								1 851		38 665	1 132
TOTAL	87 181 548	62 918 505	7 306 995	3 838 302	5 177	3 284 167	-417 268	-178 954	-238 314	-1 717 294	-1 257	-1 554 635		41 183 492	1 404 309

	Jun 2020														
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1. Loans and advances	50 995 428	43 817 247	6 851 967	3 934 107	12 151	3 880 449	-351 028	-153 743	-197 285	-1 897 495	-3 294	-1 878 247		36 310 788	1 556 492
2.Central Banks	111 493	111 493													
3. General governments	1 192 178	940 642	251 535	1	0	1	-4 513	-1 032	-3 481	0	0	0		367 098	
4.Credit institutions	923 155	922 969	186	0			-75	-63	-12					377	
5. Other financial corporations	779 184	557 277	221 906	276 440	0	276 440	-10 514	-3 211	-7 302	-206 539		-206 539		427 953	65 317
6. Non-financial corporations	16 735 215	13 688 900	3 043 097	2 288 318	135	2 287 195	-217 899	-87 149	-130 750	-1 245 484	-30	-1 245 133		11 220 274	903 173
7. Of which SME	12 969 680	10 448 319	2 518 291	1 368 486	134	1 367 376	-170 939	-62 421	-108 518	-645 141	-29	-644 791		9 496 616	630 286
8. Households	31 254 203	27 595 967	3 335 244	1 369 347	12 015	1 316 813	-118 026	-62 288	-55 739	-445 472	-3 264	-426 574		24 295 087	588 002
9. Debt securities	20 278 435	18 905 071	71 836	94 092		10 675	-13 836	-12 879	-957	-77 340		-10 606		794 461	69
10. Central banks	539 111	539 111					-487	-487							
11. General governments	14 640 603	14 640 489					-4 706	-4 706							
12.Credit institutions	281 598	281 598													
13. Other financial corporations	1 732 512	438 112	5 000	7 750		7 750	-855	-854	-1	-7 750		-7 750		183 988	
14. Non-financial corporations	3 084 611	3 005 761	66 836	86 342		2 925	-7 788	-6 832	-956	-69 589		-2 856		610 473	69
15.Off-balance sheet exposures	14 747 374			505 208								89 458		2 571 882	188 677
16. Central banks															
17. General governments	110 828			10										519	
18.Credit institutions	723 915													48 757	
19. Other financial corporations	433 867			17 745								2 826		127 248	402
20. Non-financial corporations	10 712 116			472 484								85 504		2 350 837	187 060
21. Households	2 766 648			14 970								1 128		44 521	1 215
TOTAL	86 021 237	62 722 317	6 923 803	4 533 407	12 151	3 891 124	-364 864	-166 621	-198 242	-1 974 835	-3 294	-1 799 396		39 677 131	1 745 238

TABLE 30 - TEMPLATE 5 - EBA/GL/2018/10 – QUALITY OF NON-PERFORMING EXPOSURES BY GEOGRAPHY

		Dec 2020					
		a	b	d	e	f	g
		Gross carrying/nominal amount			Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing	Of which subject to impairment			
1.	On balance exposures	81 377 877	3 395 592	78 501 764	-2 054 263		-80 299
2.	*Portugal*	50 241 274	2 272 190	48 754 935	-1 365 660		-66 753
3.	*Poland*	20 742 431	799 904	20 268 988	-491 029		-11 266
4.	*Mozambique and others*	10 394 172	323 498	9 477 842	-197 575		-2 281
5.	Off balance exposures	15 840 719	442 711			-103 830	
6.	*Portugal*	11 823 509	424 682			-89 330	
7.	*Poland*	3 069 682	7 417			-11 096	
8.	*Mozambique and others*	947 528	10 611			-3 404	
TOTAL		97 218 595	3 838 302	78 501 764	-2 054 263	-103 830	-80 299

Includes Loans and advances (with cash balances at central banks and other demand deposits), Debt securities, Derivatives and Equity instruments.

Detail by countries of residence with weight greater than 5%

		Dec 2019					
		a	b	d	e	f	g
		Gross carrying/nominal amount			Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing	Of which subject to impairment			
1.	On balance exposures	77 250 145	4 300 301	74 387 893	-2 433 097		-78 393
2.	*Portugal*	47 228 960	3 031 812	45 881 632	-1 692 950		-66 735
3.	*Poland*	22 306 026	770 518	21 721 572	-443 641		-10 446
4.	*Mozambique and others*	7 715 159	497 971	6 784 690	-296 506		-1 212
5.	Off balance exposures	14 299 966	484 029			-116 560	
6.	*Portugal*	10 610 310	467 405			-101 721	
7.	*Poland*	2 693 625	10 017			-12 388	
8.	*Mozambique and others*	996 032	6 607			-2 451	
TOTAL		91 550 111	4 784 330	74 387 893	-2 433 097	-116 560	-78 393

TABLE 31 - TEMPLATE 6 - EBA/GL/2018/10 – CREDIT QUALITY OF LOANS AND ADVANCES BY INDUSTRY

(Thousand euros)

		Dec 2020				
		a	b	d	e	f
		Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing	Of which loans and advances subject to impairment		
1.	Agriculture, forestry and fishing	391 317	14 962	391 303	-8 597	0
2.	Mining and quarrying	100 813	4 383	100 809	-2 396	
3.	Manufacturing	3 857 553	269 380	3 850 520	-161 643	-15
4.	Electricity, gas, steam and air conditioning supply	302 424	259	302 416	-1 724	-7
5.	Water supply	224 609	15 477	224 594	-17 099	-2
6.	Construction	1 730 174	230 538	1 729 941	-136 106	-24
7.	Wholesale and retail trade	3 648 157	168 879	3 647 154	-139 502	-96
8.	Transport and storage	1 192 842	51 990	1 192 437	-44 108	-24
9.	Accommodation and food service activities	1 348 911	111 403	1 348 822	-67 645	-19
10.	Information and communication	461 633	21 720	461 502	-19 816	-4
11.	Financial and insurance activities	287 210	17 466	287 154	-16 947	-2
12.	Real estate activities	1 719 246	127 364	1 719 220	-84 118	
13.	Professional, scientific and technical activities	1 299 498	80 434	1 299 191	-63 922	-35
14.	Administrative and support service activities	599 721	93 300	599 548	-72 515	-26
15.	Public administration and defence, compulsory social security	74 161		74 161	-83	
16.	Education	139 873	20 127	139 789	-6 957	-4
17.	Human health services and social work activities	331 564	25 048	331 506	-9 408	-2
18.	Arts, entertainment and recreation	356 564	181 918	356 534	-100 835	
19.	Other services	1 477 061	378 142	1 476 946	-299 616	0
20.	**TOTAL**	19 543 331	1 812 790	19 533 549	-1 253 036	-260

		Dec 2019				
		a	b	d	e	f
		Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing	Of which loans and advances subject to impairment		
1.	Agriculture, forestry and fishing	314 286	16 120	314 265	-6 448	
2.	Mining and quarrying	80 542	2 336	80 541	-1 985	
3.	Manufacturing	3 495 234	238 292	3 494 155	-128 770	-22
4.	Electricity, gas, steam and air conditioning supply	312 977	307	312 969	-2 571	-6
5.	Water supply	187 526	15 466	187 500	-9 548	-2
6.	Construction	1 673 727	420 679	1 673 407	-252 997	-15
7.	Wholesale and retail trade	3 195 576	213 569	3 194 343	-142 648	-102
8.	Transport and storage	1 269 351	53 457	1 268 796	-38 792	-42
9.	Accommodation and food service activities	1 135 525	148 272	1 135 397	-84 009	-17
10.	Information and communication	393 856	8 037	393 606	-7 810	-6
11.	Financial and insurance activities					
12.	Real estate activities	1 641 971	230 243	1 641 940	-109 832	
13.	Professional, scientific and technical activities	1 133 853	251 525	1 133 461	-211 117	-17
14.	Administrative and support service activities	546 454	87 680	545 856	-77 257	-24
15.	Public administration and defence, compulsory social security	53 971	0	53 971	-24	
16.	Education	123 657	20 306	123 560	-6 335	-2
17.	Human health services and social work activities	270 877	4 978	270 765	-3 995	-1
18.	Arts, entertainment and recreation	262 769	119 833	262 727	-66 606	0
19.	Other services	1 509 332	588 686	1 509 123	-422 417	-4
20.	**TOTAL**	17 601 482	2 419 786	17 596 382	-1 573 159	-259

TABLE 32 - TEMPLATE 7 - EBA/GL/2018/10 – COLLATERAL VALUATION – LOANS AND ADVANCES

(Thousand euros)

		Dec 2020											
		a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances											
			Performing		Non-performing								
				Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Of which past due ≥ 90 dias						
								Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years
1	Cash balances at central banks and other demand deposits	4 985 242	4 985 242										
2	Gross carrying amount	55 545 471	52 250 199	89 967	3 295 271	1 551 189	1 744 083	173 927	277 515	315 885	719 655	105 362	151 738
3	Of which secured	41 428 888	39 101 416	53 789	2 327 472	1 166 229	1 161 243	74 111	172 826	150 081	578 141	68 376	117 708
4	Of which secured with immovable property	30 467 129	28 998 475	51 127	1 468 654	908 582	560 072	44 337	143 807	95 802	135 895	63 570	76 661
5	Of which instruments with LTV higher than 60% and lower or equal to 80%	8 146 925	7 888 582		258 344	180 755	77 588						
6	Of which instruments with LTV higher than 80% and lower or equal to 100%	4 194 944	3 910 336		284 607	224 606	60 001						
7	Of which instruments with LTV higher than 100%	2 798 417	2 456 512		341 905	151 787	190 118						
8	Accumulated impairment for secured assets	-1 338 597	-230 643	-4 273	-1 107 954	-493 421	-614 533	-30 562	-55 284	-69 839	-373 764	-31 989	-53 095
9	Collateral												
10	Of which value capped at the value of exposure	32 409 867	31 379 010	47 248	1 030 857	589 500	441 357	34 350	105 523	67 829	161 873	34 586	37 196
11	Of which immovable property	29 171 424	28 257 053	46 956	914 371	570 775	343 596	33 755	97 759	65 094	76 208	34 436	36 343
12	Of which value above the cap	42 834 271	40 519 453	48 160	2 314 818	1 185 011	1 129 807	54 408	307 955	173 384	461 832	67 935	64 293
13	Of which immovable property	34 679 609	33 066 830	46 639	1 612 779	948 029	664 750	51 297	243 774	76 236	176 583	58 573	58 289
14	Financial guarantees received	6 650 249	6 479 099	1 951	171 151	72 048	99 103	8 701	11 500	10 697	39 648	1 322	27 234
15	Accumulated partial write-off												

		Dec 2019											
		a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances											
			Performing		Non-performing								
				Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Of which past due ≥ 90 dias						
								Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years
1	Gross carrying amount	53 535 693	49 329 535	137 258	4 206 158	1 978 933	2 227 225	220 514	357 084	295 748	990 264	177 034	186 581
2	Of which secured	39 048 668	36 060 793	72 870	2 987 875	1 522 589	1 465 286	108 381	250 080	182 664	630 612	133 691	159 859
3	Of which secured with immovable property	30 885 470	28 793 442	66 588	2 092 029	1 201 820	890 208	78 880	133 420	137 555	293 415	128 210	118 729
4	Of which instruments with LTV higher than 60% and lower or equal to 80%	9 732 344	9 479 633		252 711	160 459	92 252						
5	Of which instruments with LTV higher than 80% and lower or equal to 100%	4 544 159	4 159 555		384 605	254 471	130 134						
6	Of which instruments with LTV higher than 100%	3 758 054	2 768 386		989 668	474 738	514 930						
7	Accumulated impairment for secured assets	-1 573 492	-145 466	-4 781	-1 428 027	-619 172	-808 855	-31 394	-165 129	-99 886	-418 602	-50 620	-43 223
8	Collateral												
9	Of which value capped at the value of exposure	30 865 975	29 523 652	62 513	1 342 323	785 487	556 836	63 408	71 219	74 262	204 370	55 390	88 188
10	Of which immovable property	28 888 765	27 720 738	61 870	1 168 027	722 158	445 869	61 864	67 831	73 086	111 956	46 308	84 823
11	Of which value above the cap	28 074 032	26 391 511	54 551	1 682 521	1 042 867	639 654	58 438	121 148	66 849	312 479	27 420	53 320
12	Of which immovable property	24 287 798	23 230 959	53 971	1 056 840	743 351	313 488	55 116	56 262	55 799	76 403	24 239	45 669
13	Financial guarantees received	4 637 791	4 465 634	5 050	172 157	78 980	93 177	12 709	12 401	7 492	5 838	27 230	27 506
14	Accumulated partial write-off												

TABLE 33 - TEMPLATE 8 - EBA/GL/2018/10 – CHANGES IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES

(Thousand euros)		Dec 2020		Dec 2019	
		a	b	a	b
		Gross carrying amount	Related net accumulated recoveries	Gross carrying amount	Related net accumulated recoveries
1	**Initial stock of non-performing loans and advances**	4 206 158		5 548 123	
2	Inflows to non-performing portfolios	1 218 597		1 312 697	
3	Outflows from non-performing portfolios	2 129 484		2 654 662	
4	Outflow to performing portfolio	335 915		671 342	
5	Outflow due to loan repayment, partial or total	430 147		576 897	
6	Outflow due to collateral liquidation				
7	Outflow due to taking possession of collateral	171 307		202 011	
8	Outflow due to sale of instruments	827 092		464 388	
9	Outflow due to risk transfer				
10	Outflow due to write-off	238 768		638 704	
11	Outflow due to other situations	126 255		101 319	
12	Outflow due to reclassification as held for sale				
14	**Final stock of non-performing loans and advances**	3 295 271		4 206 158	

Flows of the year excluding segmentation adjustments of EUR 422 261 thousand

TABLE 34 - TEMPLATE 9 - EBA/GL/2018/10 – COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES

(Thousand euros)		Dec 2020		Jun 2020	
		a	b	a	b
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)				
2	Other than PP&E	1 190 803	-191 071	1 395 664	-234 067
3	Residential immovable property	214 348	-10 017	237 394	-20 923
4	Commercial Immovable property	633 928	-136 355	759 693	-169 044
5	Movable property (auto, shipping, etc.)	9 673	-4 437	11 072	-3 264
6	Equity and debt instruments	329 628	-38 895	382 667	-38 526
7	Others	3 226	-1 367	4 838	-2 309
8	**TOTAL**	**1 190 803**	**-191 071**	**1 395 664**	**-234 067**

TABLE 35 - TEMPLATE 10 - EBA/GL/2018/10 – COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTIO PROCESSES – VINTAGE BREAKDOWN

		Dec 2020											
		a	b	c	d	e	f	g	h	i	j	k	l
		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed >5 years		Of which non-current assets held-for-sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
1	Collateral obtained by taking possession classified as PP&E												
2	Collateral obtained by taking possession other than that classified as PP&E	1 499 726	-277 368	1 190 803	-191 071	258 289	-10 970	521 946	-60 000	410 568	-120 100	930 190	-159 720
3	Residential immovable property	245 887	-43 716	214 348	-10 017	129 764	-1 318	46 577	-2 370	38 007	-6 328	214 348	-10 017
4	Commercial immovable property	760 569	-188 561	633 928	-136 355	108 493	-3 826	262 481	-34 644	262 954	-97 886	633 928	-136 355
5	Movable property (auto, shipping, etc.)	9 673	-4 437	9 673	-4 437	6 637	-1 473	50	-42	2 986	-2 923	9 673	-4 437
6	Equity and debt instruments	480 371	-39 288	329 628	-38 895	13 156	-4 354	211 722	-22 718	104 750	-11 824	69 015	-7 544
7	Others	3 226	-1 367	3 226	-1 367	240	0	1 116	-227	1 871	-1 140	3 226	-1 367
8	**Total**	**1 499 726**	**-277 368**	**1 190 803**	**-191 071**	**258 289**	**-10 970**	**521 946**	**-60 000**	**410 568**	**-120 100**	**930 190**	**-159 720**

		Dec 2019											
		a	b	c	d	e	f	g	h	i	j	k	l
		Debt balance reduction		**Total collateral obtained by taking possession**									
						Foreclosed ≤ 2 years		**Foreclosed > 2 years ≤ 5 years**		**Foreclosed >5 years**		**Of which non-current assets held-for-sale**	
		Gross carrying amount	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**	**Value at initial recognition**	**Accumulated negative changes**
1	Collateral obtained by taking possession classified as PP&E												
2	Collateral obtained by taking possession other than that classified as PP&E	1 296 558	-300 229	1 086 281	-194 857	302 092	-10 689	423 410	-56 405	360 779	-127 763	1 086 281	-194 857
3	Residential immovable property	542 569	-123 180	454 921	-74 564	162 928	-2 581	182 167	-23 823	109 826	-48 160	454 921	-74 564
4	Commercial immovable property	740 099	-173 299	617 470	-116 543	129 889	-8 086	236 797	-29 023	250 784	-79 434	617 470	-116 543
5	Movable property (auto, shipping, etc.)	13 890	-3 750	13 890	-3 750	9 275	-22	4 446	-3 559	169	-169	13 890	-3 750
6	Equity and debt instruments												
7	Others												
8	**Total**	**1 296 558**	**-300 229**	**1 086 281**	**-194 857**	**302 092**	**-10 689**	**423 410**	**-56 405**	**360 779**	**-127 763**	**1 086 281**	**-194 857**

TABLE 36 - TEMPLATE 1 - EBA/GL/2020/07 – INFORMATION ON LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LESGISLATIVE MORATORIA

(Thousand euros)

	Dec 2020														
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non Performing				Performing			Non Performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1. Loans and advances subject to moratorium	**8 814 127**	**8 170 851**	**492 317**	**2 309 639**	**643 275**	**503 946**	**636 520**	**388 042**	**105 518**	**29 698**	**85 041**	**282 524**	**245 754**	**281 986**	**35 868**
2. of which: Households	4 202 029	4 107 036	137 572	781 891	94 994	49 253	89 545	15 547	8 044	920	5 404	7 503	3 725	7 081	5 750
3. of which: Collateralised by residential immovable property	3 726 308	3 650 810	122 431	696 962	75 498	40 695	71 729	5 043	2 683	494	2 246	2 360	1 306	2 300	3 497
4. of which: Non-financial corporations	4 516 450	3 988 894	353 395	1 481 533	527 556	433 971	526 249	350 557	95 166	28 377	77 415	255 391	222 401	255 276	30 118
5. of which: Small and Medium-sized Enterprises	4 111 347	3 609 107	323 470	1 326 112	502 240	415 758	500 933	328 753	87 220	26 168	71 305	241 534	212 568	241 418	30 118
6. of which: Collateralised by commercial immovable property	1 653 337	1 454 731	79 947	662 967	198 606	150 430	198 552	110 375	32 088	3 014	28 252	78 288	63 586	78 287	23 776

The Portuguese Government, through Decree-Law no. 10-J / 2020, of 26 March, instituted a moratorium on credits before financial institutions with the objective of supporting families and companies in an adverse context of sharp drop in income caused by the pandemic COVID-19. This public moratorium establishes exceptional measures to protect the credits of the beneficiary entities in the context of the pandemic COVID-19, allowing the deferral of the fulfilment of responsibilities, when they represent credits assumed by the beneficiary entities before the Bank, which are not due on the date of receipt of the declaration. adherence to the public moratorium.

With the evolution of the economic crisis generated by the pandemic COVID-19, in June 2020, the Portuguese Government extended the scope and deadline of the public moratorium. Thus, Decree-Law No. 26/2020 introduced changes to the public moratorium, regarding the term, the deadline for accession and the scope of the beneficiaries and operations covered. With these changes, bank customers began to benefit from an extension of the term of the public moratorium. The moratorium term initially set at six months, until September 30, 2020, was extended until March 31, 2021. This new term is applicable not only to new moratoria but also to those that were subscribed in periods prior to the extension. Within the scope of these amendments, a deadline for adhering to the public moratorium was also set, which can be requested until 30 September 2020. Based on this framework, the Bank started to offer credit moratoriums designed to protect, namely, companies, sole proprietors and other professionals, private institutions of social solidarity, non-profit associations and other entities of the social economy, which bring together the requirements of the law. The moratorium was applied across all sectors, except the financial sector.

In the case of private individuals, loans with mortgage guarantee (with multiple purposes, namely mortgage credit, including credit granted for the acquisition of secondary own housing or for the purpose of leasing), as well as the financial leasing of real estate and property contracts are covered. consumer credit for the purpose of education, including for academic and professional training.

Following the guidance issued by the EBA on public and private moratoriums applied to credit operations in the context of the COVID-19 pandemic, the Portuguese Banking Association provided access to two private moratoriums aimed at natural persons, residents or non-residents in Portugal , one of which relates to mortgage credit and the other to non-mortgage credit (e.g. personal or automobile). In the case of non-mortgage credit, the moratoriums contracted until June 30, 2020 are granted for a period of 12 months, counting from the date of contracting. The moratoriums that will be contracted after June 30, 2020 will end on June 30, 2021. In the case of mortgage credit, the moratoria will last until March 31, 2021. These arrears involve payments associated with credit including instalments of capital, capital, rent, interest, commissions, and other charges. The Bank does not attribute a direct economic loss associated with the granting of default.

	Jun 2020														
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non Performing				Performing			Non Performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1. Loans and advances subject to moratorium	**10 465 080**	**9 799 828**	**504 046**	**2 429 163**	**665 251**	**433 677**	**655 336**	**345 427**	**110 270**	**29 881**	**79 537**	**235 158**	**170 941**	**233 870**	**103 889**
2. of which: Households	5 525 180	5 415 763	129 069	915 734	109 418	52 944	106 653	33 255	20 952	1 020	8 763	12 303	2 775	12 129	23 060
3. of which: Collateralised by residential immovable property	4 718 903	4 628 711	114 621	801 632	90 191	45 533	88 038	14 657	7 195	521	4 008	7 462	1 002	7 446	16 093
4. of which: Non-financial corporations	4 844 299	4 308 195	373 663	1 462 964	536 104	361 184	528 954	291 332	87 788	28 777	69 335	203 544	148 918	202 430	80 829
5. of which: Small and Medium-sized Enterprises	4 197 927	3 687 255	353 270	1 248 641	510 672	348 359	505 000	278 557	79 378	27 404	64 868	199 178	147 797	198 435	80 792
6. of which: Collateralised by commercial immovable property	1 116 547	948 524	77 711	430 584	168 023	123 265	167 963	68 490	19 411	2 042	17 330	49 078	34 971	49 078	2 398

TABLE 37 - TEMPLATE 2 - EBA/GL/2020/07 – BREAKDOWN OF LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA BY RESIDUAL MATURITY OF MORATORIA

(Thousand euros)

	Dec 2020								
	a	b	c	d	e	f	g	h	i
	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1. Loans and advances for which moratorium was offered	**148 065**	**11 034 681**							
2. Loans and advances subject to moratorium (granted)	**147 756**	**10 969 087**	**8 224 930**	**2 154 960**	**767 694**	**100 384**	**7 946 049**	**0**	**0**
3. of which: Households		5 822 651	3 452 952	1 620 622	744 159	90 158	3 367 713	0	0
4. of which: Collateralised by residential immovable property		4 924 905	3 385 794	1 198 596	420 121	2 867	3 303 321	0	0
5. of which: Non-financial corporations		5 049 253	4 674 796	532 804	23 536	10 226	4 482 688	0	0
6. of which: Small and Medium-sized Enterprises		4 445 032	4 261 385	333 685	2 660	1 104	4 107 583	0	0
7. of which: Collateralised by commercial immovable property		1 725 280	1 690 487	71 943	14 282	807	1 638 248	0	0

Regarding the legislative moratorium (Decree-Law No. 26/2020), the moratorium term was initially fixed at six months, until September 30, 2020, having subsequently been extended until March 31, 2021. This new term is applicable not only to the new moratoriums but also to those that were subscribed in periods prior to the extension.

With regard to the moratorium within the scope of the Portuguese Banking Association, in the case of non-mortgage credit, the moratoria contracted until June 30, 2020 are granted for a period of 12 months, counting from the date of contracting and any moratoriums to be contracted after June 30, 2020 will end on June 30, 2021. In the case of mortgage credit, the moratoria will last until March 31, 2021.

	Jun 2020								
	a	b	c	d	e	f	g	h	i
	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1. Loans and advances for which moratorium was offered	**163 954**	**10 848 123**							
2. Loans and advances subject to moratorium (granted)	**162 261**	**10 688 029**	**9 231 116**	**222 949**	**934 684**	**874 977**	**8 485 746**	**169 672**	**0**
3. of which: Households		5 619 859	4 162 947	94 678	763 202	683 385	3 908 922	169 672	0
4. of which: Collateralised by residential immovable property		4 798 260	3 711 340	79 357	575 765	490 434	3 652 540	163	0
5. of which: Non-financial corporations		4 972 569	4 972 569	128 271	171 483	191 593	4 481 223	0	0
6. of which: Small and Medium-sized Enterprises		4 261 246	4 261 246	63 319	99 385	44 927	4 053 615	0	0
7. of which: Collateralised by commercial immovable property		1 116 592	1 116 592	44	24 699	25 861	1 065 988	0	0

TABLE 38 - TEMPLATE 3 - EBA/GL/2020/07 – INFORMATION ON NEWLY ORIGINATED LOANS AND ADVANCES PROVIDED UNDER NEWLY APPLICABLE PUBLIC GUARANTEE SCHEMES INTRODUCED IN RESPONSE TO COVID-19 CRISIS

(Thousand euros)

	Dec 2020			
	a	b	c	d
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1. Newly originated loans and advances subject to public guarantee schemes	**2 369 072**	**18**	**1 931 615**	**3 683**
2. of which: Households	14 128			0
3. of which: Collateralised by residential immovable property	260			0
4. of which: Non-financial corporations	2 352 281	18	1 916 959	3 683
5. of which: Small and Medium-sized Enterprises	2 180 750			2 678
6. of which: Collateralised by commercial immovable property	74 141			1 501

In the context of the new Coronavirus pandemic, the Portuguese Government created lines of support for the economy that allow companies to access credit to support the treasury under more favourable conditions. This support has been made available in stages and distributed in specific lines:

i. Lines with autonomous guarantee provided by Mutual Guarantee Societies up to 90% (100% coverage of the Fundo de Garantia Mútua - FGM) in the case of credit granted to micro and small companies (except for the Capitalizar 2018 Lines – Subline Covid-19 e Investe RAM Covid-19), as well as the Covid-19 Social Sector Support Line;

ii. Lines with autonomous guarantee provided by Mutual Guarantee Societies up to 80% (coverage of the FGM in 100%) in the case of larger companies, Linha Capitalizar 2018 - Subline Covid-19 and Linha Investe RAM Covid-19

iii. iii) Line only with interest subsidies (partial) in the case of the Support Line to the Fishing Sector Covid-19.

In sectorial terms, the lines cover a very wide universe, covering practically all sectors of economic activity, with some lines allocated to specific sectors.

The lines that fit into the different sectors and according to a certain dimension are as follows:

- Capitalize 2018 - Subline COVID-19 - SMEs and Large Companies - € 400 million
- COVID-19 ECONOMY SUPPORT LINE, which includes the following specific lines:

  a) Specific Line “Covid 19 - Support for Catering Companies and the like” - € 600 million

  b) Specific Line “Covid 19 - Support to Tourism Companies” - € 900 million

  c) Specific Line “Covid 19 - Support to Travel Agencies, Tourist Entertainment, Event Organizers and Similar” - € 200 million

d) Specific Line “Covid 19 - Support for Economic Activity” - € 4.500 million,

Note: With the signature of the addendum to the Protocol, the specific lines identified in a) to d) cease and a specific Line with a € 400 million ceiling will be created, aimed at Medium-sized companies, Small Mid Caps and Mid Caps with an autonomous guarantee provided by a Mutual Guarantee Society up to 80%.

- COVID MPE: Micro and Small Enterprises - € 1,000 million
- COVID Açores: SMEs and Small Mid Caps - € 150 million
- COVID Support Madeira 2020: Small, Medium and Large Companies - € 20 million
- COVID Investe RAM: SMEs and Large Companies in the Autonomous Region of Madeira - € 100 million
- COVID Social Sector: IPSS and private non-profit entities equipped with SMEs - € 165 million
- COVID Support to the Fishing Sector - € 20 million

For the most representative lines, namely the four specific lines integrated in the COVID-19 Economy Support Lines and the line for Micro and Small Companies, the term of the operations may go up to 6 years after contracting the operation, with an 18-month grace period. The financing operations covered by the support lines are only intended to finance treasury needs. Therefore, the financial restructuring and / or consolidation of live credit or the liquidation or replacement of financing previously agreed with the Bank or the acquisition of land and other properties in use, as well as properties for general use, cannot be used for these operations. that do not already have (before the acquisition) characteristics appropriate to the technical requirements of the company's production process.

	Jun 2020			
	a	b	c	d
	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
1. Newly originated loans and advances subject to public guarantee schemes	**1 694 273**	**0**	**1 427 086**	**449**
2. of which: Households	566			0
3. of which: Collateralised by residential immovable property	0			0
4. of which: Non-financial corporations	1 691 370	0	1 424 698	449
5. of which: Small and Medium-sized Enterprises	1 582 971			449
6. of which: Collateralised by commercial immovable property	25 379			0

5.3. CONCENTRATION RISK MANAGEMENT

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is defined by the Board of Directors and applies across the BCP Group.

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency).The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for exposures to Sovereign risk, Institutions (banks/financial institutions), large exposures (Corporate single-name exposures), geographic concentration (country risk), for the portfolio of exposures to leveraged transactions and to the exposure to sectors of activity.

These limits apply to the 'Net exposures'(*) at stake, relating either to a counterparty or a group of counterparties – cases for banks, Sovereigns and large exposures single-name -, to the leveraged transactions portfolio and to set of exposures to an activity sector or to a country (the counterparty country of residence). The measurement of concentration on sovereign risks and of geographic concentration exclude the countries in which the Group operates (Portugal, Poland and Mozambique) and their respective Sovereigns.

Except for the exposure to sectors of activity and leveraged transactions portfolio, the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE positions are covered by the NPE reduction Plan.

The limits in force as at 31 December 2020, for the exposure to Sovereigns, Institutions, Single-name, leveraged transactions portfolio and geographical (for a given Customer/Group of Customers in the second and third cases) are the following, in terms of the Net Exposure weight over the Consolidated Own Funds:

TABLE 39 – LIMITS FOR SINGLE NAME CONCENTRATION

		Limit = Max. % of Net Exposure over the Consolidated Own Funds		
Risk quality	**Risk grades**	**Sovereigns**	**Institutions**	**Countries**
1st Tier	1 - 3	25,0%	10,0%	40,0%
2nd Tier	4 - 6	10,0%	5,0%	20,0%
3rd Tier	7 - 12	7,5%	2,5%	10,0%

Risk quality	Risk grades	Single name
High	1 - 5	7,0%
Average good	6 - 7	4,5%
Average low	8 - 9	3,0%
Low	10 - 11	0,6%
Restricted credit	12 - 13	0,3%

(*) Net exposure = EAD x LGD, assuming that PD=1 and considering LGD=45% whenever own estimates for LGD do not exist.

As at 31 December 2020:

- There were no exposure excesses to Sovereigns, Institutions or countries.
- There were 2 Economic Groups with net exposure above the established Single-name limits for their respective risk grade, less one Economic Group than as by the end of 2019. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the measurement of this concentration type is also done within the Group RAS (Risk Appetite Statement) scope.

In what concerns the limit for exposure to sectors of activity, in force on 31/12/2020, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. As of 31/12/2020, there was no excess over this limit.

It should also be noted that the limit of 25% of consolidated Own Funds for the Group's exposure to leveraged transactions portfolio also did not register any excess.

The Bank's Executive Committee and the Committee for Risk Assessment are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks, which are assessed by measuring the weights of the net exposure values in question in terms of the consolidated Own Funds level. For such measurements, the Risk Office uses a database on credit exposures (the Risk Office Datamart), monthly updated by the Group's systems, which also feeds a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, used by the Credit Division within the scope of credit analysis for large clients.

5.4. CHARACTERISATION OF THE EXPOSURES

The exposures taken into consideration for the calculation of the own funds requirements for credit risk comprise the Banking Book exposures registered in the consolidated balance sheet and in off-balance sheet accounts related, namely, with loans and advances to customers, other loans and advances to credit institutions, investments in financial instruments, the ownership of other assets, the guarantees and commitments assumed and hedging derivatives. These exposures do not include those handled within the scope of the trading portfolio, but the ones related to securitisation are considered.

Total exposures, net of impairment and amortization, amounted to 93,151 million euros on December 31, 2020 and 85,303 million euros on December 31, 2019, with table 40 showing the breakdown of this amount by risk classes. defined in CRD IV / CRR.

TABLE 40 – TEMPLATE 7 / EU CRB-B – TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

(Thousand euros)	Dec 2020		Dec 2019	
	a	b	a	b
	Net value of exposures at the end of the period	**Average net exposures over the period**	**Net value of exposures at the end of the period**	**Average net exposures over the period**
Central Governments or Central Banks				
Institutions				
Corporates	18 220 557	17 044 802	15 606 892	15 253 444
Of which: Specialised lending	1 219 017	1 208 295	1 196 612	1 313 519
Of which: SME				
Retail	31 835 193	31 237 437	30 752 476	29 776 953
Secured by real estate property				
SME				
Non-SME				
Qualifying revolving				
Other retail				
SME				
Non-SME				
Equity	1 369 319	1 378 410	1 395 614	1 468 311
TOTAL IRB APPROACH	**51 425 068**	**49 660 650**	**47 754 983**	**46 498 708**
Central Governments or Central Banks	19 723 388	17 663 261	15 677 842	15 342 330
Regional Governments or Local Authorities	1 259 374	1 057 371	817 743	855 590
Public Setor Entities	300 247	327 771	301 102	183 479
Multilateral Development Banks	40 029	40 366	41 422	27 852
International Organisations				
Institutions	2 608 333	2 846 920	2 702 844	2 800 147
Corporates	9 098 121	9 327 681	9 571 935	9 087 922
Of which: SME				
Retail	5 867 157	5 616 866	5 478 742	4 516 005
Of whch: SME				
Secured by mortgages on immovable property	2 070 633	2 165 868	2 259 723	1 980 163
Of which: SME				
Exposures in default	532 072	523 594	501 508	487 011
Items associated with particularly high risk	5 607	4 503	1 514	1 514
Covered bonds				
Claims on institutions and corporates with a short-term credit assessment				
Collective Investments Undertakings	100 317	124 462	155 294	165 348
Equity exposures	29 967	33 133	38 652	33 762
Other exposures	90 941	62 047		
TOTAL STANDARDISED APPROACH	**41 726 185**	**39 793 841**	**37 548 319**	**35 481 122**
TOTAL	**93 151 253**	**89 454 491**	**85 303 301**	**81 979 829**

The table below provides the geographical distribution of the Group's original risk positions at the end of 2020 and 2019.

TABLE 41 – TEMPLATE 8 / EU CRB-C - GEOGRAPHICAL BREAKDOWN OF EXPOSURES

(Thousand euros)

	Dec 2020				Dec 2019			
	a	b	m	n	a	b	m	n
	Portugal	**Poland**	**Other**	**Total**	**Portugal**	**Poland**	**Other**	**Total**
Central Governments or Central Banks								
Institutions								
Corporates	16 764 539	5 445	1 450 573	18 220 557	14 571 519	8 931	1 026 443	15 606 892
Retail	23 155 845	6 815 688	1 863 659	31 835 193	22 044 674	6 916 431	1 791 372	30 752 476
Equity	1 307 782	61 537		1 369 319	1 348 795	46 819		1 395 614
TOTAL IRB APPROACH	**41 228 166**	**6 882 670**	**3 314 232**	**51 425 068**	**37 964 988**	**6 972 180**	**2 817 815**	**47 754 983**
Central Governments or Central Banks	11 489 958	4 143 192	4 090 238	19 723 388	8 347 923	5 432 475	1 897 444	15 677 842
Regional Governments or Local Authorities	1 200 177	59 148	49	1 259 374	749 035	67 825	883	817 743
Public Sector Entities	174 439	36 747	89 061	300 247	174 522	21 144	105 435	301 102
Multilateral Development Banks			40 029	40 029			41 422	41 422
International Organisations								
Institutions	939 601	75 564	1 593 168	2 608 333	976 508	66 931	1 659 405	2 702 844
Corporates	3 708 842	4 473 910	915 368	9 098 121	3 992 672	4 767 823	811 439	9 571 935
Retail	324 484	5 250 933	291 740	5 867 157	355 070	4 825 050	298 622	5 478 742
Secured by mortgages on immovable property	52 726	1 752 894	265 012	2 070 633	71 283	1 855 163	333 276	2 259 723
Exposures in default	64 667	388 754	78 651	532 072	78 269	340 184	83 055	501 508
Items associated with particularly high risk		4 330	1 277	5 607			1 514	1 514
Covered bonds								
Claims on institutions and corporates with a short-term credit assessment								
Collective Investment Undertakings	100 314		2	100 317	155 291		3	155 294
Equity exposures			29 967	29 967			38 652	38 652
Other exposures	22 211	61 987	6 743	90 941				
TOTAL STANDARDISED APPROACH	**18 077 420**	**16 247 459**	**7 401 305**	**41 726 185**	**14 900 573**	**17 376 596**	**5 271 150**	**37 548 319**
TOTAL	**59 305 587**	**23 130 129**	**10 715 538**	**93 151 253**	**52 865 561**	**24 348 776**	**8 088 964**	**85 303 301**

The sectoral distribution of the Group's original risk positions at the end of 2020 and 2019 is provided in the next Table.

TABLE 42 – TEMPLATE 9 / EU CRB-D - CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

31/12/2020									(Thousand euros)
	Mortgage credit	Services	Consumer credit	Construction	Other activities, national	Other activities, international	Wholesale business	Other	Total
Central Governments or Central Banks									
Institutions									
Corporates		7 017 914		1 886 367	1 035 187		1 343 718	6 937 371	18 220 557
Retail	23 722 085	552 807	5 002 017	332 207	315 955	52	327 874	1 582 195	31 835 193
Equity								1 369 319	1 369 319
TOTAL IRB APPROACH	**23 722 085**	**7 570 721**	**5 002 017**	**2 218 574**	**1 351 141**	**52**	**1 671 593**	**9 888 885**	**51 425 068**
Central Governments or Central Banks		4 461 387		1 000	14 688 707	212		572 082	19 723 388
Regional Governments or Local Authorities		702			1 251 574			7 098	1 259 374
Public Sector Entities		174 439			50 110		73 773	1 925	300 247
Multilateral Development Banks					40 029				40 029
International Organisations									
Institutions		1 928 209			680 124				2 608 333
Corporates		498 710		334 908	5 804 993	28	479 878	1 979 605	9 098 121
Retail		25 795	5 085 793	33 599	493 252		78 349	150 369	5 867 157
Secured by mortgages on immovable property	1 013 350	30 905	9 989	7 051	973 677		6 867	28 794	2 070 633
Exposures in default	14 779	8 248	280 452	13 287	163 527	1	6 646	45 133	532 072
Items associated with particularly high risk		935			4 673				5 607
Covered bonds									
Claims on institutions and corporates with a short-term credit assessment									
Collective Investment Undertakings								100 317	100 317
Equity exposures								29 967	29 967
Other exposures								90 941	**90 941**
TOTAL STANDARDISED APPROACH	1 028 129	7 129 329	5 376 234	389 845	24 150 665	240	645 513	3 006 230	41 726 185
TOTAL	**24 750 214**	**14 700 050**	**10 378 251**	**2 608 419**	**25 501 807**	**292**	**2 317 105**	**12 895 115**	**93 151 253**

31/12/2019 (Thousand euros)

	Mortgage credit	Services	Consumer credit	Construction	Other activities, national	Other activities, international	Wholesale business	Other	Total
Central Governments or Central Banks									
Institutions									
Corporates		6 234 924		1 724 859	849 554		1 067 594	5 729 961	15 606 892
Retail	23 668 854	366 776	5 030 921	265 685	235 031	36	224 189	960 985	30 752 476
Equity								1 395 614	1 395 614
TOTAL IRB APPROACH	**23 668 854**	**6 601 700**	**5 030 921**	**1 990 544**	**1 084 585**	**36**	**1 291 782**	**8 086 560**	**47 754 983**
Central Governments or Central Banks		4 243 630		1 000	10 789 388	234		643 590	15 677 842
Regional Governments or Local Authorities		664			809 595			7 484	817 743
Public Sector Entities		174 522			26 379		96 920	3 281	301 102
Multilateral Development Banks					41 422				41 422
International Organisations									
Institutions		2 012 664			690 179				2 702 844
Corporates		548 697		288 049	6 341 486	48	423 781	1 969 873	9 571 935
Retail		33 045	4 590 315	36 058	571 356	1	81 014	166 953	5 478 742
Secured by mortgages on immovable property	1 146 047	15 879	36 180	29 292	980 778		8 795	42 751	2 259 723
Exposures in default	12 880	8 664	231 908	19 903	163 955		3 136	61 063	501 508
Items associated with particularly high risk		1 144			370				1 514
Covered bonds									
Claims on institutions and corporates with a short-term credit assessment									
Collective Investment Undertakings								155 294	155 294
Equity exposures								38 652	38 652
Other exposures									
TOTAL STANDARDISED APPROACH	1 158 927	7 038 910	4 858 403	374 302	20 414 907	283	613 645	3 088 940	37 548 319
TOTAL	**24 827 781**	**13 640 610**	**9 889 324**	**2 364 847**	**21 499 492**	**319**	**1 905 427**	**11 175 501**	**85 303 301**

The table below provides the Group's original risk positions by residual maturity term at the end of 2020 and 2019.

TABLE 43 – TEMPLATE 10 / EU CRB-E - MATURITY OF EXPOSURES

31/12/2020 (Thousand euros)

	Term to maturity < 1 Y	1 Y < Term to maturity < 5 Y	5 Y < Term to maturity < 10 Y	Term to maturity > 10 Y	Total
Central Governments or Central Banks					
Institutions					
Corporates	7 911 057	3 977 455	4 627 146	1 704 899	18 220 557
Retail	3 424 654	2 796 060	3 378 751	22 235 728	31 835 193
Equity				1 369 319	1 369 319
TOTAL IRB APPROACH	**11 335 711**	**6 773 515**	**8 005 897**	**25 309 945**	**51 425 068**
Central Governments or Central Banks	5 699 809	6 595 839	7 374 281	53 459	19 723 388
Regional Governments or Local Authorities	215 061	159 067	689 491	195 754	1 259 374
Public Sector Entities	52 540	62 024	11 476	174 206	300 247
Multilateral Development Banks	17 920		22 109		40 029
International Organisations					
Institutions	1 376 213	361 162	810 828	60 129	2 608 333
Corporates	6 460 242	2 001 733	531 082	105 063	9 098 121
Retail	871 657	1 755 619	1 411 461	1 828 420	5 867 157
Secured by mortgages on immovable property	339 770	328 702	243 105	1 159 055	2 070 633
Exposures in default	309 582	113 155	57 483	51 852	532 072
Items associated with particularly high risk	1 247	4 360			5 607
Covered bonds					
Claims on institutions and corporates with a short-term credit assessment					
Collective Investment Undertakings				100 317	100 317
Equity exposures				29 967	29 967
Other exposures				90 941	90 941
TOTAL STANDARDISED APPROACH	**15 344 042**	**11 381 662**	**11 151 318**	**3 849 163**	**41 726 185**
TOTAL	**26 679 752**	**18 155 177**	**19 157 216**	**29 159 108**	**93 151 253**

31/12/2019 (Thousand euros)

	Term to maturity < 1 Y	1 Y < Term to maturity < 5 Y	5 Y < Term to maturity < 10 Y	Term to maturity > 10 Y	Total
Central Governments or Central Banks					
Institutions					
Corporates	6 937 629	3 742 872	3 026 624	1 899 767	15 606 892
Retail	2 083 321	4 054 643	2 533 646	22 080 867	30 752 476
Equity				1 395 614	1 395 614
TOTAL IRB APPROACH	**9 020 950**	**7 797 515**	**5 560 270**	**25 376 248**	**47 754 983**
Central Governments or Central Banks	5 961 966	7 508 619	2 137 818	69 438	15 677 842
Regional Governments or Local Authorities	109 218	122 826	547 481	38 218	817 743
Public Sector Entities	49 169	77 651		174 281	301 102
Multilateral Development Banks		19 226	22 196		41 422
International Organisations					
Institutions	1 602 466	318 896	769 065	12 417	2 702 844
Corporates	5 934 048	3 091 621	429 299	116 967	9 571 935
Retail	608 373	2 077 212	1 556 673	1 236 484	5 478 742
Secured by mortgages on immovable property	335 419	280 110	242 575	1 401 619	2 259 723
Exposures in default	259 914	113 603	88 980	39 012	501 508

Items associated with particularly high risk	1 467	47			1 514
Covered bonds					
Claims on institutions and corporates with a short-term credit assessment					
Collective Investment Undertakings				155 294	155 294
Equity exposures				38 652	38 652
Other exposures					
TOTAL STANDARDISED APPROACH	**14 862 040**	**13 609 811**	**5 794 086**	**3 282 382**	**37 548 319**
TOTAL	**23 882 990**	**21 407 326**	**11 354 356**	**28 658 630**	**85 303 301**

5.5. OWN FUNDS REQUIREMENTS FOR CREDIT RISK

5.5.1. FRAMEWORK OF THE APPROACHES USED

As at 31 December 2020 and 2019, the Group determined the own funds requirements for credit risk in accordance with the authorisations granted by the Supervisor for the approach to calculate risk weighted assets (RWA).

For the portfolio that, on those dates, fitted the standardised approach, the original exposures were classified in line with regulatory risk classes according to the nature of the counterparty, to which specific regulatory weights are applied after carrying out some adjustments - such as the ones related with provisions and value corrections, the ones due to the application of CCF, namely, in the case of off-balance sheet exposures, and those resulting from risk mitigation - thus finding the value of the risk weighed assets.

In the capital requirements calculation based on the standardised approach, the exposures are weighted according to the provisions of the CRR. In the risk class "Central Government and Central Banks", credit ratings of issuers or issues are used, provided they have been attributed by recognised credit rating agencies (ECAI – External Credit Assessment Institutions), for the purpose of determining the respective risk quality levels, as per which the corresponding risk weights are applied as defined by the CRR (no. 2 of article 114, Section 2, Chapter 2, Title II, Part III). Whenever the same issuer or issue has two or more risk evaluations, the second-best rating attributed is used. The credit rating of the issuer is applicable to all of its operations, whereas the rating for a specific issue is only considered for that same issue. The ECAI used by the Group were Standard & Poor's, Moody's and Fitch Ratings. Exposures of unrated clients are treated in accordance with no. 1 of article 114, Section 2, Chapter 2, Title II, Part III of the CRR.

Regarding the "Institutions" risk class, the risk weight of the exposures results from the existence of specific ratings and the exposures' terms-to-maturity or from the existence of the sovereign rating at stake and the exposures original term, as defined by articles 119 to 121 of the CRR.

Concerning the risk classes "Central Government and Central Banks" and "Institutions", in Portugal, the Group uses the standardised approach, pursuant to the conditions for permanent partial use of such approach, defined by article 150, Section 1, Chapter 3, Title II, Part III of the CRR.

On 31 December 2020 and 2019, according to the supervisory authorisations granted for the Group's activities in Portugal, the Bank used the internal ratings-based approach for the exposure classes " Corporates" and "Retail Exposures" (in both cases, with own LGD estimates), "Equity exposures" and "Items representing securitisation positions". Regarding the Corporates exposure class, the exposures treated under the simplified rating system were weighted using the standardised approach. From 31 December 2012, also, according to the supervisory authorisations granted for the Group's activities in Poland, the Bank used the internal ratings-based approach for "Retail Exposures" (with own LGD estimates), regarding the positions of individual clients guaranteed by residential real estate collateral and the retail renewable positions (QRRE – Qualified Retail Renewable Exposures).

For all the other geographies where the Group operates, the consolidated own funds requirements as at 31 December 2020 and 2019 were estimated following the standardised approach.

Also, in Portugal:

- Risk weighted assets as at 31 December 2020 and 2019 for exposures to Customers that exceptionally did not receive an internal risk level were computed according to the standardised approach, considering a PD corresponding to risk grade 12 of the Group Master Scale.
- Within the Corporates risk class, the Bank used the standardised approach for a set of exposures to churches, sports clubs and other non-profit organisations, in accordance with the supervisory authorisation for a permanent partial use of this approach, for these cases.

5.5.2. IRB APPROACH – PARAMETERS AND GENERAL INFORMATION

In the IRB Approach, the weight of exposures to determine the value of risk weighted assets is based on the PD corresponding to the various internal risk ratings of the Customers, using internal rating systems and models, adequate for each Customers segment/sub-segment.

In addition, in this approach, the computation of the risk weighted assets also uses the internally estimated LGD as well as CCF factors on off-balance sheet exposures. On the IRB approach, the effect of the credit risk decrease by means of collaterals for credit exposures is incorporated into the estimate of the risk weighted assets through the LGD parameters.

The internal ratings are given based on the Rating Master Scale, common to all the rating systems and models used, presented in Table 44.

TABLE 44 - RATING MASTER SCALE AND RELATION BETWEEN INTERNAL AND EXTERNAL GRADES

Risk grades	Minimum PD	Maximum PD	Description
1	0.01%	0.05%	Maximum security (only for sovereign risks)
2	0.05%	0.07%	Superior quality
3	0.07%	0.14%	Very high quality
4	0.14%	0.28%	High quality
5	0.28%	0.53%	Very good quality
6	0.53%	0.95%	Good quality
7	0.95%	1.73%	Medium/high quality
8	1.73%	2.92%	Medium quality
9	2.92%	4.67%	Medium/low quality
10	4.67%	7.00%	Low quality
11	7.00%	9.77%	Very low quality
12	9.77%	13.61%	Conditioned access to credit
13 [*]	13.61%	27.21%	Weak signs of impairment
14 [*]	27.21%	100.00%	Strong signs of impairment
15 [*]	100.00%	100.00%	*Default*

[*] Processual risk grade; the presented values of maximum and minimum PD for RG 13 and 14 are indicative, being applied the observed PD.

Risk grades	Fitch	Standard & Poor's	Moody's
1	AAA, AA+	AAA, AA+	Aaa, Aa1
2	AA-, AA	AA-, AA	Aa2, Aa3
3	A, A+	A, A+	A1, A2
4	A-, BBB+	A-, BBB+	A3, Baa1
5	BBB	BBB	Baa2
6	BBB-	BBB-	Baa3
7	BB+	BB+	Ba1
8	BB	BB	Ba2
9	BB-	BB-	Ba3
10	B+	B+	B1
11	B	B	B2
12	≤ B-	≤ B-	≤ B3

The risk ratings attributed by the rating systems and models are valid for one year and are periodically revised/updated or whenever there are grounds to do so (e.g. requests for new loans or evidence of a decrease in the debtor's credit quality).

The Rating Division is responsible for risk ratings - a unit that is independent from the credit decision-making bodies and areas – even though most risk scores are granted by automatic decision-making models used for the debtors of the Retail exposure class.

All customers are rated, but the corresponding PD are only used to compute own funds requirements through the IRB Approach for exposures that fit the risk classes for which the Supervisor authorised the use of this approach.

The rating models included in the various rating systems are regularly subject to validation, carried out in 2019 by the validation unit of the Office for the Validation and Monitoring of Models (GAVM), integrated in the second line of defense, which is independent from the units that are responsible for the development and maintenance of rating models. In addition, GAVM's validation unit is also responsible for ensuring that the Group's Rating Master Scale is up-to-date and correct.

The conclusions of GAVM's validation, as well as its amendment/improvement recommendations and proposals, are analysed and ratified by a specific Validation Committee, whose composition varies according to the type of model analysed. The proposals to amend the models originated in the Validation Committees are submitted to the approval of the Risk Commission.

Besides its responsibilities regarding the PD models and the Rating Master Scale, GAVM is also responsible for validating the models used to estimate LGD and CCF parameters. Regarding these models, the Bank estimates them all based on the methods validated by the Supervisor within the scope of the process to approve the use of the IRB approach.

In terms of LGD parameters, the computation model used is based on the gathering and analysis of past data on credit risk losses, and all losses verified are computed and the various cash flows underlying credit recovery processes are discounted, including financial losses.

CCF are estimated based on the analysis of data on the use of credit lines and limits within the time frame of one year prior to the defaults.

It should be underlined that there is a model owner for each credit risk model - PD, LGD and CCF – responsible for:

- Ensuring compliance with the regulatory requirements for storing input and output data;
- Ensuring the adequacy of the model's documentation, including the development documentation, development samples and all the documents regarding changes to the model;
- Being the senior responsible in charge of all requests pertaining to the decision process based on the model;
- Changing the model whenever necessary;
- Ensuring the existence of monitoring processes;
- Ensuring the necessary support to the GAVM pursuant to the model validation work and do DAU in the internal audit performed.

In addition, regarding the rating systems in which rating models are integrated, there is also a rating system owner, who is responsible for:

- Ensuring the necessary support to the GAVM within the scope of the analysis of the rating systems decision flow;
- Promoting the execution of changes to the rating system whenever necessary.

The Bank has defined a model risk management framework, duly documented in the form of a specific group code, which is applied throughout the model's life cycle and based on a robust governance structure that ensures a holistic understanding of the application and use of models, the identification, measurement, monitoring, management and risk mitigation of the model. In this framework, all models are identified in the model inventory and the respective risks are identified and assessed. The continuous use and performance of the models are monitored to ensure that they are used within the scope and for the purpose for which they were approved and, furthermore, that they continue to function as expected. The models are monitored by the GAVM and audited by the Internal Audit Division, with a frequency based on their objective risk rating, or as prescribed by the regulation.

The models in force at the Bank are approved by the Subcommittee on Monitoring and Validation of Models or by the Risk Committee, as applicable. The Risk Office is responsible for requesting the approval of the use of risk models from the Supervisory Authorities, when applicable.

The next table shows the off-balance credit facilities' amounts and their use, weighted by using own estimates for CCF (in accordance with article 452 (iii) e) of the CRR):

TABLE 45 – CREDIT FACILITIES OUTSIDE OF THE BALANCE SHEET

31/12/2020 (Thousand euros)

	Original exposure		Exposure at risk		Risk weighted assets		% RWA	
	Non-used	Used	Non-used	Used	Non-used	Used	Non-used	Used
Corporate	11 027 210	19 130 536	4 908 312	18 590 597	3 516 759	13 601 987	71,6%	73,2%
Large Corporate	6 207 408	9 808 245	3 152 961	9 371 277	2 370 148	7 845 463	75,2%	83,7%
Small and medium Corporate	4 394 923	8 247 434	1 460 128	8 149 692	869 534	4 753 454	59,6%	58,3%
Specialised lending	424 879	1 074 857	295 223	1 069 628	277 077	1 003 070	93,9%	93,8%
Equity	75 362	1 919 002	75 362	1 919 002	140 619	3 599 770	186,6%	187,6%

31/12/2019 (Thousand euros)

	Original exposure		Exposure at risk		Risk weighted assets		% RWA	
	Non-used	Used	Non-used	Used	Non-used	Used	Non-used	Used
Corporate	9 749 205	18 366 694	4 173 641	17 755 704	3 151 201	13 891 398	75 ,5%	78 ,2%
Large Corporate	5 467 163	9 995 469	2 669 058	9 529 618	2 040 006	7 417 338	76 ,4%	77 ,8%
Small and medium Corporate	3 765 662	7 410 443	1 147 916	7 269 310	777 814	5 639 154	67 ,8%	77 ,6%
Specialised lending	516 379	960 782	356 666	956 777	333 381	834 906	93 ,5%	87 ,3%
Equity	83 842	1 865 754	83 842	1 865 754	148 917	3 526 903	177 ,6%	189 ,0%

In accordance with paragraphs h) and i) of Art. 452 of the CRR, it also refers that in 2019/2020 the relevant IRB portfolio parameters, including cases in default (PD = 100%), were, respectively, the following:

- Average LGD: 29%/29%;
- Average CCF: 54%/52%;
- Average PD: 9.2%/7.6%.

5.5.3. IRB APPROACH – "CORPORATES" RISK CLASS

In this risk class, the computation of own funds requirements using the IRB Approach is based on the weights resulting from the risk assessment made by the Project Finance rating system and on the PD that correspond to the risk ratings given by the Real Estate Promotion and the Corporates rating system.

In the first case, the Bank uses several rating models to grant risk scores (and the respective PD used to compute the applicable weights): Large, Mid and Small Corporate models, models for Holdings of Economic Groups and for Investment Holdings, models for Real Estate Promotion projects and companies (in both cases, with specific approaches to investment or development cases), Real Estate Investment Funds model and Small Real Estate Companies/Small Real Estate Projects models.

In the second case, the Bank uses the Project Finance rating model, which consists on the mapping between the scoring of a specific questionnaire and one of four possible classifications (besides the possibility of default) for the risks in question, which then define the weights to be used in the computation of risk weighted assets in accordance with no. 5 of article 153, Sub-Section 2, Section 2, Chapter 3, Title II, Part III of the CRR.

The risk grades attributed by these models result from two evaluation components: a quantitative component (economic-financial grade, based on the Customer's accounting data) and a qualitative component, based on an evaluation questionnaires / matrix of qualitative factors, which in the Large Corporate model are different according to the Client's sector of activity and include the Sector Risk itself (The Bank's Economic Studies Area developed and runs periodically a sectoral risk model). The risk grade resulting from these two components may be adjusted (upwards or downwards) by checking several situations that are typified and pre-defined in specific internal regulations. Subsequently, the degree of risk is adjusted according to the economic group to which the company belongs (if applicable), with a parent and affiliate template to determine the level of relevance of the company in the group itself (e.g. core, strategic) and as a consequence, the level of adjustment that the company's degree of risk can / should be subject to (are called Group Adjustments).

Finally, if the rating analyst proposes an override to the Client's Integrated Rating, this must be approved by the Rating Committee, resulting in the Final Rating. However, the overrides are not frequent.

Table 46 summarises these rating models and systems:

TABLE 46 - CORPORATES RATING MODELS AND SYSTEMS

Rating system for Corporates	Large Corporate Model: quantitative component (quantitative score, based on accounting data and taking into consideration the Client's activity sector) + qualitative component (based on expert judgment and following sectorial rating matrixes that incorporate the sectors' risk) + adjustments stemming from pre-defined situations (including those arising from the identification of "imminent risk" evidence) + Group adjustments.
	Small and Mid Corporate Models: quantitative component (economic/financial grade based on accounting data and taking into consideration the Client's activity sector) + qualitative component (based on information gathered by the commercial area on specific templates for that purpose) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Business Model for Real Estate Development/Model for Investment Companies/Real Estate income: quantitative component (specific ratios, financial score, financial flexibility) + qualitative component (sector, management quality, assets/projects quality, market and competitiveness) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Model for Small Real Estate agents (development projects / investment / income): quantitative component + qualitative component + adjustments stemming from pre-defined situations or from the identification of imminent risk evidence.
Rating system for Projects	Rating model for Project Finance: scoring of specific questionnaires on the financial strength, the politic and regulatory frameworks, other features of the operation, the ability of sponsors/shareholders and the package of collaterals.
	Model for Real Estate Promotion Projects for sale / Model for Real Estate Promotion Projects for income/Model for Real Estate Investment Funds: quantitative component (specific ratios, financial score, financial flexibility) + qualitative component (sector, management quality, assets/projects quality, market and competitiveness) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Model for small Real Estate Projects (for sale / income): quantitative component + qualitative component + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.

5.5.4. IRB APPROACH – "RETAIL PORTFOLIO" RISK CLASS

In this risk class, the risk weighted assets calculation by the IRB Approach is based on the PD that correspond to the risk scores given by the rating systems for Small Businesses and for Individuals.

In these rating systems, the attribution of risk scores is made using two types of automated decision models: (i) a behavioural model (TRIAD), based on the past financial data of the Customers at the Bank (executed by computer on a monthly basis), which is complemented by (ii) acceptance scoring models, used whenever the behavioural model does not apply (new Customers for instance) and defined based on the credit product the Customer wants or on the products the Customer already has.

In the Small Businesses Rating System, the TRIAD model is composed by two assessment grids that allow the model to fit the evaluated Customer's profile. In this rating system, as mentioned before, risk scores may also be granted by an acceptance scoring model designed for the segment in question.

In the Individuals Rating System, the TRIAD model is composed by four assessment grids defined based on the products already owned by the Customer, and the complementary acceptance scoring models are defined based on the credit product the Customer wants or on the products the Customer already has.

The rating systems and models used by the Bank for the Retail Portfolio are broken down in Table 47:

TABLE 47 - RETAIL PORTFOLIO RATING MODELS AND SYSTEMS

Rating system for Small Business	TRIAD model - automatic decision based on Client financial behaviour and two scorecards (according to the Client profile).
	Application Scoring model for the Small Businesses (whenever TRIAD cannot be applied - e.g. new Clients).
Rating system for Individuals	TRIAD model - Automatic decision based on Client financial behaviour and four scorecards (according to the products already owned by the Client).
	Application Scoring model for Individuals (whenever TRIAD cannot be applied - e.g. new customers), for each intended product or for products already owned by the Client.

Table below shows the values related to PD Backtesting, by risk class, at the end of 2020 and 2019.

TABLE 48 – TEMPLATE 24 / EU CR9 – IRB METHOD – BACKTESTING OF PD PER EXPOSURE CLASS

31/12/2020 (Thousand euros, Units)

Exposure class	PD range	Weighted average PD (%)	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which, new obligors	Average historical annual default rate 2017/2020
				End of previous year	End of the year			
1. CORPORATES	0 a <0,25	**0.19%**	**0.18%**	**1 425**	**1 640**	**1**		**0.04%**
	0,25 a <1	**0.59%**	**0.55%**	**2 997**	**3 749**			**0.02%**
	1 a <5	**2.42%**	**2.39%**	**3 552**	**5 075**	**12**		**0.36%**
	5 a <16	**9.64%**	**9.54%**	**3 478**	**6 919**	**132**	**26**	**2.98%**
	16 a <99	**54.51%**	**49.87%**	**214**	**265**	**84**	**1**	**33.30%**
	100	**100.00%**	**100.00%**	**720**	**1 108**	**1 067**	**388**	
1.1 Specialised lending	0 a <0,25							
	0,25 a <1	0.69%	0.69%	43	47			
	1 a <5	1.30%	1.30%	8	9			
	5 a <16	11.50%	11.50%	7	7	1		3.57%
	16 a <99							
	100	100.00%	100.00%	1	1	1		
1.2 SME	0 a <0,25	0.19%	0.18%	817	961	1		0.07%
	0,25 a <1	0.56%	0.56%	2 205	2 806			0.01%
	1 a <5	2.46%	2.34%	2 725	4 019	7		0.30%
	5 a <16	9.37%	9.57%	2 893	5 321	100	12	3.01%
	16 a <99	55.13%	50.20%	176	216	70		33.23%
	100	100.00%	100.00%	606	849	815	243	
2. RETAIL	0 a <0,25	**0.13%**	**0.12%**	**1 042 590**	**1 143 723**	**1 057**	**51**	**0.07%**
	0,25 a <1	**0.52%**	**0.52%**	**448 416**	**498 456**	**3 495**	**60**	**0.47%**
	1 a <5	**2.25%**	**2.25%**	**285 910**	**333 038**	**6 832**	**127**	**1.60%**
	5 a <16	**9.34%**	**10.07%**	**270 540**	**345 507**	**27 326**	**111**	**6.53%**
	16 a <99	**43.07%**	**45.22%**	**16 083**	**18 959**	**8 311**	**35**	**41.88%**
	100	**100.00%**	**100.00%**	**57 472**	**62 576**	**58 105**	**5 104**	
2.1 Secured by real estate	0 a <0,25	0.13%	0.12%	238 312	271 502	217	24	0.07%
	0,25 a <1	0.52%	0.52%	59 204	63 617	232	20	0.32%
	1 a <5	2.28%	2.28%	38 582	40 946	582	33	1.23%
	5 a <16	9.26%	9.28%	25 251	25 902	1 427	19	6.73%
	16 a <99	42.01%	42.01%	2 435	2 492	764	3	31.21%
	100	100.00%	100.00%	7 045	7 294	5 838	249	
2.1.1 SME	0 a <0,25	0.15%	0.15%	9 460	9 671	5		0.04%
	0,25 a <1	0.55%	0.54%	4 026	4 214	6		0.11%
	1 a <5	2.26%	2.23%	3 072	3 198	28		0.80%
	5 a <16	9.68%	9.77%	2 710	2 797	201		5.72%
	16 a <99	48.16%	46.76%	143	144	53		42.84%
	100	100.00%	100.00%	409	412	353	3	
2.1.2 Non-SME	0 a <0,25	0.12%	0.11%	228 852	261 831	212	24	0.07%
	0,25 a <1	0.52%	0.52%	55 178	59 403	226	20	0.33%
	1 a <5	2.28%	2.29%	35 510	37 748	554	33	1.26%
	5 a <16	9.20%	9.21%	22 541	23 105	1 226	19	6.84%
	16 a <99	41.68%	41.72%	2 292	2 348	711	3	30.73%
	100	100.00%	100.00%	6 636	6 882	5 485	246	
2.2 Qualifying Revolving	0 a <0,25	0.12%	0.12%	735 466	795 703	693	25	0.07%
	0,25 a <1	0.52%	0.52%	296 776	327 692	2 143	32	0.46%
	1 a <5	2.24%	2.26%	188 030	222 153	4 183	51	1.54%
	5 a <16	10.17%	10.26%	186 592	249 363	18 234	14	5.83%
	16 a <99	42.33%	45.44%	10 615	12 817	5 489	2	40.21%
	100	100.00%	100.00%	39 364	41 954	39 571	2 590	
2.3 Other Retail	0 a <0,25	0.17%	0.16%	68 812	76 518	147	2	0.13%
	0,25 a <1	0.53%	0.52%	92 436	107 147	1 120	8	0.61%

	1 a <5	2.19%	2.17%	59 298	69 939	2 067	43	2.04%
	5 a <16	9.41%	9.65%	58 697	70 242	7 665	78	8.68%
	16 a <99	47.17%	46.62%	3 033	3 650	2 058	30	61.16%
	100	100.00%	100.00%	11 063	13 328	12 696	2 265	
2.3.1 SME	0 a <0,25	0.17%	0.15%	33 371	38 971	49	2	0.05%
	0,25 a <1	0.54%	0.53%	22 441	30 164	191	7	0.34%
	1 a <5	2.27%	2.22%	16 353	23 752	471	43	1.33%
	5 a <16	10.05%	10.08%	32 808	43 029	3 915	78	5.85%
	16 a <99	50.76%	48.13%	690	1 166	379	30	48.75%
	100	100.00%	100.00%	2 521	4 522	4 360	2 001	
2.3.2 Non-SME	0 a <0,25	0.17%	0.18%	35 441	37 547	98		0.19%
	0,25 a <1	0.52%	0.52%	69 995	76 983	929	1	0.70%
	1 a <5	2.11%	2.15%	42 945	46 187	1 596		2.28%
	5 a <16	8.81%	8.98%	25 889	27 213	3 750		10.68%
	16 a <99	44.60%	45.90%	2 343	2 484	1 679		64.44%
	100	100.00%	100.00%	8 542	8 806	8 336	264	

31/12/2019

(Thousand euros, Units)

Exposure class	PD range	Weighted average PD (%)	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which, new obligors	Average historical annual default rate 2017/2019
				End of previous year	End of the year			
1. CORPORATES	**0 a <0,25**	**0.20%**	**0.18%**	**1 257**	**1 335**			**0.03%**
	0,25 a <1	**0.61%**	**0.55%**	**2 711**	**2 962**	**1**		**0.03%**
	1 a <5	**2.40%**	**2.32%**	**3 127**	**3 515**	**10**		**0.36%**
	5 a <16	**9.51%**	**9.76%**	**2 971**	**3 601**	**67**		**2.96%**
	16 a <99	**51.62%**	**49.66%**	**189**	**206**	**35**	**1**	**31.35%**
	100	**100.00%**	**100.00%**	**741**	**753**	**749**	**12**	
1.1 Specialised lending	0 a <0,25							
	0,25 a <1	0.69%	0.68%	49	49			
	1 a <5	1.30%	1.30%	9	9			
	5 a <16	11.50%	11.50%	4	4			
	16 a <99							
	100	100.00%	100.00%	1	1	1		
1.2 SME	0 a <0,25	0.19%	0.18%	708	744			0.05%
	0,25 a <1	0.57%	0.55%	1 947	2 134			0.02%
	1 a <5	2.41%	2.30%	2 308	2 623	9		0.31%
	5 a <16	9.70%	9.86%	2 419	2 985	53		2.99%
	16 a <99	51.27%	49.39%	138	152	23	1	30.89%
	100	100.00%	100.00%	602	613	610	11	
2. RETAIL	**0 a <0,25**	**0.13%**	**0.13%**	**866 164**	**1 005 518**	**609**	**31**	**0.06%**
	0,25 a <1	**0.52%**	**0.52%**	**444 843**	**524 239**	**1 864**	**72**	**0.37%**
	1 a <5	**2.22%**	**2.20%**	**293 103**	**355 260**	**4 065**	**85**	**1.35%**
	5 a <16	**9.29%**	**10.06%**	**253 075**	**353 109**	**13 088**	**286**	**5.35%**
	16 a <99	**33.54%**	**40.62%**	**18 587**	**20 975**	**6 941**	**129**	**38.68%**
	100	**100.00%**	**100.00%**	**53 509**	**55 779**	**54 504**	**2 270**	
2.1 Secured by real estate	0 a <0,25	0.13%	0.12%	221 788	234 430	149	6	0.07%
	0,25 a <1	0.52%	0.52%	62 309	65 800	178	3	0.31%
	1 a <5	2.26%	2.27%	41 379	43 120	371	1	1.16%
	5 a <16	9.23%	9.25%	27 450	28 088	1 608	6	7.12%
	16 a <99	30.76%	30.08%	3 395	3 429	936	1	31.19%
	100	100.00%	100.00%	9 319	9 351	8 946	32	
2.1.1 SME	0 a <0,25	0.15%	0.15%	8 651	8 911	5		0.04%
	0,25 a <1	0.55%	0.55%	3 848	4 097	6		0.10%
	1 a <5	2.27%	2.23%	3 118	3 377	17		0.77%
	5 a <16	9.68%	9.83%	2 770	2 900	125		5.15%
	16 a <99	44.46%	44.61%	136	138	56		44.68%
	100	100.00%	100.00%	544	548	535	4	
2.1.2 Non-SME	0 a <0,25	0.12%	0.12%	213 137	225 519	144	6	0.07%
	0,25 a <1	0.52%	0.52%	58 461	61 703	172	3	0.32%
	1 a <5	2.25%	2.28%	38 261	39 743	354	1	1.20%
	5 a <16	9.17%	9.18%	24 680	25 188	1 483	6	7.34%
	16 a <99	29.89%	29.47%	3 259	3 291	880	1	30.67%
	100	100.00%	100.00%	8 775	8 803	8 411	28	
2.2 Qualifying Revolving	0 a <0,25	0.13%	0.13%	582 044	702 033	394	22	0.06%
	0,25 a <1	0.53%	0.52%	303 111	361 686	1 297	56	0.38%
	1 a <5	2.12%	2.19%	196 859	244 822	2 828	69	1.31%
	5 a <16	9.85%	10.21%	178 524	267 701	8 440	250	4.52%
	16 a <99	39.98%	41.95%	12 473	14 433	4 492	115	36.38%
	100	100.00%	100.00%	34 814	36 737	36 104	1 923	
2.3 Other Retail	0 a <0,25	0.16%	0.17%	62 332	69 055	66	3	0.10%
	0,25 a <1	0.52%	0.52%	79 423	96 753	389	13	0.41%
	1 a <5	2.14%	2.20%	54 865	67 318	866	15	1.58%
	5 a <16	9.38%	9.75%	47 101	57 320	3 040	30	7.25%

	16 a <99	46.41%	46.10%	2 719	3 113	1 513	13	59.23%
	100	100.00%	100.00%	9 376	9 691	9 454	315	
2.3.1 SME	0 a <0,25	0.16%	0.15%	28 869	32 680	7	1	0.03%
	0,25 a <1	0.53%	0.53%	18 692	23 678	51	1	0.18%
	1 a <5	2.12%	2.26%	13 223	18 524	125	1	0.90%
	5 a <16	10.05%	10.54%	18 295	25 344	614	14	3.88%
	16 a <99	49.59%	49.34%	648	739	260	8	48.06%
	100	100.00%	100.00%	2 080	2 208	2 167	128	
2.3.2 Non-SME	0 a <0,25	0.16%	0.18%	33 463	36 375	59	2	0.16%
	0,25 a <1	0.52%	0.52%	60 731	73 075	338	12	0.49%
	1 a <5	2.16%	2.18%	41 642	48 794	741	14	1.81%
	5 a <16	8.91%	9.12%	28 806	31 976	2 426	16	9.41%
	16 a <99	44.38%	45.09%	2 071	2 374	1 253	5	62.04%
	100	100.00%	100.00%	7 296	7 483	7 287	187	

The figures for the risk positions of portfolios treated by the IRB approach, with reference to 31 December and 30 June 2020 are presented in the following tables (49 – 52), which reflect the different risk classes of the portfolios for Corporate, retail, Specialised Lending and Equity.

TABLE 49 – TEMPLATE 21 / EU CR6 (I) – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE - CORPORATES

31/12/2020 (Thousand euros, Units)

	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
CORPORATE	0,01% a 0,05%												
	0,05% a 0,07%	20 009	85 000	0,05%	58 424	0,05%	15	42,26%	365	6 524	11,2%	12	
	0,07% a 0,14%	2	2 150	42,03%	906	0,10%	97	42,26%	1 659	402	44,4%	0	
	0,14% a 0,28%	919 670	851 570	83,08%	1 632 304	0,20%	475	37,63%	672	538 056	33,0%	1 228	
	0,28% a 0,53%	311 408	569 184	84,36%	795 189	0,40%	470	41,42%	724	440 723	55,4%	1 317	
	0,53% a 0,95%	969 426	704 634	77,92%	1 538 575	0,69%	420	40,23%	1 011	1 212 089	78,8%	4 331	
	0,95% a 1,73%	549 236	371 055	78,43%	797 871	1,26%	283	39,56%	1 185	822 281	103,1%	4 096	
	1,73% a 2,92%	817 238	472 166	60,66%	1 059 567	2,20%	287	35,72%	900	1 054 283	99,5%	8 656	
	2,92% a 4,67%	929 610	430 296	52,12%	1 004 264	3,33%	403	35,86%	957	1 147 694	114,3%	13 215	
	4,67% a 7,00%	243 892	127 771	45,63%	261 843	5,15%	219	36,29%	989	349 601	133,5%	5 525	
	7,00% a 9,77%	157 959	84 829	34,59%	179 610	7,97%	102	36,57%	887	274 316	152,7%	5 416	
	9,77% a 13,61%	457 957	190 488	38,76%	521 588	11,24%	248	36,06%	1 253	944 145	181,0%	21 545	
	13,61% a 100,00%	3 986	8 722	42,65%	7 494	48,30%	39	33,01%	1 087	12 631	168,6%	1 222	
	100,00% *(default)*	941 372	135 965	35,59%	989 757	100,00%	143	70,82%	1 038	138 937	14,0%	669 520	
	SUBTOTAL	**6 321 765**	**4 033 830**	**69,20%**	**8 847 391**	**12,87%**	**3 201**	**41,60%**	**931**	**6 941 682**	**78,46%**	**736 085**	**-757 322**
SME	0,01% a 0,05%												
	0,05% a 0,07%	115	164	83,09%	172	0,03%	3	43,29%	503	13	7,4%	0	
	0,07% a 0,14%	17 344	2 821	49,27%	15 899	0,08%	82	35,36%	1 349	3 025	19,0%	5	
	0,14% a 0,28%	100 554	123 826	75,06%	166 876	0,17%	510	37,35%	648	33 387	20,0%	123	
	0,28% a 0,53%	288 628	219 850	70,61%	364 064	0,33%	1 040	38,63%	794	120 718	33,2%	558	
	0,53% a 0,95%	422 911	295 809	63,96%	481 120	0,53%	1 116	38,88%	773	205 364	42,7%	1 293	
	0,95% a 1,73%	543 980	242 169	67,50%	514 463	0,94%	1 163	39,08%	842	283 424	55,1%	2 569	
	1,73% a 2,92%	606 350	218 738	52,23%	465 392	1,52%	949	39,24%	854	309 854	66,6%	4 141	
	2,92% a 4,67%	712 028	592 994	30,26%	680 506	2,83%	886	37,21%	807	505 690	74,3%	9 141	

	4,67% a 7,00%	590 071	311 186	35,05%	557 038	4,70%	849	36,55%	914	465 894	83,6%	11 757	
	7,00% a 9,77%	335 425	120 595	31,89%	308 496	6,84%	478	36,16%	851	287 889	93,3%	9 069	
	9,77% a 13,61%	1 040 180	333 317	36,26%	954 801	9,47%	2 271	35,36%	1 036	1 018 612	106,7%	37 765	
	13,61% a 100,00%	36 036	9 164	26,35%	35 976	46,36%	153	36,84%	1 268	46 106	128,2%	6 500	
	100,00% *(default)*	487 449	152 451	25,61%	526 492	100,00%	699	50,83%	1 166	159 394	30,3%	290 743	
	SUBTOTAL	**5 181 071**	**2 623 085**	**45,97%**	**5 071 297**	**11,89%**	**10 199**	**38,56%**	**897**	**3 439 369**	**67,82%**	**373 664**	**-418 000**
TOTAL		**11 502 836**	**6 656 915**	-	**13 918 688**	-	**13 400**	-	-	**10 381 051**	**74,6%**	**1 109 749**	**-1 175 322**

NOTE: This data does not include the exposures on Derivatives and Specialised Lending.

30/06/2020

(Thousand euros. Units)

	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
CORPORATE	0,01% a 0,05%												
	0,05% a 0,07%		5 036	0,09%	4 369	0,05%	11	42,26%	371	492	11,3%	1	
	0,07% a 0,14%	2	8 268	49,21%	4 071	0,10%	79	42,26%	1 219	1 451	35,6%	2	
	0,14% a 0,28%	1 022 803	855 668	80,99%	1 720 488	0,20%	431	37,86%	746	596 024	34,6%	1 303	
	0,28% a 0,53%	398 581	569 287	74,71%	827 936	0,40%	439	41,72%	640	441 369	53,3%	1 381	
	0,53% a 0,95%	697 679	651 062	79,00%	1 220 665	0,68%	406	39,79%	776	849 526	69,6%	3 398	
	0,95% a 1,73%	527 810	203 327	72,92%	668 102	1,25%	266	38,76%	1 144	663 955	99,4%	3 355	
	1,73% a 2,92%	1 411 205	396 421	65,63%	1 613 473	2,22%	281	36,67%	786	1 581 560	98,0%	13 579	
	2,92% a 4,67%	691 786	402 733	47,95%	737 428	3,32%	374	38,23%	887	885 318	120,1%	10 371	
	4,67% a 7,00%	175 658	71 942	43,35%	185 723	5,35%	180	38,09%	1 009	264 703	142,5%	4 157	
	7,00% a 9,77%	59 476	83 258	42,99%	90 296	7,90%	111	38,48%	520	134 940	149,4%	2 869	
	9,77% a 13,61%	538 615	224 756	39,72%	623 202	11,40%	271	35,38%	1 252	1 107 250	177,7%	25 314	
	13,61% a 100,00%	4 020	6 653	34,54%	6 318	50,28%	38	29,45%	1 237	9 567	151,4%	943	
	100,00% *(default)*	1 287 989	184 547	32,74%	1 348 403	100,00%	167	71,29%	1 071	199 736	14,8%	899 752	
	SUBTOTAL	**6 815 625**	**3 662 957**	**67,20%**	**9 050 476**	**16,48%**	**3 054**	**43,05%**	**875**	**6 735 892**	**74,43%**	**966 425**	**-987 235**
SME	0,01% a 0,05%												
	0,05% a 0,07%	11	203	64,94%	142	0,05%	4	38,02%	365	9	6,0%	0	

	0,07% a 0,14%	9 545	5 250	73,83%	8 684	0,06%	75	38,03%	985	1 271	14,6%	3	
	0,14% a 0,28%	127 933	135 253	71,18%	179 846	0,16%	565	39,58%	760	40 600	22,6%	141	
	0,28% a 0,53%	344 215	260 469	67,15%	424 354	0,33%	1 064	38,70%	835	151 756	35,8%	650	
	0,53% a 0,95%	499 810	273 197	64,35%	543 965	0,55%	1 201	38,83%	857	261 874	48,1%	1 456	
	0,95% a 1,73%	585 168	270 651	62,04%	556 984	0,97%	1 155	39,08%	834	326 598	58,6%	2 792	
	1,73% a 2,92%	454 336	263 836	46,53%	391 169	1,57%	875	39,03%	818	267 709	68,4%	3 459	
	2,92% a 4,67%	622 240	368 582	33,69%	575 252	2,86%	849	36,96%	902	460 639	80,1%	7 699	
	4,67% a 7,00%	459 260	259 151	32,77%	462 616	5,02%	762	36,10%	881	404 904	87,5%	9 658	
	7,00% a 9,77%	293 118	129 103	34,09%	295 329	7,29%	423	35,63%	924	299 699	101,5%	8 585	
	9,77% a 13,61%	782 898	299 116	36,28%	770 906	9,98%	1 831	34,96%	995	907 810	117,8%	30 372	
	13,61% a 100,00%	37 299	15 915	30,05%	40 920	49,00%	134	36,58%	1 173	56 970	139,2%	7 479	
	100,00% *(default)*	550 728	154 982	28,78%	595 327	100,00%	721	51,95%	1 249	120 445	20,2%	334 328	
	SUBTOTAL	**4 766 561**	**2 435 706**	**47,32%**	**4 845 494**	**13,50%**	**9 659**	**38,95%**	**919**	**3 300 284**	**68,11%**	**406 622**	**-424 442**
TOTAL		**11 582 186**	**6 098 663**	-	**13 895 969**	-	**12 713**	-	-	**10 036 177**	**72,2%**	**1 373 047**	**-1 411 677**

NOTE: This data does not include the exposures on Derivatives and Specialised Lending.

TABLE 50 – TEMPLATE 21 / EU CR6 (II) – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE - RETAIL

31/12/2020 (Thousand euros, Units)

	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
SECURED BY REAL ESTATE	0,01% to 0,05%												
	0,05% to 0,07%	124 358	3 776	95,29%	127 910	0,05%	1 690	15,88%		2 979	2,3%	10	
	0,07% to 0,14%	10 733 654	50 616	99,01%	10 919 353	0,09%	196 458	20,82%		522 466	4,8%	2 041	
	0,14% to 0,28%	4 640 334	40 248	96,73%	4 717 576	0,20%	65 731	18,67%		364 756	7,7%	1 734	
	0,28% to 0,53%	2 370 831	16 344	92,41%	2 391 177	0,40%	36 458	19,07%		315 965	13,2%	1 810	
	0,53% to 0,95%	1 479 009	9 995	90,54%	1 476 168	0,70%	23 042	20,02%		304 726	20,6%	2 079	
	0,95% to 1,73%	992 625	6 776	91,53%	983 347	1,29%	15 641	21,33%		324 571	33,0%	2 708	
	1,73% to 2,92%	646 486	3 087	83,43%	631 414	2,28%	10 289	21,60%		301 532	47,8%	3 106	
	2,92% to 4,67%	652 941	1 771	111,19%	665 361	3,71%	11 285	19,74%		384 112	57,7%	4 904	
	4,67% to 7,00%	433 819	1 124	56,23%	383 647	5,93%	6 674	19,62%		282 018	73,5%	4 491	
	7,00% to 9,77%	280 489	903	88,13%	248 658	8,53%	4 211	19,71%		218 790	88,0%	4 268	
	9,77% to 13,61%	648 088	6 884	74,70%	567 036	11,49%	9 582	16,30%		454 728	80,2%	10 625	
	13,61% to 100,00%	141 024	27	97,10%	141 043	37,90%	2 052	25,11%		193 066	136,9%	11 712	
	100,00% *(default)*	601 771	34	59,44%	601 792	100,00%	8 206	38,04%		666 236	110,7%	199 052	
	SUBTOTAL	**23 745 429**	**141 583**	**94,76%**	**23 854 483**	**3,58%**	**391 319**	**20,48%**		**4 335 944**	**18,18%**	**248 539**	**-164 927**
QUALIFYING REVOLVING RETAIL EXPOSURES	0,01% to 0,05%												
	0,05% to 0,07%	1 875	199 459	20,77%	43 295	0,05%	110 700	63,52%		980	2,3%	14	
	0,07% to 0,14%	103 876	781 653	44,08%	448 399	0,08%	462 385	56,75%		13 882	3,1%	211	
	0,14% to 0,28%	97 468	550 267	24,59%	232 793	0,20%	269 155	57,26%		14 860	6,4%	262	
	0,28% to 0,53%	98 517	234 943	29,72%	168 334	0,40%	186 642	57,22%		18 903	11,2%	381	
	0,53% to 0,95%	74 589	111 596	37,35%	116 269	0,71%	113 332	58,25%		21 009	18,1%	478	
	0,95% to 1,73%	64 969	64 793	45,42%	94 399	1,29%	82 573	59,98%		27 784	29,4%	727	
	1,73% to 2,92%	55 046	37 901	48,71%	73 508	2,26%	61 433	61,60%		33 722	45,9%	1 024	
	2,92% to 4,67%	47 818	25 854	47,73%	60 157	3,78%	52 277	62,75%		40 347	67,1%	1 427	

	4,67% to 7,00%	33 452	14 611	47,48%	40 390	6,06%	41 199	62,53%		36 898	91,4%	1 532	
	7,00% to 9,77%	26 091	16 394	44,62%	33 406	9,32%	36 981	62,84%		39 922	119,5%	1 965	
	9,77% to 13,61%	19 823	45 029	14,16%	26 200	11,50%	137 042	60,63%		33 917	129,5%	1 827	
	13,61% to 100,00%	37 514	4 682	66,85%	40 644	24,32%	27 888	65,55%		69 525	171,1%	6 409	
	100,00% *(default)*	47 322	5 479	10,47%	47 896	100,00%	68 075	80,50%		88 281	184,3%	32 767	
	SUBTOTAL	**708 360**	**2 092 661**	**34,28%**	**1 425 690**	**5,18%**	**1 649 682**	**59,36%**		**440 031**	**30,86%**	**49 024**	**-45 365**
OTHER RETAIL – SME	0,01% to 0,05%												
	0,05% to 0,07%	3 215	11 768	43,75%	8 014	0,05%	214	37,96%		363	4,5%	2	
	0,07% to 0,14%	96 827	121 380	38,20%	134 012	0,08%	19 055	30,67%		8 507	6,3%	42	
	0,14% to 0,28%	397 756	152 093	39,48%	348 512	0,13%	22 235	28,56%		33 697	9,7%	206	
	0,28% to 0,53%	599 744	113 775	38,69%	356 296	0,21%	17 538	27,47%		51 353	14,4%	403	
	0,53% to 0,95%	444 510	71 447	35,58%	228 654	0,36%	12 350	27,89%		45 954	20,1%	462	
	0,95% to 1,73%	273 210	41 743	33,74%	142 609	0,74%	8 808	27,76%		37 184	26,1%	530	
	1,73% to 2,92%	147 229	60 731	75,20%	114 456	1,58%	5 352	32,80%		43 336	37,9%	927	
	2,92% to 4,67%	84 246	10 750	69,08%	98 282	2,79%	6 384	29,68%		33 824	34,4%	1 081	
	4,67% to 7,00%	54 138	8 287	36,14%	31 619	4,18%	3 089	30,57%		12 299	38,9%	598	
	7,00% to 9,77%	29 054	2 988	25,89%	14 623	5,54%	1 712	30,82%		6 144	42,0%	396	
	9,77% to 13,61%	179 822	65 279	31,92%	96 293	8,18%	15 266	31,47%		45 638	47,4%	3 680	
	13,61% to 100,00%	12 189	13 235	28,58%	15 250	48,19%	1 142	36,65%		11 575	75,9%	2 837	
	100,00% *(default)*	92 364	79 067	23,66%	111 075	100,00%	6 508	58,80%		153 965	138,6%	52 993	
	SUBTOTAL	**2 414 304**	**752 543**	**39,24%**	**1 699 695**	**5,33%**	**119 653**	**30,06%**		**483 840**	**28,47%**	**64 158**	**-79 223**
OTHER RETAIL – NON SME	0,01% to 0,05%												
	0,05% to 0,07%	22 684	8 562	54,14%	27 294	0,05%	803	15,10%		643	2,4%	2	
	0,07% to 0,14%	116 363	26 362	74,48%	141 493	0,10%	5 473	17,72%		6 591	4,7%	25	
	0,14% to 0,28%	426 254	37 911	59,81%	459 042	0,20%	34 927	20,77%		40 849	8,9%	191	
	0,28% to 0,53%	542 186	25 294	57,36%	554 628	0,40%	50 230	26,08%		96 767	17,4%	578	
	0,53% to 0,95%	319 170	9 348	70,54%	326 957	0,70%	31 222	27,53%		82 096	25,1%	630	
	0,95% to 1,73%	209 737	7 438	65,55%	211 105	1,29%	21 763	27,07%		68 291	32,3%	742	
	1,73% to 2,92%	129 778	2 388	81,69%	128 863	2,29%	12 913	29,42%		53 456	41,5%	872	

	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
	2,92% to 4,67%	78 710	2 143	71,24%	79 343	3,69%	8 299	27,03%		32 552	41,0%	793	
	4,67% to 7,00%	64 387	2 008	80,59%	61 177	5,89%	6 823	27,20%		26 472	43,3%	981	
	7,00% to 9,77%	42 112	1 897	53,36%	40 351	8,28%	5 089	29,55%		20 123	49,9%	989	
	9,77% to 13,61%	88 122	3 526	38,02%	86 055	11,48%	8 467	33,63%		54 102	62,9%	3 328	
	13,61% to 100,00%	17 033	996	21,00%	17 235	46,31%	1 868	29,56%		13 568	78,7%	2 308	
	100,00% *(default)*	188 750	2 749	24,36%	189 420	100,00%	16 371	59,38%		246 606	130,2%	92 752	
	SUBTOTAL	**2 245 285**	**130 622**	**62,20%**	**2 322 962**	**9,82%**	**204 248**	**28,01%**		**742 116**	**31,95%**	**104 190**	**-106 957**
TOTAL		**29 113 379**	**3 117 410**		**29 302 831**		**2 364 902**			**6 001 931**		**465 910**	**-396 473**

NOTE: This data does not include the exposures on Derivatives and Specialised Lending.

30/06/2020

(Thousand euros. Units)

	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
SECURED BY REAL ESTATE	0,01% to 0,05%												
	0,05% to 0,07%	122 130	2 529	95,30%	124 496	0,05%	1 781	15,88%		2 900	2,3%	10	
	0,07% to 0,14%	10 415 157	53 023	98,35%	10 606 174	0,09%	190 256	21,03%		513 092	4,8%	1 999	
	0,14% to 0,28%	4 473 621	37 596	97,83%	4 550 687	0,20%	64 006	18,77%		355 298	7,8%	1 684	
	0,28% to 0,53%	2 433 925	18 220	93,37%	2 454 473	0,40%	37 379	19,14%		326 971	13,3%	1 865	
	0,53% to 0,95%	1 411 261	10 982	84,69%	1 421 517	0,70%	22 256	20,36%		299 605	21,1%	2 037	
	0,95% to 1,73%	979 721	9 480	93,93%	975 247	1,29%	15 764	21,53%		325 483	33,4%	2 710	
	1,73% to 2,92%	694 483	6 524	99,31%	686 641	2,28%	10 986	21,52%		327 177	47,6%	3 365	
	2,92% to 4,67%	707 299	1 784	109,50%	717 216	3,71%	12 019	19,50%		411 078	57,3%	5 218	
	4,67% to 7,00%	492 929	1 493	76,63%	443 236	5,93%	7 282	19,58%		326 906	73,8%	5 173	
	7,00% to 9,77%	306 234	1 056	82,13%	266 815	8,52%	4 596	19,69%		236 102	88,5%	4 569	
	9,77% to 13,61%	722 737	3 716	67,05%	632 742	11,48%	10 894	16,34%		515 125	81,4%	11 882	
	13,61% to 100,00%	174 832	11	94,30%	174 835	43,61%	2 557	22,60%		210 315	120,3%	15 587	
	100,00% *(default)*	665 831	71	99,96%	665 902	100,00%	8 742	32,38%		754 474	113,3%	179 764	
	SUBTOTAL	**23 600 160**	**146 485**	**95,28%**	**23 719 980**	**4,03%**	**388 518**	**20,48%**		**4 604 526**	**19,41%**	**235 864**	**-138 883**

QUALIFYING REVOLVING RETAIL EXPOSURES	0,01% to 0,05%												
	0,05% to 0,07%	1 747	178 878	20,28%	38 018	0,05%	110 680	63,26%		857	2,3%	12	
	0,07% to 0,14%	96 604	739 485	43,69%	419 677	0,08%	430 389	57,14%		13 059	3,1%	199	
	0,14% to 0,28%	93 654	548 303	24,60%	228 557	0,20%	274 587	57,59%		14 666	6,4%	259	
	0,28% to 0,53%	100 817	232 597	31,06%	173 070	0,40%	193 729	57,57%		19 539	11,3%	394	
	0,53% to 0,95%	76 461	109 577	39,38%	119 609	0,71%	119 275	58,29%		21 630	18,1%	493	
	0,95% to 1,73%	62 944	63 451	46,88%	92 688	1,29%	83 842	59,75%		27 175	29,3%	711	
	1,73% to 2,92%	52 058	37 064	48,34%	69 973	2,26%	62 088	60,89%		31 733	45,4%	964	
	2,92% to 4,67%	46 147	25 089	47,61%	58 092	3,77%	54 181	61,63%		38 250	65,8%	1 352	
	4,67% to 7,00%	31 864	14 911	46,19%	38 752	6,05%	43 413	61,49%		34 790	89,8%	1 443	
	7,00% to 9,77%	24 833	10 549	44,00%	29 475	9,28%	34 208	62,56%		34 994	118,7%	1 720	
	9,77% to 13,61%	22 262	43 331	14,07%	28 357	11,50%	162 305	59,65%		36 115	127,4%	1 945	
	13,61% to 100,00%	37 288	4 582	72,89%	40 629	23,41%	31 112	64,58%		67 977	167,3%	5 994	
	100,00% *(default)*	49 822	4 823	9,60%	50 285	100,00%	68 638	80,09%		90 462	179,9%	34 463	
	SUBTOTAL	**696 502**	**2 012 639**	**34,32%**	**1 387 180**	**5,44%**	**1 668 447**	**59,42%**		**431 248**	**31,09%**	**49 948**	**-45 453**
OTHER RETAIL – SME	0,01% to 0,05%												
	0,05% to 0,07%	2 838	13 582	43,99%	7 796	0,04%	202	35,95%		345	4,4%	1	
	0,07% to 0,14%	113 668	127 874	41,63%	137 049	0,07%	17 576	29,45%		8 466	6,2%	42	
	0,14% to 0,28%	364 037	154 498	40,17%	312 519	0,13%	19 826	27,88%		29 549	9,5%	181	
	0,28% to 0,53%	445 229	104 392	40,87%	306 236	0,24%	14 772	27,91%		45 406	14,8%	356	
	0,53% to 0,95%	332 363	67 066	32,19%	209 431	0,41%	10 891	27,79%		41 749	19,9%	420	
	0,95% to 1,73%	234 528	45 408	31,59%	132 706	0,81%	8 165	28,31%		35 375	26,7%	504	
	1,73% to 2,92%	142 831	23 976	36,48%	78 584	1,49%	5 686	29,58%		25 923	33,0%	555	
	2,92% to 4,67%	97 946	20 145	45,78%	95 235	2,75%	6 792	29,24%		33 098	34,8%	1 057	
	4,67% to 7,00%	46 994	6 511	25,60%	25 715	4,12%	3 154	30,89%		10 190	39,6%	496	
	7,00% to 9,77%	27 992	4 810	19,19%	15 692	6,71%	1 759	31,21%		6 498	41,4%	419	
	9,77% to 13,61%	138 207	58 660	29,70%	83 474	9,47%	16 129	32,31%		39 670	47,5%	3 200	
	13,61% to 100,00%	12 205	15 654	27,51%	16 158	49,39%	1 365	37,43%		12 402	76,8%	3 043	
	100,00% *(default)*	91 904	92 066	23,56%	113 598	100,00%	6 892	50,70%		178 251	156,9%	43 329	

	SUBTOTAL	**2 050 742**	**734 642**	**35,92%**	**1 534 193**	**6,23%**	**113 209**	**29,69%**		**466 922**	**30,43%**	**53 603**	**-61 177**
OTHER RETAIL – NON SME	0,01% to 0,05%												
	0,05% to 0,07%	20 082	5 735	59,03%	23 467	0,05%	879	16,58%		607	2,6%	2	
	0,07% to 0,14%	108 162	17 621	81,59%	127 633	0,10%	5 119	17,39%		5 833	4,6%	22	
	0,14% to 0,28%	434 414	44 173	54,75%	467 531	0,20%	34 991	21,73%		43 602	9,3%	203	
	0,28% to 0,53%	541 572	20 943	62,44%	555 390	0,40%	51 269	26,14%		97 112	17,5%	580	
	0,53% to 0,95%	335 292	30 379	51,61%	352 311	0,70%	32 889	26,68%		85 743	24,3%	658	
	0,95% to 1,73%	214 310	5 819	73,75%	215 280	1,30%	21 659	28,79%		74 091	34,4%	805	
	1,73% to 2,92%	114 220	2 386	66,25%	112 902	2,29%	13 089	28,25%		44 941	39,8%	733	
	2,92% to 4,67%	85 100	2 446	81,25%	86 851	3,69%	9 631	27,00%		35 589	41,0%	867	
	4,67% to 7,00%	68 419	788	68,85%	64 836	5,89%	7 393	28,68%		29 585	45,6%	1 096	
	7,00% to 9,77%	48 274	714	39,70%	45 252	8,28%	5 683	29,01%		22 147	48,9%	1 089	
	9,77% to 13,61%	118 468	3 293	30,93%	113 583	11,48%	10 559	32,81%		69 640	61,3%	4 284	
	13,61% to 100,00%	28 880	1 140	23,04%	29 126	45,92%	3 390	30,76%		23 845	81,9%	4 032	
	100,00% *(default)*	180 323	2 901	25,34%	181 058	100,00%	14 480	56,08%		248 999	137,5%	81 617	
	SUBTOTAL	**2 297 516**	**138 335**	**58,85%**	**2 375 221**	**9,64%**	**211 031**	**27,94%**		**781 734**	**32,91%**	**95 988**	**-102 701**
TOTAL		**28 644 920**	**3 032 102**	-	**29 016 574**	-	**2 381 205**	-		**6 284 430**	-	**435 404**	**-348 215**

NOTE: This data does not include the exposures on Derivatives and Specialised Lending.

TABLE 51 – TEMPLATE 5 / EU CR10 (I)– IRB (SPECIALISED LENDING)

31/12/2020 (Thousand euros)

Regulatory categories	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWA	Expected losses
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years	25 585		70%	25 625	16 808	102
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years	754 313	187 517	90%	907 555	807 429	7 260
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years	203 676	18 445	115%	205 336	233 086	5 749
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years	21 081	4 802	250%	23 677	50 151	1 894
Category 5	Less than 2.5 years						
	Equal to or more than 2.5 years	869	2 728		2 826	0	1 413
TOTAL	Less than 2.5 years						
	Equal to or greater than 2.5 years	**1 005 524**	**213 492**		**1 165 018**	**1 107 474**	**16 419**

30/06/2020 (Thousand euros)

Regulatory categories	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWA	Expected losses
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years	29 365		70%	29 427	20 599	118
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years	796 294	204 975	90%	966 849	868 414	7 735
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years	124 125	41 504	115%	125 902	144 395	3 525
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years	12 550	3 270	250%	14 177	35 443	1 134
Category 5	Less than 2.5 years						
	Equal to or more than 2.5 years	5 011	3 287		6 445	7 094	1 711
TOTAL	Less than 2.5 years						
	Equal to or greater than 2.5 years	**967 346**	**253 036**		**1 142 799**	**1 075 946**	**14 223**

TABLE 52 – TEMPLATE 5 / EU CR10 (II) – IRB (EQUITY POSITIONS)

31/12/2020 (Thousand euros)

Equities under the simple risk-weighted approach

Categories	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWA	Own funds requirements	Expected losses
Private equity exposures	893 269		190%	893 269	1 697 211	135 777	7 146
Exchange-traded equity exposures	4 706		290%	4 706	13 646	1 092	38
Other equity exposures	146 182		370%	146 182	540 872	43 270	3 508
TOTAL	**1 044 156**			**1 044 156**	**2 251 729**	**180 138**	**10 692**

30/06/2020 (Thousand euros)

Equities under the simple risk-weighted approach

Categories	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWA	Own funds requirements	Expected losses
Private equity exposures	891 037		190%	891 037	1 692 970	135 438	7 128
Exchange-traded equity exposures	9 002		290%	9 002	26 106	2 089	72
Other equity exposures	148 385		370%	148 385	549 026	43 922	3 561
TOTAL	**1 048 424**			**1 048 424**	**2 268 102**	**181 448**	**10 762**

The following table shows the breakdown of RWA flows in the last quarter of 2020:

TABLE 53 – TEMPLATE 23 / EU CR8 – RWA FLOW STATEMENTS OF CCR EXPOSURES UNDER THE IRB APPROACH

	31 Dec 2020		30 Sep 2020	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements
RWA AS AT THE END OF THE PREVIOUS REPORTING PERIOD (*)	**21 272 546**	1 702 163	**21 066 834**	**1 685 347**
Asset size	43 150	35 876	109 092	9 050
Asset quality				
Model updates				
Methodology and policy				
Acquisitions and disposals				
Foreign exchange movements	-20 724	-5 241	-28 845	-2 308
Other	-39 452	8 091	125 464	10 074
RWA AS AT THE END OF THE REPORTING PERIOD (**)	**21 255 520**	**1 700 442**	**21 272 546**	**1 702 163**

(*) 30/06/2019 for Sep 2019; 30/09/2019 for Dec 2019

(**) 30/09/2019 for Sep 2019; 31/12/2019 for Dec 2019

5.5.5. STANDARDISED APPROACH – EXPOSURES AND RISK WEIGHTS BY REGULATORY RISK CLASSES

TABLE 54 – TEMPLATE 20 / EU CR5 – STANDARDISED APPROACH

The on- and off-balance sheet risk positions within the scope of the regulatory consolidation, net from specific credit risk adjustments and cancellations, post conversion factors and post CRM techniques, relative to portfolios that are treated under the standardised approach, as at 31 December 2020 and 2019, are broken down in the following table:

(Thousand euros)

Exposure classes	Dec 2020																	
	Risk weights															Deducted	Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Outras			
Central Governments or Central Banks	21 881 784				5 682		29 791			813 506	407 148						23 137 912	3 595 664
Regional Governments or Local Authorities					702 178						0						702 178	702 178
Public Setor Entities	104				0		30 572			174 232	15 211						220 119	42 923
Multilateral Development Banks	40 029																40 029	
International Organisations																		
Institutions		303 411			1 018 599		261 365			112 783	10 972						1 707 131	736 799
Corporates										5 051 616	149 711						5 201 327	4 676 738
Retail									5 294 034								5 294 034	140 286
Secured by mortgages on immovable property						1 073 618	448 235		64 844	200 944	86 316						1 873 957	67 249
Exposures in default										374 044	107 135						481 179	92 033
Items associated with particularly high risk											4 450						4 450	1 155
Covered bonds																		
Claims on institutions and corporates with a short-term credit assessment																		
Collective Investment Undertakings										0	20 563				79 754		100 317	
Equity exposures												29 967					29 967	
Other exposures										90 941							90 941	
TOTAL	**21 921 917**	**303 411**			**1 726 459**	**1 073 618**	**769 964**		**5 358 878**	**6 818 066**	**801 506**	**29 967**			**79 754**		**38 883 540**	**10 055 024**

Exposure classes	Dec 2019																	
	Risk weights															Deducted	Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Outras			
Central Governments or Central Banks	15 299 335				7 768		30 580			1 079 425	238 801						16 655 909	1 173 303
Regional Governments or Local Authorities					571 614		43			4	405				85		572 151	572 015
Public Setor Entities	107				30		13 509			174 308	75 925						263 879	85 883
Multilateral Development Banks	41 422																41 422	
International Organisations																		
Institutions					1 266 961		202 572			80 634	1 305				228 192		1 779 663	587 947
Corporates					14 156		46 931			5 378 053	134 768				72 378		5 646 287	4 996 235
Retail							0		4 988 160	0					0		4 988 160	182 074
Secured by mortgages on immovable property					94		514 187		73 227	227 303	108 096				1 245 598		2 168 504	47 750
Exposures in default	1 794									259 553	193 409				0		454 757	56 812
Items associated with particularly high risk											1 511						1 511	
Covered bonds																		
Claims on institutions and corporates with a short-term credit assessment																		
Collective Investment Undertakings											21 421				133 873		155 294	
Equity exposures										1 155		37 497					38 652	
Other exposures																		
TOTAL	**15 342 658**				**1 860 623**		**807 821**		**5 061 387**	**7 200 436**	**775 642**	**37 497**			**1 680 125**		**32 766 190**	

6. COUNTERPARTY CREDIT RISK

The counterparty credit risk translates the risk of counterparties being unable to meet their liabilities resulting from securities contracts such as derivatives for instance.

The Bank gives preference to the definition of exposure limits to counterparty credit risk, bilateral contracts to guarantee exposures resulting from derivatives and the creation of collaterals within the scope of these agreements as preferred tools to mitigate counterparty credit risk.

The manual Credit Regulations for Sovereigns and Financial Institutions defines the way in which the consumptions of the counterparty credit risk limits are determined. This calculation is regularly made based on the market value of the operations, to which a factor arising from the future potential variation of that same value is added, adjusting for the volatility and deadline of each operation.

The Bank has a policy of closing bilateral contracts to guarantee exposures resulting from OTC derivatives contracted with Banks under the ISDA Master Agreement (ISDA - International Swaps and Derivatives Association).

In addition, an ISDA Master Agreement may frame the creation of collateral using an annex or ISDA Credit Support Document. As a template for the Credit Support Document, the Bank chose the Credit Support Annexes (CSA) contracts to guarantee the constitution, by the entity with net values payable in the future, of financial collaterals from the other party to guarantee the payment of these contractual obligations. In these contracts, the Bank (almost exclusively) accepts deposits in Euros as collateral.

The Bank does not use netting as a technique for credit risk mitigation/reduction under RWA/capital requirements calculation; only in accounting, non-prudential terms, netting is used for interest rate swaps, per operation. The exception to this is the approved ISDA Master Netting Agreements (MNA) celebrated with 5 entities form the "Institutions" risk class that effectively provide prudential credit risk mitigation.

The total exposure limits for counterparties that are not financial institutions, in contracts subject to this type of risk, are generally divided into two components: one for traditional credit operations (financial and / or subscription) and another for treasury products.

Finally, the Bank uses a framework agreement model of TBMA/ISMA (The Bond Market Association/International Securities Market Association) within the scope of the repo operations it carries out. This framework agreement, the Global Master Repurchase Agreement (GMRA), defines the repo transactions between the parties and regulates the creation of the collateral that guarantees the exposure.

Both in 2020 and in 2019, for the purposes of measuring counterparty credit risk, the Group used the financial collateral comprehensive method, as established in article 223, Section 4, Chapter 4, Title II, Part III of the CRR, and the mark-to-market method to calculate the future exposure in the relevant positions with credit risk, as defined in article 274, Section 3, Chapter 6, Title II, Part III of the CRR.

After estimating the exposures as at 2020 and 2019, the own funds requirements were computed, on one hand, according to Chapter 2, Title II, Part III of the CRR, for risk scores and portfolios that followed the standardised approach, and, on the other hand, according to Chapter 3, Title II, Part III of the CRR, for the portfolios for which the Supervisor has authorised the IRB Approach.

According to the mark-to-market method, the necessary values to calculate the exposure in the relevant positions have two components: (i) the market value of each operation and (ii) the percentage of the nominal to be applied as an add-on to that market value.

The market values of the operations are directly collected from the Bank's front-end application (namely Kondor+), in which the management and evaluation of the operations is carried out, whilst the add-on values to be applied are directly identifiable in table I of paragraph c) of article 274, Section 3, Chapter 6, Title II, Part III of the CRR.

Regulation (EU) No. 648/2012 of the European Parliament and of the Council, of 4 July 2012, on OTC derivatives, central counterparties and trade repositories - commonly referred to as EMIR (European Markets Infrastructure Regulation) - has introduced legal obligations with the aim of improving post-trade transparency and reducing the risks associated with the derivatives market, in particular through the need to bring in a central counterparty or the adoption of risk mitigation techniques for derivatives not centrally cleared.

Considering the regulations applicable to its category, the Group became obliged to carry out the clearing of the OTC derivatives portfolio within the criteria defined by the EMIR, with a qualified CCP. This clearing obligation is, in a first stage, applicable to the simpler derivatives, namely, those relating to interest rate (IRS and FRA) and in the most common currencies (EUR, GBP, JPY, USD). Afterwards, there will be a phased extension of these obligations to a broader set of derivatives.

The Bank's negotiating policy for ISDA CSA clauses privileges bilateral conditions, without any terms associated with the counterparties' ratings. Moreover, after the implementation of the last phase of EMIR, the conditions defined for OTC collateral contracts cannot be linked to credit ratings. In this context, there is currently no relation between the collateral requirements for OTC derivatives and the rating of the Bank.

As at December 2020, the Group did not have any formal counterparty credit risk coverage operation in force.

The next tables present further details on the exposures to counterparty credit risk.

TABLE 55 – TEMPLATE 25 / EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

31/12/2020 (Thousand euros)

	Notional	Replacement cost / Current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWA
Mark to market		245 744	112 683			327 102	253 210
Original exposure							
Standardised approach							
Internal Model Method - IMM (for derivatives and SFTs)							
Of which: securities financing transactions							
Of which: derivatives and long settlements transactions							
Of which: from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VaR (Value at risk) for SFTs							
TOTAL							**253 210**

30/06/2020 (Thousand euros)

	Notional	Replacement cost / Current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWA
Mark to market		299 953	189 675			451 859	294 679
Original exposure							
Standardised approach							
Internal Model Method - IMM (for derivatives and SFTs)							
Of which: securities financing transactions							
Of which: derivatives and long settlements transactions							
Of which: from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VaR (Value at risk) for SFTs							
TOTAL							**294 679**

TABLE 56 – TEMPLATE 26 / EU CCR2 – CVA CAPITAL CHARGE

(Thousand euros)

	31 Dec 2020		30 Jun 2019	
	Exposure value	RWA	Exposure value	RWA
Total portfolios subject to the advanced method				
(i) VaR component (including the 3x multiplier)				
(ii) SVaR component (including the 3x multiplier)				
All portfolios subject to the standardised method	142 112	73 141	236 008	95 337
Based on the original exposure method				
TOTAL SUBJECT TO THE CVA CAPITAL CHARGE	**142 112**	**73 141**	**236 008**	**95 337**

TABLE 57 – TEMPLATE 27 / EU CCR8 – EXPOSURES TO CCP

31/12/2020 (Thousand euros)

	EAD post CRM	RWA
EXPOSURES TO QCCP (TOTAL)		5 716
Exposures for trades at QCCP (excluding initial margin and default fund contributions); of which:		
(i) OTC derivatives	285 803	5 716
(ii) Exchange-traded derivatives		
(iii) SFT		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	286 532	
Non-segregated initial margin		
Prefunded default fund contributions		
Alternative calculation of own funds requirements for exposures		
EXPOSURES TO NON-QCCP (TOTAL)		
Exposures for trades at non-QCCP (excluding initial margin and default fund contributions); of which:		
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives		
(iii) SFT		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

30/06/2020 (Thousand euros)

	EAD post CRM	RWA
EXPOSURES TO QCCP (TOTAL)		
Exposures for trades at QCCP (excluding initial margin and default fund contributions); of which:		
(i) OTC derivatives	351 972	7 039
(ii) Exchange-traded derivatives		
(iii) SFT		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	286 368	
Non-segregated initial margin		
Prefunded default fund contributions		
Alternative calculation of own funds requirements for exposures		
EXPOSURES TO NON-QCCP (TOTAL)		
Exposures for trades at non-QCCP (excluding initial margin and default fund contributions); of which:		
(i) OTC derivatives	31 540	15 640
(ii) Exchange-traded derivatives		
(iii) SFT		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	225	
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

TABLE 58 – TEMPLATE 28 / EU CCR3 – STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK

(Thousand euros)

	Dec 2020												
Exposure classes	**Risk weight**											**Total**	**Of which unrated**
	0%	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**		
Central governments or central banks	5 900											**5 900**	
Regional government or local authorities													
Public sector entities					0							**0**	
Multilateral development banks													
International organizations													
Institutions					82 632	18 510			116		285 803	**387 060**	65 817
Corporates									82 901			**82 901**	82 901
Retail								57				**57**	
Institutions and corporates with a short-term credit assessment													
Other elements													
TOTAL	**5 900**				**82 632**	**18 510**		**57**	**83 017**		**285 803**	**475 919**	**148 718**

	Jun 2020												
Exposure classes	**Risk weight**											**Total**	**Of which unrated**
	0%	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**		
Central governments or central banks	7 168											7 168	
Regional government or local authorities													
Public sector entities					1							1	
Multilateral development banks													
International organizations													
Institutions		351 972			152 347	86 654			1 530			592 503	141 091
Corporates									82 349			82 349	82 349
Retail								35				35	
Institutions and corporates with a short-term credit assessment													
Other elements													
TOTAL	**7 168**	**351 972**			**152 347**	**86 654**		**35**	**83 879**			**682 056**	**223 440**

TABLE 59 – TEMPLATE 29 / EU CCR4 (I) – IRB APPROACH – CCR EXPOSURES BY PORTFOLIO AND PD SCALE - CORPORATES

31/12/2020 (Thousand euros)

	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
CORPORATE	0,01% to 0,05%							
	0,05% to 0,07%							
	0,07% to 0,14%	18	0,10%	1	42,26%	365	3	18,6%
	0,14% to 0,28%	479	0,20%	2	42,26%	1 181	241	50,4%
	0,28% to 0,53%							
	0,53% to 0,95%	8 646	0,70%	4	42,26%	1 685	9 160	105,9%
	0,95% to 1,73%	25	1,30%	1	42,26%	365	20	81,3%
	1,73% to 2,92%	3 977	2,30%	5	42,26%	825	4 605	115,8%
	2,92% to 4,67%	891	3,70%	4	42,26%	365	1 047	117,5%
	4,67% to 7,00%	2 155	5,90%	4	42,26%	545	3 146	146,0%
	7,00% to 9,77%							
	9,77% to 13,61%							
	13,61% to 100,00%							
	100,00% *(default)*							
	SUBTOTAL	**16 190**	**1,94%**	**21**	**42,26%**	**1 231**	**18 224**	**112,6%**
SME	0,01% to 0,05%							
	0,05% to 0,07%							
	0,07% to 0,14%							
	0,14% to 0,28%	23	0,20%	3	41,38%	365	4	18,6%
	0,28% to 0,53%	15	0,40%	2	43,74%	365	4	29,5%
	0,53% to 0,95%	81	0,70%	2	44,36%	365	37	46,5%
	0,95% to 1,73%	87	1,30%	6	39,85%	404	41	47,0%
	1,73% to 2,92%	99	2,30%	4	38,66%	428	61	61,2%
	2,92% to 4,67%	224	3,70%	6	43,96%	365	164	73,1%
	4,67% to 7,00%	11	5,90%	3	40,96%	365	9	86,7%
	7,00% to 9,77%	94	8,30%	2	44,40%	490	105	111,2%
	9,77% to 13,61%	287	11,50%	7	43,02%	365	356	124,0%
	13,61% to 100,00%							
	100,00% *(default)*							
	SUBTOTAL	**921**	**11,50%**	**35**	**43,02%**	**365**	**782**	**84,91%**
TOTAL		**17 110**	**-**	**56**	**-**	**-**	**19 005**	**111,1%**

NOTE: This data does not include the Specialised Lending exposures,

30/06/2020 (Thousand euros)

	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
CORPORATE	0,01% to 0,05%							
	0,05% to 0,07%							
	0,07% to 0,14%							
	0,14% to 0,28%	311	0,20%	2	42,26%	1 379	173	55,4%
	0,28% to 0,53%							
	0,53% to 0,95%	134	0,70%	3	42,26%	365	83	61,8%
	0,95% to 1,73%	1 263	1,30%	2	42,26%	365	1 028	81,3%
	1,73% to 2,92%	3 936	2,30%	4	42,26%	1 050	4 863	123,5%
	2,92% to 4,67%	161	3,70%	4	42,26%	365	189	117,5%
	4,67% to 7,00%	1 724	5,90%	2	42,26%	767	2 642	153,2%
	7,00% to 9,77%	126	8,30%	1	42,26%	365	204	161,8%
	9,77% to 13,61%							
	13,61% to 100,00%							
	100,00% *(default)*							
	SUBTOTAL	**7 656**	**2,96%**	**18**	**42,26%**	**849**	**9 181**	**119,9%**

SME	0,01% to 0,05%							
	0,05% to 0,07%							
	0,07% to 0,14%							
	0,14% to 0,28%	29	0,20%	6	42,46%	365	6	19,3%
	0,28% to 0,53%	29	0,40%	2	39,05%	365	11	36,4%
	0,53% to 0,95%	5	0,70%	3	38,66%	365	3	55,4%
	0,95% to 1,73%	41	1,30%	7	38,69%	586	20	50,3%
	1,73% to 2,92%	174	2,30%	6	39,58%	365	142	81,7%
	2,92% to 4,67%	39	3,70%	4	43,18%	372	27	69,9%
	4,67% to 7,00%	16	5,90%	2	43,68%	365	15	89,4%
	7,00% to 9,77%	135	8,30%	4	44,40%	589	177	131,1%
	9,77% to 13,61%	89	11,50%	8	42,85%	365	113	126,3%
	13,61% to 100,00%							
	100,00% *(default)*							
	SUBTOTAL	**557**	**11,50%**	**42**	**42,85%**	**365**	**514**	**92,13%**
TOTAL		**8 214**	**-**	**60**	**-**	**-**	**9 695**	**118,0%**

NOTE: This data does not include the Specialised Lending exposures.

TABLE 60 – TEMPLATE 29 / EU CCR4 (II) – IRB APPROACH – CCR EXPOSURES BY PORTFOLIO AND PD SCALE - RETAIL

31/12/2020 (Thousand euros)

	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
OTHER RETAIL - SME	0,01% to 0,05%							
	0,05% to 0,07%							
	0,07% to 0,14%							
	0,14% to 0,28%	2	0,20%	1	45,18%		0	14,8%
	0,28% to 0,53%	43	0,40%	4	32,18%		7	16,4%
	0,53% to 0,95%	4	0,70%	1	22,44%		1	15,6%
	0,95% to 1,73%							
	1,73% to 2,92%							
	2,92% to 4,67%							
	4,67% to 7,00%							
	7,00% to 9,77%							
	9,77% to 13,61%	403	11,50%	3	61,65%		354	87,8%
	13,61% to 100,00%							
	100,00% *(default)*							
	SUBTOTAL	**453**	**10,29%**	**9**	**58,39%**		**362**	**79,98%**
OTHER RETAIL – NON SME	0,01% to 0,05%							
	0,05% to 0,07%							
	0,07% to 0,14%							
	0,14% to 0,28%							
	0,28% to 0,53%							
	0,53% to 0,95%							
	0,95% to 1,73%							
	1,73% to 2,92%							
	2,92% to 4,67%							
	4,67% to 7,00%							
	7,00% to 9,77%							
	9,77% to 13,61%	423	11,50%	1	44,05%		348	82,3%
	13,61% to 100,00%							
	100,00% *(default)*							
	SUBTOTAL	**423**	**10,29%**	**1**			**348**	**82,3%**
TOTAL		**453**	**10,29%**	**9**	**58,39%**		**362**	**80,0%**

NOTE: This data does not include the Specialised Lending exposures, 30/06/2020 (Thousand euros))

	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
OTHER RETAIL - SME	0,01% to 0,05%							
	0,05% to 0,07%							
	0,07% to 0,14%							
	0,14% to 0,28%	7	0,20%	3	43,10%		1	14,1%
	0,28% to 0,53%							
	0,53% to 0,95%			1				
	0,95% to 1,73%	2	1,30%	3	85,66%		2	78,1%
	1,73% to 2,92%							
	2,92% to 4,67%	1	3,70%	1	43,17%		0	50,0%
	4,67% to 7,00%							
	7,00% to 9,77%	0	8,30%	2	21,75%		0	28,0%
	9,77% to 13,61%	443	11,50%	3	61,81%		390	88,0%
	13,61% to 100,00%							
	100,00% *(default)*							
	SUBTOTAL	**454**		**13**			**394**	**86,79%**
OTHER RETAIL – NON SME	0,01% to 0,05%							
	0,05% to 0,07%							
	0,07% to 0,14%							
	0,14% to 0,28%							
	0,28% to 0,53%							
	0,53% to 0,95%							
	0,95% to 1,73%							
	1,73% to 2,92%							
	2,92% to 4,67%							
	4,67% to 7,00%							
	7,00% to 9,77%							
	9,77% to 13,61%							
	13,61% to 100,00%							
	100,00% *(default)*							
	SUBTOTAL							
TOTAL		**454**		**13**			**394**	**86,8%**

TABLE 61 – TEMPLATE 31 / EU CCR5-A – IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES

31/12/2020 (Thousand euros)

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	389 965	29 592	360 373	39 704	322 801
Value of collateral held without impact				2 131	
SFT					
Cross-product netting					
TOTAL	**389 965**	**29 592**	**360 373**	**39 704**	**322 801**

(Thousand euros)

30/06/2020

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	453 205	47 243	405 962	66 121	368 372
Value of collateral held without impact				28 530	
SFT					
Cross-product netting					
TOTAL	**453 205**	**47 243**	**405 962**	**66 121**	**368 372**

TABLE 62 – TEMPLATE 32 / EU CCR5-B – COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR

31/12/2020 (Thousand euros)

	Collateral used in derivatives transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	0	25 049	286 532	288 449	0	0
Other assets			0			
TOTAL	**0**	**25 049**	**286 532**	**288 449**	**0**	**0**

30/06/2020 (Thousand euros)

	Collateral used in derivatives transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	0	18 303	286 593	285 338	0	0
Other assets			0			
TOTAL	**0**	**18 303**	**286 593**	**285 338**	**0**	**0**

TABLE 63 – TEMPLATE 33 / EU CCR6 – CREDIT DERIVATIVES EXPOSURES

31/12/2020 (Thousand euros)

	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
NOTIONAL			
Credit default swaps		275 720	
Total return swaps			
Credit linked notes			
Other credit derivatives			
TOTAL NOTIONAL		**275 720**	
FAIR VALUES			
Positive fair value (asset)		261 729	
Negative fair value (liability)			

30/06/2020

(Thousand euros)

	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
NOTIONAL			
Credit default swaps		278 624	
Total return swaps			
Credit linked notes			
Other credit derivatives			
TOTAL NOTIONAL		**278 624**	
FAIR VALUES			
Positive fair value (asset)		266 366	
Negative fair value (liability)			

6.1. WRONG WAY RISK

The Wrong Way risk corresponds to the risk of a given exposure being negatively correlated with the counterparty's credit risk. Within credit granting this risk stems from the correlation between the collateral value and the credit worthiness of the borrower, i.e., when the deterioration of the credit risk of the latter leads to a devaluation of the collateral.

Similarly, in the case of derivative and repo transactions, this translates to the risk associated with the fact that the exposure at risk is adversely impacted by the credit quality of the counterparty.

Overall, the Bank considers this risk as immaterial, considering the composition of financial collateral. In terms of credit granted, the borrower's own securities (shares or bonds) represents a very small percentage of the total amount of credit, corresponding mainly to structured finance, including Project Finance, where the usual pledge of shares from the companies or vehicles is part of a comprehensive guarantees' package. Indeed, almost all the credits that have a securities' pledge have additional collateral to secure the exposure.

In the case of derivative and repo operations, in which the Bank mitigates counterparty credit risk through ISDA contracts with CSA, the coverage of market receivables is exclusively made through deposits at the Group itself; hence, wrong-way risk does not apply. In terms of credit default derivatives (CDS or TRS) or other guarantees provided by counterparties, the Bank is also not subject to material wrong-way risk, as the risk covered is not positively correlated with the protection provider.

It should also be noted that, in the ICAAP 2020, this risk was not considered material, within the scope of the assessment carried out.

7. CREDIT RISK MITIGATION TECHNIQUES

7.1. ELIGIBILITY AND TYPE OF MITIGATION INSTRUMENTS

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

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

- Financial collaterals, real estate collaterals or other collaterals;
- Receivables;
- First demand guarantees, issued by banks or other entities with rating 7 or better on the Rating Master Scale;
- Personal guarantees, when the persons are classified with rating 7 or better;
- Credit derivatives.

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

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations.

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

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

7.2. PROTECTION LEVELS

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

7.3. COLLATERAL VALUATION

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

The evaluations are performed by external expert valuers and the analyse and ratification process is centralized in the Appraisals Unit, which is independent of the business areas.

They are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 (CRR) and Law no. 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9 (meaning a devaluation above 10%), the Bank revaluates choosing one of the following two methods:

i. Depreciation of the property by direct application of the index, if the amount owed does not exceed 300,000 euros;

ii. Whenever it comes to residential property, an updated value is made using the property value review algorithms, resident in the internal Valuation Database, comparing the property under review with identical properties recently evaluated, in the same location.

iii. Review of the property value by external valuators, depending on the value of the credit operation, and in accordance with the established standards from ECB and Bank of Portugal.

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

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

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

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

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

The next tables (64 and 65) show figures concerning the use of credit risk mitigation techniques, as at 31/12/2020 e 30/06/2020.

TABLE 64 – TEMPLATE 18 / EU CR3 – CRM TECHNIQUES - OVERVIEW

31/12/2020 (Thousand euros)

Exposures:	Unsecured	Secured	Secured by collateral	Secured by financial guarantees	Secured by credit derivatives
Total loans	13 404 788	40 090 291	33 222 622	6 867 669	
Total debt securities	18 466 127	1 083 363	262 034	821 330	
TOTAL EXPOSURES	**31 870 914**	**41 173 655**	**33 484 656**	**7 688 999**	
Of which: defaulted	442 120	1 223 451	1 066 761	156 689	

30/06/2020 (Thousand euros)

Exposures:	Unsecured	Secured	Secured by collateral	Secured by financial guarantees	Secured by credit derivatives
Total loans	13 811 250	38 869 761	32 716 168	6 153 593	
Total debt securities	19 270 307	1 011 045	638 379	372 666	
TOTAL EXPOSURES	**33 081 556**	**39 880 806**	**33 354 548**	**6 526 259**	
Of which: defaulted	446 457	1 570 059	1 363 918	206 141	

Note: Securities of the Trading Book are not included.

TABLE 65 – TEMPLATE 19 / EU CR4 – STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

31/12/2020 (Thousand euros)

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
Central Governments or Central Banks	19 376 540	344 303	22 947 396	184 615	1 440 259	6,2%
Regional Governments or Local Authorities	1 156 817	105 471	698 708	3 470	140 436	20,0%
Public Sector Entities	249 367	51 300	204 351	15 767	212 334	96,5%
Multilateral Development Banks	40 029		40 029			
International Organisations						
Institutions	1 280 011	906 524	1 287 015	33 056	438 100	33,2%
Corporates	5 444 818	3 679 113	4 683 608	434 818	4 788 017	93,5%
Retail	5 442 098	518 374	5 290 588	3 389	3 873 323	73,2%
Secured by mortgages on immovable property	1 902 101	181 549	1 811 654	62 303	917 387	49,0%
Exposures in default	818 488	63 129	472 516	7 768	533 404	111,1%
Items associated with particularly high risk	3 308	2 430	3 202	1 248	6 674	150,0%
Covered bonds						
Claims on institutions and corporates with a short-term credit assessment						
Collective Investment Undertakings	100 317		100 317		86 201	85,9%
Equity exposures	29 967		29 967		74 917	250,0%
Other exposures	90 941		90 941		90 941	
TOTAL	**35 934 803**	**5 852 194**	**37 660 293**	**746 433**	**12 601 993**	**32,8%**

30/06/2020 (Thousand euros)

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
Central Governments or Central Banks	18 503 106	353 498	21 419 218	180 010	1 474 599	6,8%
Regional Governments or Local Authorities	988 304	141 578	694 396	7 147	140 309	20,0%
Public Sector Entities	273 077	32 816	210 924	5 781	201 832	93,1%
Multilateral Development Banks	40 856		40 856			
International Organisations						
Institutions	1 524 968	893 881	1 525 886	37 445	444 504	28,4%
Corporates	5 522 181	3 741 756	4 819 640	424 716	4 985 787	95,1%
Retail	5 237 896	488 317	5 121 675	3 685	3 738 907	72,9%
Secured by mortgages on immovable property	2 098 401	151 280	2 050 460	55 419	1 078 333	51,2%
Exposures in default	854 008	62 257	491 660	12 239	597 410	118,6%
Items associated with particularly high risk	1 532	9	1 526		2 289	150,0%
Covered bonds						
Claims on institutions and corporates with a short-term credit assessment						
Collective Investment Undertakings	108 899		108 899		88 492	81,3%
Equity exposures	32 832		32 832		80 528	245,3%
Other exposures						
TOTAL	**35 186 060**	**5 865 389**	**36 517 974**	**726 440**	**12 832 990**	**34,5%**

8. EQUITY EXPOSURES IN THE BANKING BOOK

The Group holds equity exposures in the Banking Book, characterised by stability and with the objective of creating value. The holding of these positions, which include shares and risk capital fund participation units / restructured companies, complies with at least one of the following objectives:

- The development of entities or projects of strategic interest for the Group;
- Generating a return or opportunities for growth of the banking business;
- The development of entities with appreciation potential;
- Making entities with the capacity to recover viable, including namely shares received as payment or by converting credits into capital.

The equity exposures in the Banking Book are initially recognised at fair value, including gains and losses associated with the transactions, and are afterwards valued at their fair value based on the following hierarchy of criteria: market price listed in regulated and active market or, in its absence, based on external valuations made by independent entities, duly recognised, or based on the valuation measurement input from transactions deemed valid between reputable counterparties.

The Group maintains a monitoring process of these positions' fair value.

Changes in the fair value of these equities are registered against fair value changes until they are sold.

Impairment for equity instruments at fair value is not recognized through other comprehensive income, and the respective accumulated gains or losses are recorded in changes in fair value, according to the rules established in IFRS9 for this type of asset. Dividends are recognized in the income statement when the right to receive is attributed.

In compliance with the provisions of Article 447 of the CRR, we present in the table below the exposures on shares of the Banking Portfolio on 31/12/2020:

TABLE 66 – EQUITY EXPOSURES IN THE BANKING BOOK

(Thousand euros)

	Listed shares		Unlisted shares Private equity		Other capital instruments (*)		Total		
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	
Acquisition cost / Notional amount	35 759	42 471	86 293	81 419			122 052	123 890	
Fair value	4 401	14 336	79 334	75 640			83 735	89 976	
Market price	4 401	14 336	79 334	75 640			83 735	89 976	
Balance sheet value	4 401	14 336	79 334	75 640			83 735	89 976	
Gains or losses arising from sales and settlements in the period							11 566	24 386	(1)
Total unrealised gains or losses							-38 317	-33 914	(2)
Total latent revaluation gains or losses							-38 317	-33 914	(3)

Note: Equity issued by the Bank as well as derivatives indexed to those instruments are not included.

(*) Venture capital funds, similar to equity.

(1) Gains or losses arising from sales and settlements in the period: results before taxes.

(2) Total unrealised gains or losses: reports the amount of the fair value reserves in this portfolio on the reporting dates and, therefore, it does not incorporate eventual impairments or goodwill related to the respective securities; corresponds to potential accounting capital gains/losses for this portfolio, to be booked to the profit and loss account in case of divestment.

(3) Total latent revaluation gains or losses: difference between the fair value and the acquisition cost of the securities in the portfolio on the reporting dates. Reflects the total gains/losses underlying the shares of the Investment Portfolio; however, part of the unrealised losses may have already been recognised, via results or reserves (namely by impairment or goodwill).

Within the scope of the approval by Banco de Portugal for the use of IRB methodologies, the Group used the simple risk weight method to compute own funds requirements for the equity in the Banking Book held by Group entities headquartered in Portugal and Poland. The own funds requirements for other operations and countries are still determined using the standardised approach.

The simple risk weight method applies 290% and 370% weights to exposures in listed and unlisted stocks, respectively, and may apply a lower weight (190%) to risk exposures resulting from shareholdings in unlisted companies included in portfolios that are sufficiently diversified. The significant exposures held over financial institutions and insurance companies that are not deducted to own funds are risk weighted at 250%.

The risk positions and risk weighted assets for equity exposures in the Banking Book are presented in Table 67.

TABLE 67 – EQUITY EXPOSURES

(Thousand euros)

	Risk positions		Risk weighted assets	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Venture capital funds	**992 881**	1 119 829	**1 881 831**	2 021 585
Financial participations (CRR 48)	**355 130**	322 506	**887 824**	806 266
Other equities	**131 027**	125 804	**425 251**	450 859
TOTAL	**1 479 037**	1 568 139	**3 194 906**	3 278 710

Includes Venture capital funds which, under the Look-Through method, are treated by the standardised approach or by the simple risk weight.

9. SECURITISATION OPERATIONS

9.1. DESCRIPTION OF THE ACTIVITIES AND OPERATIONS

On 31 December 2020, the Group had five ongoing credit securitisation transactions originated by the operation in Portugal. Three are traditional securitisation transactions (Magellan nº 1, 3 and 4) and the other two are synthetic securitisation transactions (Caravela SME 3 and 4).

Since 1998, the Group has carried out securitisation transactions supported on portfolios of different types of assets and pursuing different goals, based on market conditions and opportunities and on the Group's interests and needs at each moment.

It should be noted that, until 2007, all the transactions made were placed in the market with institutional investors. Taking advantage of the conditions of a favourable market framework. This group of transactions - involving mortgage loans, car loans, consumer loans and companies' loans – was carried out with the purpose of supplementing the financing of the Group's business and, under certain circumstances, to promote a more efficient management of the Bank's balance sheet, particularly its equity. The type of investors that participated in these transactions has revealed to be diverse and complementary to the base of investors resulting from the Bank's direct funding transactions in the capital markets. In December 2019, three of these transactions were still outstanding.

After 2007 and until 2012, market conditions to place this kind of transactions deteriorated significantly or even ceased to exist during a long time period, and so it was impossible to set up new securitisations. Consequently, the Bank began retaining in its books the totality of the bonds issued within the scope of each credit securitisation transaction (from the senior tranche to the first loss tranche). To maximise liquidity, the Bank used the senior tranche of each transaction as eligible collateral under refinancing transactions with the Eurosystem. Securitisations carried out in this context were fully redeemed as the Bank's liquidity position improved. In December 2019, the Bank held in its portfolio only portions of little relevance of market transactions, which were placed on the market and were still underway.

Taking advantage of improved market conditions and in particular the appetite for risk originated in Portugal, the Bank carried out, in 2013 and 2014, two synthetic securitisations, which embodied the hedge of a significant portion of its short, medium and long-term corporate loan portfolio (Caravela SME No. 3) and of its leasing portfolio (Caravela SME No. 4). These transactions were aimed at achieving an effective transfer of risk to specialised institutional investors, resulting in a reduction of the risk weighted assets associated with those portfolios.

As an investor, the Group does not hold, and given its profile and investment policy is not expected to hold, any significant position in securitisation transactions. In any case, pursuant to article 449 f), the Bank has a broad risk management and controlling operation, based on models established across a wide range of credit products, including monitoring credit and market risks of securitisation positions.

In this context and being a Bank with IRB methodology approved by the regulator for securitisation positions, the provisions of Part III, Title II, Chapter 5 are observed, with emphasis on the risk weights resulting from articles 261 and 262 of the CRR, thus sustaining an adequate level of own funds. On the other hand, the book value reflects at each moment the market risk component of the security, allowing an adequate assessment of the risk return profile of the underlying asset. Any changes in the risk of these positions are thus subject to rigorous monitoring with reflection not only on the level of own funds but also on the Bank's results. Such changes are also considered and monitored under stress testing scenarios.

Currently, under the terms of article 449 (g) of the CRR, given the low materiality of risks involved, there is no specific hedging or personal protection transaction to reduce the risk of securitization positions held. The specific need for hedging will always depend on the level of risk and of the amounts involved, as this analysis and follow-up is carried out on a case-by-case basis. The same would apply to eventual re-securitisation transactions (which were not held by the Bank at 31/12/2020 or 31/12/2019).

It should also be referred that the entity of the Group that acts as Originator (BCP, in all the active transactions) also intervenes as Servicer and, usually, as Transaction Manager.

The main features of the securitisation transactions of assets originated by the Group, namely in terms of its goal, form and level of involvement, the existence or not of a significant risk transfer in each transaction and of the securitised values and in debt, for active transactions as at 31 December 2020, are summarised in the next table:

TABLE 68 – DESCRIPTION OF SECURITISATION OPERATIONS

	MAGELLAN No. 1
Identification of the securitisation operation	Magellan Mortgages No. 1 Limited
Initial objective of the securitisation operation	Securing funding and risk management
Form of the securitisation operation	Traditional securitisation
	Credit lender
	Manager of the assigned credits
	Escrow bank of the Securitisation Credit Fund
	Transaction Manager
Start date	18 December 2001
Legal maturity	15 December 2036
Step-up clause (date)	15 December 2008
Revolving (years)	N.A
Securitised assets (in million euros)	1,000.0
Significant credit risk transfer [1]	No

	MAGELLAN No. 3
Identification of the securitisation operation	Magellan Mortgages No. 3 Limited
Initial objective of the securitisation operation	Securing funding and risk management [2]
Form of the securitisation operation	Traditional securitisation
	Credit lender
	Manager of the assigned credits
	Escrow bank of the Securitisation Credit Fund
	Transaction Manager
Start date	30 June 2005
Legal maturity	15 May 2058
Step-up clause (date)	15 August 2012
Revolving (years)	N.A
Securitised assets (in million euros)	1,500.0
Significant credit risk transfer [1]	No

	MAGELLAN No. 4
Identification of the securitisation operation	Magellan Mortgages No. 4 Limited
Initial objective of the securitisation operation	Securing funding and risk management
Form of the securitisation operation	Traditional securitisation
	Credit lender
	Manager of the assigned credits
	Escrow bank of the Securitisation Credit Fund
	Transaction Manager
Start date	13 July 2006
Legal maturity	20 July 2059
Step-up clause (date)	20 July 2015
Revolving (years)	N.A
Securitised assets (in million euros)	1,500.0
Significant credit risk transfer [1]	No

	CARAVELA SME No.3
Identification of the securitisation operation	Caravela SME No. 3
Initial objective of the securitisation operation	Reduction of the RWA associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
	Originator of the securitised assets
	Manager of the assigned credits
	Counterparty of the Credit Default Swap
Start date	28 June 2013
Legal maturity	25 March 2036
Step-up clause (date)	N.A.
Revolving (years)	4 years
Securitised assets (in million euros)	2,383.0
Significant credit risk transfer [1]	Yes

	CARAVELA SME No.4
Identification of the securitisation operation	Caravela SME No. 4
Initial objective of the securitisation operation	Reduction of the RWA associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
	Originator of the securitised assets
	Manager of the assigned credits
	Counterparty of the Credit Default Swap
Start date	5 June 2014
Legal maturity	25 September 2043
Step-up clause (date)	N.A.
Revolving (years)	5 years
Securitised assets (in million euros)	1,000.0
Significant credit risk transfer [1]	Yes

[1] For regulatory purposes.

[2] The Class A Notes of this operation, in December 31 2019, could be pledged by the Bank as collateral within the Eurosystem in the scope of its financing operations.

The main features of the asset securitisation operations originated in the Group at the end of 2020 and 2019 are summarised in Table 69.

TABLE 69 - MAIN CHARACTERISTICS OF THE SECURITISATION OPERATIONS

	Traditional					
	Magellan 1		Magellan 3		Magellan 4	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
INFORMATION ON THE TRANSACTIONS						
Amounts in debt (in million euros)	50 752	63 009	262 231	292 416	296 103	328 621
INFORMATION ON THE INVOLVEMENT OF THE LENDER INSTITUTION						
"Implicit support" situations	N.A.		Sim*		N.A.	
Assets assigned (per institution)/Securitised assets (total) (%)	3%	2%	14%	10%	16%	11%
Initial gains/Value of first loss positions held	N.A.	N.A.	N.A.	N.A.	N.A	N.A

N.A.- Not applicable

* During 2010, the bank repurchased 82.4% of Magellan No. 3 residual note. This transaction has been accomplished at fair market value (30 million euros), but has been considered as an implicit support situation for regulatory purposes.

	Synthetic			
	Caravela SME 3		Caravela SME 4	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
INFORMATION ON THE TRANSACTIONS				
Amounts in debt (in million euros)	547 549	1 205 537	731 733	1 054 284
INFORMATION ON THE INVOLVEMENT OF THE LENDER INSTITUTION				
"Implicit support" situations	N.A.		N.A.	
Assets assigned (per institution)/Securitised assets (total) (%)	29%	41%	39%	36%
Initial gains/Value of first loss positions held	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable

9.2. GROUP ACCOUNTING POLICIES

The Group fully consolidates Special Purpose Entities (SPE) resulting from securitisation operations originated in Group entities and resulting from credit assignments operations, when the relation with such entities indicates that the Group controls their activities, regardless of the shareholding owned by it. Besides these SPE resulting from securitisation operations and from credit assignments operations, no additional SPE's have been consolidated considering that they do not meet the criteria established on SIC 12 as described below.

The assessment of the existence of control is made based on the criteria defined by SIC 12, analysed as follows:

- The SPE's activities are being mainly carried out in favour of the Group, according to its specific business needs, so that the Group benefits from the operation of the SPE;
- The Group has the power to decide to obtain most of the benefits of the SPE's activities, or, by establishing auto-pilot mechanisms, the entity delegated such decision-making powers;
- The Group has the right to obtain most of the benefits of the SPE's activities and is therefore exposed to the SPE's underlying risks;
- The Group holds most residual or property risks of the SPE or its assets, so as to benefit from its activities.

To determine if an SPE is controlled, it is assessed if the Group is exposed to the risks and benefits of the activities of the SPE and if it has the decision-making powers in that SPE. The decision on whether an SPE must be consolidated by the Group requires the use of premises and estimates to verify the residual gains and losses and determine who holds most of those gains and losses. Other assumptions and estimates could result in differences in the consolidation perimeter of the Group, with a direct impact on results.

Within the scope of the application of such policy, the accounting consolidation perimeter included the SPE resulting from the traditional securitisation operation Magellan no. 3. On the other hand, the Group did not consolidate into its accounts the SPEs that also resulted from the traditional securitisation operations Magellan no. 1 and 4.

Regarding these SPE, not recognised in the balance sheet, it was verified that the associated risks and benefits were substantially transferred, since the Group does not hold securities issued by the SPE in question with exposure to most residual risks, nor is it in any other manner exposed to the performance of the credit portfolios.

The Group has two operations in progress which form structures of synthetic securitization. Caravela SME No. 3, associated to a corporate loan portfolio, mostly small and medium sized enterprises (SMEs) or individual entrepreneurs and Caravela SME No. 4, which involves a pool of leasing contracts to companies and sole partnerships.

In both operations, the Bank hired a Credit Default Swap (CDS) with a SPV, buying by 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 (CLSs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

Regarding the Magellan No.3 included in the consolidation perimeter, if it is determined that the control exercised by the Group over their activities has ceased, namely pursuant to the sale of the most subordinated securities issued by them, the SPE will no longer be consolidated. In this case, since the law determines that the management of loans granted remains within the group, their registry in the off-balance sheet will be maintained.

At the moment of the assignment of the assets associated with securitisation operations, the Group registers a gain or a loss in the income statement if the SPE is not consolidated from the beginning, corresponding to the difference between the sale value of the assets and their accounting value. In the other cases, if the SPE is consolidated, there are no gains or losses in the initial moment.

If while an operation is active, whose SPE is consolidated, the Group sells part or all the securities held, it will register a gain or loss that: (i) if the need to consolidate the SPE remains, it will be associated with the sale of the securities issued, being incorporated in liabilities as a premium or discount and accrued according to the effective rate until maturity or, (ii) if the SPE is not consolidated with due grounds, will result from the sale of the assets, which will be derecognised, and the sale will be recognised in the consolidated income statements.

9.3. OWN FUNDS REQUIREMENTS

On 31 December 2020 and 2019, the Group held securitisation positions both as an investor and as an originator entity. For some of the securitisation positions as an originator there was no significant credit risk transfer, according to the criteria defined in the CRR, articles 243 and 244, Section 2, Chapter 5, Title II, Part III and, therefore, the own funds requirements were determined as if these securitisations had not occurred.

The computation of the own fund's requirements of the securitisation operations by the end of 2020 and 2019 was made according to Section 3, Chapter 5, Title II, Part III of the CRR. For 2020, the changes to the established in this Section 3 resulting from Regulation (EU) 2017/2401 of the European Parliament and of the Council of 12 December 2017 were considered.

For the securitisation positions held as an investor, with an external rating attributed by an ECAI, a ratings-based method was used, in accordance to article 261, Sub-Section 4, Section 3, Chapter 5, Title II, Part III of the CRR and using the mapping between external ratings and credit quality grades that is defined in prudential regulations and Guidelines. The exposures without external rating were subject to a 1,250% weight.

The ECAI used in 2020 to compute the own funds requirements for securitisation operations were Standard & Poor's, Moody's and Fitch Ratings.

For the positions held as an originator entity, the Supervisory Formula Method was used, in accordance with the CRR, article 262, Subsection 4, Section 3, Chapter 5, Title II, Part III (in the case of the year 2020 according to the amendments defined by Regulation (EU) 2017/2401).

The risk weighted assets for securitisation operations computed according to the IRB approach, at the end of 2020 and 2019, are shown in Tables 70 and 71.

TABLE 70 - SECURITISATION OPERATIONS: IRB APPROACH (TRADITIONAL)

(Thousand euros)

Traditional securitisations	Total amount of the originated securitised exposure (for the lender institution)	Fully adjusted exposure value					Risk weighted assets	
		Amounts deducted from own funds (-)	Breakdown of the exposure amount subject to weighting by a risk weight higher or equal to 100%					
			Internal ratings approach		1250%			
			12% - 18%	100%	Position subject to notation	Position not subject to notation	31 Dec 20	31 Dec 19
TOTAL EXPOSURES (=A+B+C)	101						**1 256**	1 874
A - LENDER ENTITY: TOTAL EXPOSURES								
B - INVESTOR: TOTAL EXPOSURES	101					101	**1 256**	1 874
B.1 - Balance sheet items	101					101	**1 256**	1 874
Most senior								542
Mezzanine								
First loss	**101**					101	**1 256**	1 332
B.2 - Off-balance sheet items and derivatives								
C - SPONSOR: TOTAL EXPOSURES								

TABLE 71 - SECURITISATION OPERATIONS: IRB APPROACH (SYNTHETIC)

(Thousand euros)

Synthetic securitisations	Total amount of the originated securitised exposure (for the lender institution)	Fully adjusted exposure value		Breakdown of the exposure amount subject to weighting by a risk weight higher or equal to 100% — Regulatory formula approach		Risk weighted assets	
			Amounts deducted from own funds (-)		Average risk weight (%)	31 Dec 20	31 Dec 19
TOTAL EXPOSURES (=A+B+C)	1 533 492	1 279 282		1 279 282	20%	480 778	256 791
A - LENDER ENTITY: TOTAL EXPOSURES	1 533 492	1 279 282		1 279 282	20%	480 778	256 791
A.1 - Balance sheet items	1 279 282	1 025 073		1 025 073	20%	429 936	204 472
Most senior	1 017 020	762 810		762 810	13%	329 272	99 080
Mezzanine	252 197						
First loss	10 066	8 053		8 053	1309%	100 664	105 392
A.2 - Off-balance sheet items and derivatives	254 210	254 210		254 210	21%	50 842	52 319
A.3 - Early amortisation							
B - INVESTOR: TOTAL EXPOSURES							
C - SPONSOR: TOTAL EXPOSURES							

On 31 December 2020 and 2019 there were no additional amounts of risk weighted exposures of securitisation of revolving exposures with early amortisation provisions.

10. MARKET RISKS (TRADING BOOK)

The Trading Book is composed of positions held with the purpose of obtaining short-term gains, via sales or revaluations. These positions are actively managed and rigorously and frequently evaluated.

In a letter dated 30 April 2009, Banco de Portugal authorised the Group to use the internal models approach to compute own funds requirements in terms of generic market risk of the Trading Book.

This authorisation encompassed all the sub-portfolios of the Trading Book that are part of the perimeter that is centrally managed from Portugal, which includes all the trading operations related with financial markets and products, namely those carried out by Banco Comercial Português, S.A..

Thus, as at 31 December 2020 and 2019, own funds requirements for generic market risks of the Trading Book were calculated in accordance with the internal models approach for generic risk, within the universe of entities centrally managed from Portugal. For the remaining entities, the own funds requirements were calculated in accordance with the standardised approach.

MARKET RISKS	
Generic risk over debt instruments and equity securities	Internal Model
FX risk	Internal Model
Commodities risk and specific risk over debt instruments and equity securities	Standardised Approach

The Bank uses a standardised approach for specific risk and does not have a correlation trading portfolio (CPT). Hence, incremental risk capital charges, migration risk or specific risk measurement for the CTP do not apply.

The RWA and own funds requirements for market risks, as at 31/12/2020 and 30/06/2020 and calculated through the Standardised Approach are shown in the following tables.

TABLE 72 – TEMPLATE 34 / MR1 - MARKET RISK UNDER THE STANDARDISED APPROACH

31/12/2020 (Thousand euros)

	RWA	Capital requirements
OUTRIGHT PRODUCTS		
Interest rate risk (general and specific)	45 444	3 636
Equity risk (general and specific)	325	26
Foreign exchange risk	1 594 595	127 568
Commodity risk		
OPTIONS		
Simplified approach		
Delta-plus method		
Scenario approach		
SECURITISATION (SPECIFIC RISK)		
TOTAL	**1 640 364**	**131 229**

30/06/2020 (Thousand euros)

	RWA	Capital requirements
OUTRIGHT PRODUCTS		
Interest rate risk (general and specific)	44 880	3 590
Equity risk (general and specific)	1 617	129
Foreign exchange risk	939 248	75 140
Commodity risk		
OPTIONS		
Simplified approach		
Delta-plus method		
Scenario approach		
SECURITISATION (SPECIFIC RISK)		
TOTAL	**985 744**	**78 860**

10.1. CALCULATION METHODOLOGIES

The calculation of own funds requirements for generic market risk, via the standardised approach, was based on the following methodologies, according to the specific type of financial instrument:

- Debt instruments: in this portfolio, capital requirements for generic market risk were calculated according to the maturity-based method - in accordance with Article 339 of Section 2 of Chapter 2, Title IV, Part III CRR and the treatment of positions referred to in Section 1 of the same chapter.
- Capital instruments: for this portfolio, own funds requirements for generic market risk were calculated in accordance with the methodology described in Section 3, Chapter 2, Title IV, Part III of the CRR.

In addition, for the application purposes of the internal models approach, the Group applies a VaR methodology to measure generic market risk – including interest rate risk, foreign exchange risk and equity risk – for all sub-portfolios covered by the previously mentioned authorisation for internal modelling.

The valuation procedures are established in terms of the potential negative impact of market conditions, in both normal and stressful circumstances, on the Trading Book of the Group's business units.

As already mentioned, with respect to risk measurement models used in the Group, the Bank is authorized to use the internal models approach in assessing the generic market risk capital requirements of the trading sub-portfolios that are part of Portugal's centrally managed perimeter (by Banco Comercial Português, SA). With reference to December 31, 2020, the capital requirements calculated by internal model corresponded to 29% of the total requirements of the Group for market risk.

The methodology used to measure market risk is the Value-at-Risk (VaR), which indicates the maximum losses that can occur in the portfolios, with a certain level of confidence and time horizon. The VaR calculation considers a time horizon of ten business days and a significance level of 99%.

This methodology is widely used in the market and has the advantage of summarizing, in a single metric, the inherent risks of the trading activity, considering the relationships between all of them, providing an estimate of the Trading Book losses as a result of changes in the stock markets' prices, interest rates, FX rates and commodities' prices. In addition, for some positions, other risks are considered, such as credit spreads' risk, base risk, volatility risk and correlation risk.

The daily VaR is determined by calculating the impact, on the current value of the portfolio, of the historical changes of last years' risk factors, with a daily update of the observation window. As of December 31, 2020, the Bank did not apply any weighting system to the seniority of historical variations. The holding period is modelled through multiplying the 1-day VaR by the square root of 10.

In accordance with the implemented methodology, the Bank carries out a total revaluation, using the logarithmic returns of the risk factors; for interest rates, the logarithmic returns of the discount factors are used.

As a complement, other metrics are used for the remaining types of risk, namely, a non-linear risk measure that incorporates the options' risk not covered in the VaR model, with a confidence interval of 99%, and a measure defined by the standard methodology in the VaR model for commodities' risk. These measures are integrated into the market risk indicator with the conservative assumption of perfect correlation between the different types of risk (worst-case scenario).

In what concerns the capital requirements calculation, the VaR amount measured is increased by the amount measured for SVaR (stressed VaR). For both the VaR and the SVaR, pursuant to Article 366 of the CRR, a regulatory multiplier is additionally applied.

The SVaR calculation process consists of calculating historical VaR, with a confidence interval of 99%, based on the daily variations of market prices during a stress period of 12 consecutive months. The analysis to define the stress period is carried out weekly and may lead to a review of the period to be considered as the one that maximizes the VaR of the portfolio at the time of analysis. As of December 31, 2020, the stress period considered was a year ending on 25/06/2012.

The SVaR calculation is based on the same methodology and structure used for the VaR, the only difference being the historical period used. Regarding the process of determining the holding period, this also results from multiplying the 1-day VaR by the square root of 10.

Table 73 shows the main VaR and SVaR statistics, calculated in accordance to the approved internal model methods, exclusively for the universe of entities managed centrally from Portugal, on 31/12/2020 and 30/06/2020:

TABLE 73 – TEMPLATE 37 / EU MR3 – IMA VALUES FOR TRADING PORTFOLIOS

31/12/2020	(Thousand euros)
VaR (10 day 99%)	
Maximum value	3 899
Average value	2 232
Minimum value	885
Period end	3 899
SVaR (10 day 99%)	
Maximum value	16 363
Average value	11 054
Minimum value	3 779
Period end	6 665
IRC (99,9%)	
Maximum value	
Average value	
Minimum value	
Period end	
COMPREHENSIVE RISK CAPITAL CHARGE (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	

30/06/2020	(Thousand euros)
VaR (10 day 99%)	
Maximum value	5 056
Average value	2 407
Minimum value	717
Period end	2 406
SVaR (10 day 99%)	
Maximum value	20 110
Average value	12 194
Minimum value	9 251
Period end	11 062
IRC (99,9%)	
Maximum value	
Average value	
Minimum value	
Period end	
COMPREHENSIVE RISK CAPITAL CHARGE (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	

Own funds requirements for specific market risk are calculated in accordance with the standardised approach, including those of the sub-Trading Books regarding which Banco de Portugal authorised the use of the internal models approach to calculate the generic market risk, as previously mentioned.

These requirements were determined, for all the positions of the Group's Trading Book, pursuant to Sub-Section 1, Section 2, Chapter 2, Title IV, Part III and article 342 of Section 3, Chapter 2, Title IV, Part III of the CRR, according to the type of financial instruments at stake (debt instruments or capital instruments, respectively).

In 2020, the average value of stressed VaR, for the Trading Portfolio, was EUR 11,54 million. Regarding the value of this metric on 31 December 2020, the amount determined was EUR 6,66 million.

10.2. STRESS TESTS ON THE TRADING BOOK

Besides calculating the VaR and aiming at identifying the concentration of risks not captured by that metric and to assess other possible losses, the Group continually tests a wide set of stress scenarios on the Trading Book, including all portfolios, analysing the results of those stress tests.

Table 74 summarises the results of these tests on the Group's global Trading Book on 31 December 2020, indicating that the exposure to the various risk factors is limited and that the main risk to take into account, under the standard scenarios tested, is an decrease in interest rates, especially when accompanied by an decrease in the slope of the yield curve.

TABLE 74 - STRESS TESTS OVER THE TRADING BOOK

(Thousand euros)

31/12/2020

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	- 100 b.p.	-10 495
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	- 25 b.p.	-2 321
4 combinations of the previous 2 scenarios	- 100 b.p. & + 25 b.p.	-7 995
	- 100 b.p. & - 25 b.p.	-13 049
Variation in the main stock market indices by +/- 30%	-30%	-380
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-316
Variation in swap spreads by +/- 20 bps	- 20 b.p.	-315
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Narrowing	-2 497
Significant vertices[1]	Undiversified VaR	982
	Diversified VaR	323
Historical scenarios[2]	May 7th, 2010	-5 298
	July 18th, 2011	-6 803

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

(2) Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the Eurozone Sovereign Debt crisis from 2010 onwards.

10.3. VALUATION OF FINANCIAL INSTRUMENTS

The valuation of financial instruments is based on market prices, whenever these are available, or estimated through internal models based on cash-flow discounting techniques. The fair value obtained is influenced by the cash flow characteristics and parameters such as discount rates used in the valuation models that may have some degree of judgment.

The valuation of the financial assets and liabilities is subject to controls by an unit independent from its negotiation, as described in the Group's internal regulations, and the valuation models are reviewed by the Office for the Validation and Monitoring of Models (GAVM), an independent model validation within the second line of defense. The segregation between position-taking and position-valuation is also contemplated at the level of information technology systems that intervene in the global process involving the management, valuation, settlement and accounting of those transactions.

10.4. BACKTESTING OF THE INTERNAL MODELS APPROACH

The Group carries out backtests of the internal models' approach results, in relation to the theoretical results obtained by the target portfolio of the calculation, unchanged between two consecutive working days and revaluated at market prices of the second day. In parallel, the Group has a complementary process to verify the results of the model in relation to the actual results obtained, excluding the effects of operations carried out via intermediation.

In what concerns the ex-post verification of the model's results, the number of excesses registered in 2020 and 2019, relative to the global Trading Book of companies centrally managed from Portugal, for which Banco de Portugal has approved the use of the internal models approach to compute generic risk capital requirements, is shown in Table 75.

TABLE 75 - BACKTESTING OF THE VAR APPROACH APPLIED IN MARKET RISK CALCULATION

Year	Result	
	Positive	Negative
2019 (*)	5	7
2020 (**)	3	6

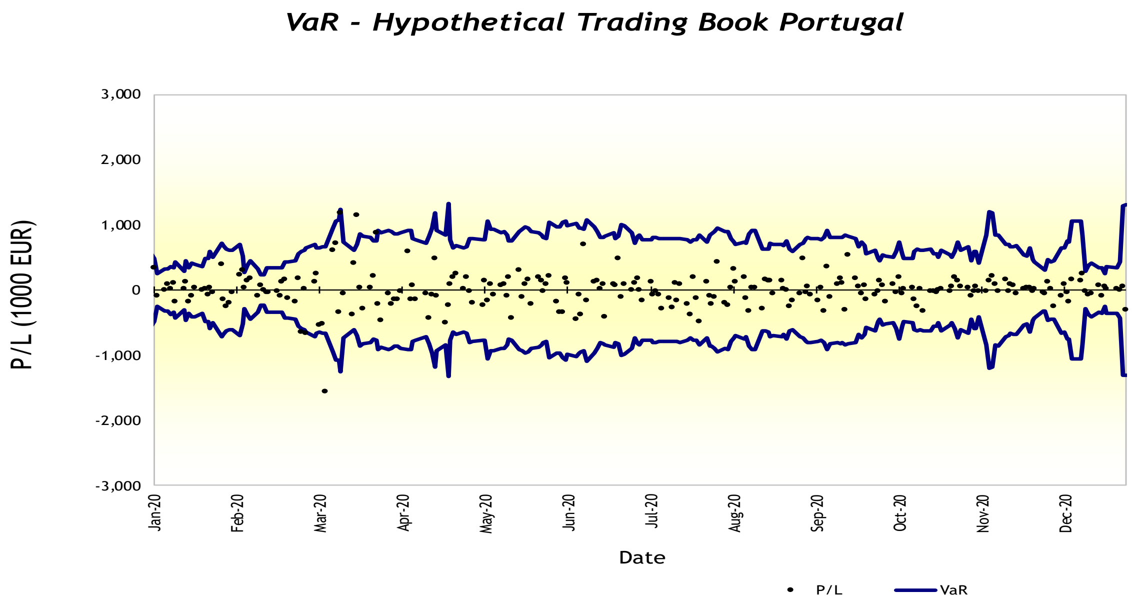
(*) In 2019, one of the hypothetical excesses and two of the real excesses were the result of unavailability of data to determine the model's results
(**) In 2020, one of the hypothetical excesses resulted from the unavailability of data to determine the model's results

Note: The model used for the purpose of a posteriori verification is focused on the excesses occurred in both sides of the distribution and the expected number of excesses, according to the significance level applied, is 5 per year (2% x 250 annual observations).

The accuracy of the model used to estimate generic risk is monitored on a daily basis by the backtesting process that compares the risk values computed on a given day (VaR) with the (theoretical) result of applying the following day's market rates to those exposures.

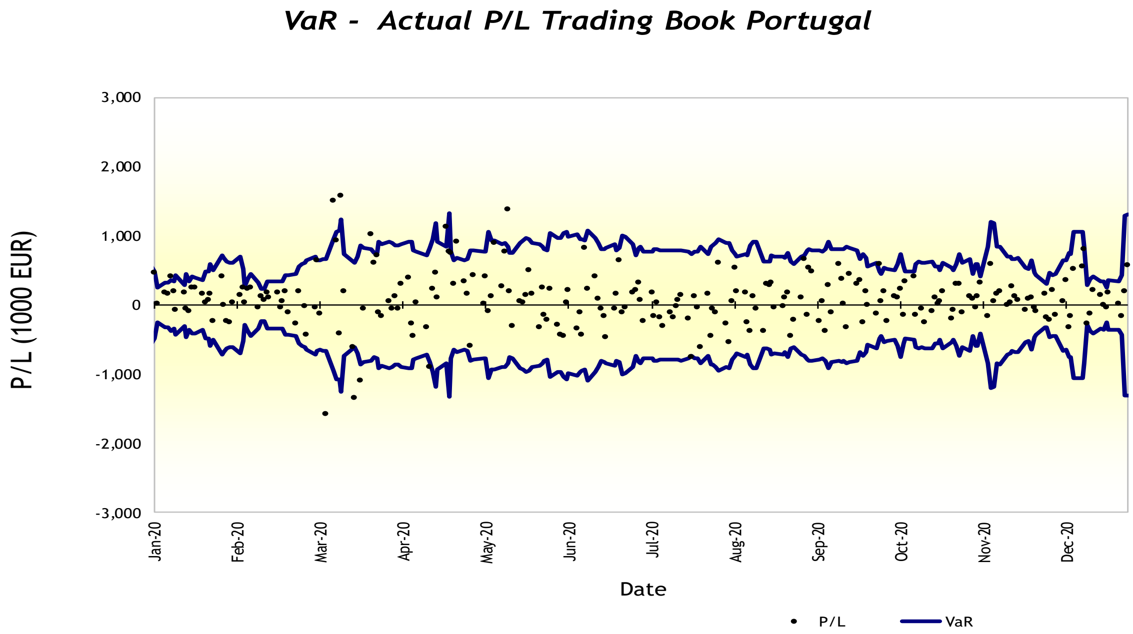
The following charts show the results of the hypothetical and real backtesting, for the Trading Book centrally managed from Portugal, in 2020.

GRAPH 1 – HYOPOTHETICAL VaR BACKTESTING (TRADING BOOK)



In 2020, three excesses of value (negative) were observed over the hypothetical results predicted by the model, which represents a frequency of 1% in 258 days of observations. This result is in line with the theoretical value of expected bilateral excesses, so the model is considered adequate.

GRAPH 2 – REAL VaR BACKTESTING (TRADING BOOK)



In 2020, six excesses of value (negative) were observed over the hypothetical results predicted by the model, which represents a frequency of 2% in 258 days of observations. This result is in line with the theoretical value of expected bilateral excesses, so the model is considered adequate.

Table 76 A presents the detailed results of the daily hypothetical backtesting of the Trading Book centrally managed from Portugal in 2020. An excess occurs when the return registered for the portfolio is higher (in absolute value) than the theoretical result of the VaR model.

Table 76 B presents the detailed results of the daily real backtesting of the Trading Book centrally managed from Portugal in 2020. An excess occurs when the real return registered for the portfolio is higher (in absolute value) than the theoretical result of the VaR model.

TABLE 76 A – TEMPLATE 38 / EU MR4 (I) - HYPOTHETICAL BACKTEST OF THE TRADING BOOK (PORTUGAL) – 2020

(Thousand euros)

Date	VaR	Hypothetical result	Date	VaR	Hypothetical result	Date	VaR	Hypothetical result	Date	VaR	Hypothetical result	Date	VaR	Hypothetical result	Date	VaR	Hypothetical result
2020-1-2	477	337	2020-3-5	664	-519	2020-5-11	887	65	2020-7-13	784	-129	2020-9-14	811	87	2020-11-16	706	163
2020-1-3	248	-92	2020-3-6	668	-1 557 (3)	2020-5-12	896	95	2020-7-14	791	-260	2020-9-15	817	175	2020-11-17	705	-10
2020-1-6	325	4	2020-3-9	953	613	2020-5-13	846	-93	2020-7-15	796	103	2020-9-16	807	103	2020-11-18	664	84
2020-1-7	324	86	2020-3-10	1 066	726	2020-5-14	759	198	2020-7-16	791	-153	2020-9-17	837	-298	2020-11-19	673	75
2020-1-8	368	23	2020-3-11	1 073	-336	2020-5-15	763	-427	2020-7-17	798	95	2020-9-18	823	539	2020-11-20	684	-46
2020-1-9	342	104	2020-3-12	1 244	1 189	2020-5-18	906	312	2020-7-20	768	-210	2020-9-21	796	185	2020-11-23	537	12
2020-1-10	424	-169	2020-3-13	740	-54	2020-5-19	934	-100	2020-7-21	729	-376	2020-9-22	672	60	2020-11-24	520	41
2020-1-13	296	23	2020-3-16	625	-379	2020-5-20	966	96	2020-7-22	772	202	2020-9-23	741	-46	2020-11-25	647	43
2020-1-14	457	126	2020-3-17	610	418	2020-5-21	949	172	2020-7-23	773	-132	2020-9-24	682	76	2020-11-26	467	-9
2020-1-15	348	-175	2020-3-18	696	1 153	2020-5-22	892	-205	2020-7-24	838	-487	2020-9-25	565	-147	2020-11-27	430	13
2020-1-16	409	-91	2020-3-19	861	30	2020-5-25	874	194	2020-7-27	740	130	2020-9-28	617	-67	2020-11-30	318	-43
2020-1-17	403	35	2020-3-20	821	-276	2020-5-26	840	148	2020-7-28	852	-90	2020-9-29	490	-12	2020-12-1	313	-47
2020-1-20	352	4	2020-3-23	807	42	2020-5-27	802	-10	2020-7-29	855	-214	2020-9-30	454	152	2020-12-2	468	132
2020-1-21	477	20	2020-3-24	757	223	2020-5-28	794	85	2020-7-30	895	-106	2020-10-1	534	81	2020-12-3	438	17
2020-1-22	483	-79	2020-3-25	761	875	2020-5-29	1 043	216	2020-7-31	944	436	2020-10-2	521	-184	2020-12-4	443	-244
2020-1-23	594	35	2020-3-26	909	-212	2020-6-1	962	-174	2020-8-3	897	-188	2020-10-5	505	97	2020-12-7	655	-88
2020-1-24	501	-25	2020-3-27	872	-465	2020-6-2	964	-347	2020-8-4	906	-230	2020-10-6	598	-34	2020-12-8	648	100
2020-1-27	721	398	2020-3-30	913	-47	2020-6-3	1 035	-346	2020-8-5	784	39	2020-10-7	742	194	2020-12-9	749	-42
2020-1-28	686	-136	2020-3-31	897	-210	2020-6-4	1 067	173	2020-8-6	740	330	2020-10-8	552	-56	2020-12-10	742	-179
2020-1-29	623	-246	2020-4-1	861	-145	2020-6-5	988	111	2020-8-7	696	125	2020-10-9	488	19	2020-12-11	1 051	155
2020-1-30	608	-197	2020-4-2	855	-140	2020-6-8	1 016	-447	2020-8-10	746	192	2020-10-12	492	30	2020-12-14	1 059	139
2020-1-31	605	-40	2020-4-3	888	-16	2020-6-9	958	-75	2020-8-11	717	-115	2020-10-13	601	-146	2020-12-15	842	258
2020-2-3	698	234	2020-4-6	918	596	2020-6-10	955	-371	2020-8-12	857	-327	2020-10-14	628	-244	2020-12-16	283	-13
2020-2-4	524	309	2020-4-7	915	-137	2020-6-11	934	703	2020-8-13	910	32	2020-10-15	608	13	2020-12-17	370	-62
2020-2-5	277	35	2020-4-8	783	67	2020-6-12	1 085	-168	2020-8-14	910	33	2020-10-16	620	-315	2020-12-18	413	-48
2020-2-6	371	143	2020-4-9	770	-146	2020-6-15	961	129	2020-8-17	628	-283	2020-10-19	622	-10	2020-12-21	343	69
2020-2-7	443	174	2020-4-13	712	-49	2020-6-16	902	140	2020-8-18	623	171	2020-10-20	553	-10	2020-12-22	351	-88
2020-2-10	333	-91	2020-4-14	827	-423	2020-6-17	804	12	2020-8-19	635	138	2020-10-21	557	-25	2020-12-23	244	49
2020-2-11	231	67	2020-4-15	958	-61	2020-6-18	816	83	2020-8-20	713	137	2020-10-22	495	-1	2020-12-24	363	18
2020-2-12	227	9	2020-4-16	1 187	480	2020-6-19	834	-415	2020-8-21	706	-51	2020-10-23	619	27	2020-12-28	350	26
2020-2-13	338	-40	2020-4-17	924	-87	2020-6-22	878	96	2020-8-24	709	153	2020-10-26	532	-14	2020-12-29	425	4
2020-2-14	339	-25	2020-4-20	841	-493	2020-6-23	796	82	2020-8-25	686	23	2020-10-27	495	48	2020-12-30	1 301	52
2020-2-17	335	-23	2020-4-21	1 321	-226	2020-6-24	822	483	2020-8-26	752	0	2020-10-28	585	206	2020-12-31	1 311	-300
2020-2-18	334	-94	2020-4-22	770	84	2020-6-25	1 010	-101	2020-8-27	633	-254	2020-10-29	734	139			
2020-2-19	336	126	2020-4-23	647	204	2020-6-26	988	89	2020-8-28	600	-158	2020-10-30	616	48			
2020-2-20	431	171	2020-4-24	679	249	2020-6-29	887	4	2020-8-31	706	-57	2020-11-2	660	37			
2020-2-21	430	-126	2020-4-27	641	21	2020-6-30	726	102	2020-9-1	725	493	2020-11-3	455	-86			
2020-2-24	443	-174	2020-4-28	666	195	2020-7-1	829	178	2020-9-2	782	-25	2020-11-4	590	-15			
2020-2-25	557	184	2020-4-29	797	-11	2020-7-2	842	-5	2020-9-3	802	61	2020-11-5	585	49			
2020-2-26	590	-648 (1)	2020-4-30	787	-192	2020-7-3	772	-166	2020-9-4	798	-78	2020-11-6	411	-14			
2020-2-27	607	14	2020-5-4	771	-231	2020-7-6	773	135	2020-9-7	795	-154	2020-11-9	848	-25			
2020-2-28	639	N/A (2)	2020-5-5	771	149	2020-7-7	809	-70	2020-9-8	768	38	2020-11-10	1 206	140			
2020-3-2	707	133	2020-5-6	1 053	-156	2020-7-8	803	-23	2020-9-9	806	-329	2020-11-11	1 189	219			
2020-3-3	653	250	2020-5-7	934	85	2020-7-9	795	-76	2020-9-10	916	359	2020-11-12	847	96			
2020-3-4	648	-532	2020-5-8	928	-66	2020-7-10	795	-288	2020-9-11	816	-109	2020-11-13	851	-25			

(1) Decrease of 6bp of 9 and 10 year German Bond rates, decrease of 10 bp of Portuguese Bond rates, 7 through 20 years

(2) IT systems failure prevented the correct calculation of NPV preventing the correct comparison with next day's NPV

(3) Decrease of 12bp of 9 and 10 year German Bond rates, increase of between 7 bp and 10 bp of Portuguese Bond rates on terms between 7 and 15 years and 1% devaluation of USD against EUR

Note: VaR for 10 days with 99% unilateral confidence level; hypothetical result obtained by an ex-post validation procedure over the VaR model (daily result scaled for 10 days divided by the square root of time).

TABLE 76 B - TEMPLATE 38 / EU MR4 (II) - REAL BACKTEST OF THE TRADING BOOK (PORTUGAL) – 2020

(Thousand euros)

Date	VaR	Actual result
2020-1-2	477	467
2020-1-3	248	26
2020-1-6	325	184
2020-1-7	324	158
2020-1-8	368	415
2020-1-9	342	196
2020-1-10	424	-68
2020-1-13	296	177
2020-1-14	457	-47
2020-1-15	348	-88
2020-1-16	409	260
2020-1-17	403	252
2020-1-20	352	155
2020-1-21	477	38
2020-1-22	483	81
2020-1-23	594	164
2020-1-24	501	-239
2020-1-27	721	417
2020-1-28	686	-7
2020-1-29	623	-238
2020-1-30	608	-252
2020-1-31	605	37
2020-2-3	698	150
2020-2-4	524	246
2020-2-5	277	47
2020-2-6	371	229
2020-2-7	443	259
2020-2-10	333	-40
2020-2-11	231	131
2020-2-12	227	75
2020-2-13	338	187
2020-2-14	339	106
2020-2-17	335	183
2020-2-18	334	-38
2020-2-19	336	47
2020-2-20	431	203
2020-2-21	430	-106
2020-2-24	443	-274
2020-2-25	557	193
2020-2-26	590	3 513
2020-2-27	607	-16
2020-2-28	639	-430
2020-3-2	707	-39
2020-3-3	653	652
2020-3-4	648	-118

Date	VaR	Actual result
2020-3-5	664	-4 145 (1)
2020-3-6	668	-1 583 (2)
2020-3-9	953	1 512
2020-3-10	1 066	935
2020-3-11	1 073	-418
2020-3-12	1 244	1 574
2020-3-13	740	204
2020-3-16	625	-602
2020-3-17	610	-1 348 (3)
2020-3-18	696	4 652
2020-3-19	861	-1 088 (4)
2020-3-20	821	-47
2020-3-23	807	1 015
2020-3-24	757	613
2020-3-25	761	718
2020-3-26	909	-101
2020-3-27	872	-165
2020-3-30	913	47
2020-3-31	897	-51
2020-4-1	861	132
2020-4-2	855	-54
2020-4-3	888	308
2020-4-6	918	398
2020-4-7	915	-270
2020-4-8	783	-443
2020-4-9	770	37
2020-4-13	712	-319
2020-4-14	827	-891 (5)
2020-4-15	958	239
2020-4-16	1 187	469
2020-4-17	924	115
2020-4-20	841	1 128
2020-4-21	1 321	775
2020-4-22	770	760
2020-4-23	647	310
2020-4-24	679	911
2020-4-27	641	335
2020-4-28	666	162
2020-4-29	797	-595
2020-4-30	787	433
2020-5-4	771	18
2020-5-5	771	413
2020-5-6	1 053	-82
2020-5-7	934	119
2020-5-8	928	890

Date	VaR	Actual result
2020-5-11	887	264
2020-5-12	896	770
2020-5-13	846	1 388
2020-5-14	759	193
2020-5-15	763	-312
2020-5-18	906	55
2020-5-19	934	36
2020-5-20	966	140
2020-5-21	949	506
2020-5-22	892	157
2020-5-25	874	-322
2020-5-26	840	257
2020-5-27	802	-146
2020-5-28	794	-220
2020-5-29	1 043	229
2020-6-1	962	-285
2020-6-2	964	-434
2020-6-3	1 035	-450
2020-6-4	1 067	31
2020-6-5	988	219
2020-6-8	1 016	-346
2020-6-9	958	-103
2020-6-10	955	-434
2020-6-11	934	835
2020-6-12	1 085	229
2020-6-15	961	419
2020-6-16	902	83
2020-6-17	804	-45
2020-6-18	816	-158
2020-6-19	834	-466
2020-6-22	878	-48
2020-6-23	796	170
2020-6-24	822	640
2020-6-25	1 010	-108
2020-6-26	988	-27
2020-6-29	887	173
2020-6-30	726	212
2020-7-1	829	318
2020-7-2	842	76
2020-7-3	772	-236
2020-7-6	773	177
2020-7-7	809	-157
2020-7-8	803	30
2020-7-9	795	-183
2020-7-10	795	-305

Date	VaR	Actual result
2020-7-13	784	-97
2020-7-14	791	-177
2020-7-15	796	-24
2020-7-16	791	82
2020-7-17	798	145
2020-7-20	768	-189
2020-7-21	729	-743 (6)
2020-7-22	772	129
2020-7-23	773	-26
2020-7-24	838	-616
2020-7-27	740	171
2020-7-28	852	-450
2020-7-29	855	-47
2020-7-30	895	-113
2020-7-31	944	615
2020-8-3	897	-263
2020-8-4	906	-540
2020-8-5	784	56
2020-8-6	740	544
2020-8-7	696	193
2020-8-10	746	190
2020-8-11	717	-257
2020-8-12	857	-378
2020-8-13	910	120
2020-8-14	910	-47
2020-8-17	628	-372
2020-8-18	623	306
2020-8-19	635	287
2020-8-20	713	326
2020-8-21	706	-26
2020-8-24	709	-15
2020-8-25	686	116
2020-8-26	752	183
2020-8-27	633	-451
2020-8-28	600	-221
2020-8-31	706	116
2020-9-1	725	661
2020-9-2	782	-134
2020-9-3	802	545
2020-9-4	798	494
2020-9-7	795	-224
2020-9-8	768	58
2020-9-9	806	-383
2020-9-10	916	287
2020-9-11	816	-100

Date	VaR	Actual result
2020-9-14	811	598
2020-9-15	817	370
2020-9-16	807	25
2020-9-17	837	-313
2020-9-18	823	444
2020-9-21	796	306
2020-9-22	672	364
2020-9-23	741	-246
2020-9-24	682	196
2020-9-25	565	10
2020-9-28	617	-122
2020-9-29	490	586
2020-9-30	454	58
2020-10-1	534	206
2020-10-2	521	-240
2020-10-5	505	119
2020-10-6	598	108
2020-10-7	742	236
2020-10-8	552	-137
2020-10-9	488	346
2020-10-12	492	407
2020-10-13	601	-133
2020-10-14	628	5 872
2020-10-15	608	-46
2020-10-16	620	-245
2020-10-19	622	-86
2020-10-20	553	102
2020-10-21	557	23
2020-10-22	495	59
2020-10-23	619	208
2020-10-26	532	-202
2020-10-27	495	-74
2020-10-28	585	315
2020-10-29	734	306
2020-10-30	616	-99
2020-11-2	660	133
2020-11-3	455	88
2020-11-4	590	-42
2020-11-5	585	122
2020-11-6	411	317
2020-11-9	848	-167
2020-11-10	1 206	587
2020-11-11	1 189	62
2020-11-12	847	168
2020-11-13	851	195

Date	VaR	Actual result
2020-11-16	706	11
2020-11-17	705	33
2020-11-18	664	267
2020-11-19	673	119
2020-11-20	684	69
2020-11-23	537	-68
2020-11-24	520	97
2020-11-25	647	106
2020-11-26	467	-31
2020-11-27	430	-87
2020-11-30	318	155
2020-12-1	313	-178
2020-12-2	468	-212
2020-12-3	438	209
2020-12-4	443	-139
2020-12-7	655	50
2020-12-8	648	359
2020-12-9	749	-327
2020-12-10	742	-160
2020-12-11	1 051	529
2020-12-14	1 059	561
2020-12-15	842	817
2020-12-16	283	-269
2020-12-17	370	-115
2020-12-18	413	213
2020-12-21	343	151
2020-12-22	351	-7
2020-12-23	244	-35
2020-12-24	363	183
2020-12-28	350	25
2020-12-29	425	-160
2020-12-30	1 301	213
2020-12-31	1 311	568

(1) Losses in FX positions, Treasury Dep Futures and in certificates short position of the Equity Divison that although hedged by futures do have basis risk

(2) Losses in German IR Futures and Portuguese Public Debt

(3) Losses in Portuguese Public Debt

(4) Losses in Portuguese Treasury Bills

(5) Losses in Portuguese Treasury Bills

(6) 1% devaluation of USD and MZN against EUR

The following tables provide quantitative data on the market risk measurement of the Trading Book using the internal model used (Table 77, with positions at the beginning and end of the last half of 2020) and on the evolution of the respective RWA and capital requirements (Table 74, with positions at the beginning and end of the last quarter).

TABLE 77 – TEMPLATE 35 / EU MR2-A – MARKET RISK UNDER THE IMA

31/12/2020 (Thousand euros)

	RWA	Capital requirements
	124 848	9 988
a) Previous day's VaR (Article 365(1) of the CRR (VaRt-1))		4 432
b) Average of the daily VaR (Article 365(1)) of the CRR on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR		9 988
SVaR (higher of values a) and b))	556 846	44 548
a) Latest SVaR (Article 365(2) of the CRR (SVaRt-1))		5 066
b) Average of the SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (ms) (Article 366of the CRR)		44 548
IRC (higher of values a) and b))		
a) Most recent IRC value (incremental default and migration risks) calculated in accordance with Articles 370º and 371º of the CRR		
b) Average of the number over the preceding 12 weeks		
COMPREHENSVE RISK MEASURE (higher of values a), b) and c))		
a) Most recent risk number for the correlation trading portfolio (Article 377º do CRR)		
b) Average of the risk number for the correlation trading portfolio over the preceding 12 weeks		
c) 8% of the own funds requirement in the standardised approach on the most recent risk number for the correlation trading portfolio (Article 338º, nº4 of the CRR)		
OTHER		
TOTAL	**681 694**	**54 536**

30/06/2020 (Thousand euros)

	RWA	Capital requirements
VaR (higher of values a) and b))	183 499	14 680
a) Previous day's VaR (Article 365(1) of the CRR (VaRt-1))		3 250
b) Average of the daily VaR (Article 365(1)) of the CRR on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR		14 680
SVaR (higher of values a) and b))	661 170	52 894
a) Latest SVaR (Article 365(2) of the CRR (SVaRt-1))		12 169
b) Average of the SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (ms) (Article 366of the CRR)		52 894
IRC (higher of values a) and b))		
a) Most recent IRC value (incremental default and migration risks) calculated in accordance with Articles 370º and 371º of the CRR		
b) Average of the number over the preceding 12 weeks		
COMPREHENSVE RISK MEASURE (higher of values a), b) and c))		
a) Most recent risk number for the correlation trading portfolio (Article 377º do CRR)		
b) Average of the risk number for the correlation trading portfolio over the preceding 12 weeks		
c) 8% of the own funds' requirement in the standardised approach on the most recent risk number for the correlation trading portfolio (Article 338º, nº4 of the CRR)		
OTHER		
TOTAL	**844 670**	**67 574**

TABLE 78 – TEMPLATE 36 / EU MR2-B – RWA FLOW STATEMENTS OF MARKET RISK EXPOSURES UNDER THE IMA

31/12/2020 (Thousand euros)

	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Total capital requirements
RWA AT PREVIOUS QUARTER END	**157 561**	**781 099**				**938 660**	**75 093**
Regulatory adjustment	134 931	581 447				716 378	57 310
RWA at the previous quarter-end (end of the day)	22 630	199 652				222 282	17 783
Movement in risk levels	32 764	-136 331				-103 567	-8 285
Model updates/changes							
Methodology and policy							
Acquisitions and disposals							
Foreign exchange movements							
Other							
RWA at the previous quarter-end (end of the day)	55 394	63 321				118 715	9 497
Regulatory adjustment	69 454	493 524				562 979	45 038
RWA AT THE END OF THE REPORTING PERIOD	**124 848**	**556 846**				**681 694**	**54 536**

30/09/2020 (Thousand euros)

	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Total capital requirements
RWA AT PREVIOUS QUARTER END	**183 499**	**661 170**				**844 670**	**67 574**
Regulatory adjustment	142 878	509 062				651 940	52 155
RWA at the previous quarter-end (end of the day)	40 621	152 108				192 730	15 418
Movement in risk levels	-17 991	47 544				29 552	2 364
Model updates/changes							
Methodology and policy							
Acquisitions and disposals							
Foreign exchange movements							
Other							
RWA at the previous quarter-end (end of the day)	22 630	199 652				222 282	17 783
Regulatory adjustment	134 931	581 447				716 378	57 310
RWA AT THE END OF THE REPORTING PERIOD	**157 561**	**781 099**				**938 660**	**75 093**

11. OPERATIONAL RISK

As at 31 December 2020 and 2019, the Group calculated the own funds requirements for operational risk in accordance with the standard approach, pursuant to the authorisation granted by Banco de Portugal, as previously mentioned.

The computation of the own funds requirements results from the application of a set of weights to the components of gross income that refer to the activity segments, according to the regulatory definitions.

The framework for this calculation is provided by Title III of Regulation (EU) 575/2013 (CRR), also considering additional clarifications received from Banco de Portugal, namely, with respect to the accounting items considered in the determination of the gross income.

11.1. GROSS INCOME

The gross income results from the sum of the net interest income, dividends received (except the income from financial assets with an "almost capital" nature – shareholders' advances), net commissions, profits and losses arising on financial transactions associated to trading operations and other operating income. From these last items, the following are excluded: those that result from the sale of shareholdings and other assets, those with reference to discontinued operations and those resulting from negative consolidation differences. The interest in arrears recovered and expenses, which, on a consolidated basis, is recorded in the reversions of impairment losses item, is also added to the gross income.

Yet, neither the compensations received as a result of insurance contracts nor the revenues from the insurance activity are added to the value of the gross income. Finally, the other operating expenses cannot contribute to the reduction of the gross income value, with exception of the costs resulting from outsourcing provided by external entities to the Group or by entities that are not subject to the provisions of CRR.

The values thus obtained for the above-mentioned items are adjusted by the non-current amounts of the activity that are eventually still included in the gross income.

11.2. OPERATIONAL RISK – STANDARD APPROACH

The own funds requirements calculated in accordance with the standard approach are determined by the average, over the last three years, of the sum of the risk weighted gross income, calculated each year, relative to the activity segments and the risk weights that are defined in article 317 of CRR, whose scope corresponds in general terms to the following:

- Corporate Finance (subject to an 18% weight): underwriting activities and related services, investment analysis and other financial consulting activities.
- Trading and Sales (subject to an 18% weight): dealing on own account and intermediation activities in monetary and financial instrument markets.
- Retail Brokerage (subject to a 12% weight): placement of financial instruments without a firm underwriting and intermediation of orders relative to financial instruments, on behalf of private Customers and small businesses.
- Commercial Banking (subject to a 15% weight): taking deposits and credit and guarantee concession and undertaking other commitments to companies.
- Retail Banking (subject to a 12% weight): taking deposits and credit and guarantee concession and undertaking other commitments to private Customers and small businesses.
- Payment and Settlement (subject to an 18% weight): payment operations and issue and management of means of payment activities.
- Agency Services (subject to a 15% weight): services associated to the safekeeping and administration of financial instruments.
- Asset Management (subject to a 12% weight): investment fund and individual portfolio management activities.

The gross income by activity segments, on a consolidated basis, resulted from the aggregation of the values obtained for the perimeters of Portugal and of each one of the Group's foreign operations, determined based on homogeneous criteria and common to all geographies.

The gross income by activity segments for Portugal and Poland was calculated based on their financial statements, complemented with information collected from their management information systems, whereas for the other foreign operations, accounting information was used. With respect to the subsidiary in Poland, the entire calculation process was conducted locally, taking into consideration that it is an operation with a diversified activity, which requires the contribution of own management information systems. On the other hand, the remaining foreign subsidiaries, which have a standardised activity concentrated in the Retail segment, were treated centrally.

The gross income segmentation of the activity in Portugal and Poland was based on information by business segments, produced for the purposes of internal management and market disclosure. In a first phase, the business segments and operational risk segments that present the greatest perimeter similarities were identified. Subsequently, the necessary transfers between the various segments, of zero sum, were carried out, to achieve a perimeter in line with what is required for the purposes of operational risk, in each segment.

In addition, the calculation of the gross income by activity segments for the Group's foreign operations, excluding Poland, was based on the financial statements of each subsidiary, as previously mentioned. Bearing in mind that these subsidiaries develop a retail activity, they were allocated, in a first phase, to the Retail Banking segment, with exception of the values recorded in the profits and losses arising on financial transactions item, which, by its nature, are immediately placed in the Trading and Sales segment, and subsequently the transfers for achieving a segmentation in line with the defined perimeter for the gross income are carried out. On 31 December 2020, this calculation was carried out for the operations of Switzerland, Mozambique and of Millennium bcp Bank & Trust, with registered office in the Cayman Islands, in addition to Bank ActivoBank, which, although it develops its activity in Portugal, verifies the same assumptions and, thus, follows the same methodology.

Having concluded these procedures and the consolidation of the Group's activities, the segmented gross income was obtained in conformity with the requirements defined for the purposes of operational risk, to which the calculation methodology and the previously mentioned weights were applied, and the respective capital requirements were obtained.

As at 31 December 2020, the Group reported around 321 million euros of own funds requirements for operational risk, having reported 325 million euros as at 31 December 2019, computed with the data presented on Table 79.

TABLE 79 – OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

(Thousand euros)

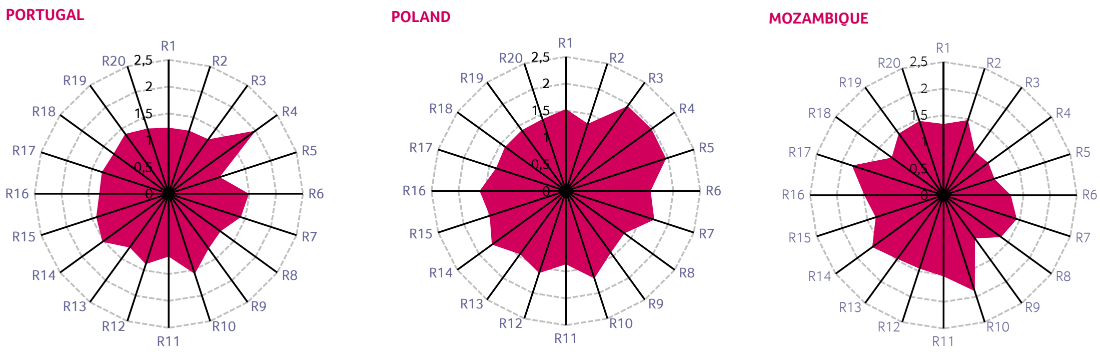
Segments	Gross income			Own funds requirements	Risk-weighted exposure amounts
	2018	2019	2020		
1. BASIC INDICATOR APPROACH	-	-	-	-	-
2. STANDARD APPROACH	2 309 531	2 503 407	2 363 363	321 150	4 014 374
- Corporate finance	17 941	10 757	20 603		
- Trading and sales	93 915	244 627	257 175		
- Retail brokerage	19 428	15 596	24 492		
- Commercial banking	522 738	566 581	481 313		
- Retail banking	1 545 984	1 533 620	1 469 054		
- Payment and settlement	79 583	82 735	76 661		
- Agency services	15 963	36 643	18 554		
- Assets management	13 980	12 849	15 511		
3. ADVANCED MEASUREMENT APPROACH	-	-	-	-	-

11.3. OPERATIONAL RISK MANAGEMENT

Operational risk management is based on an end-to-end process structure, defined for each of the Group's subsidiaries, and the responsibility for their management was given to process owners, who must: characterise operational losses captured within their processes; carry out the Risk Self-Assessment (RSA); identify and implement the appropriate measures to mitigate exposures, contributing to reinforce internal control; and monitor key risk indicators (KRI).

The following graphs show the results of the latest RSA made in Portugal, Poland and Mozambique in terms of the average score of each of the 20 risk sub-types defined for operational risk within the set of processes assessed. The outside border represents a 2.5 score on a scale of 1 (less serious) to 5 (most serious).

GRAPH 3 – RISKS SELF-ASSESSMENT RESULTS

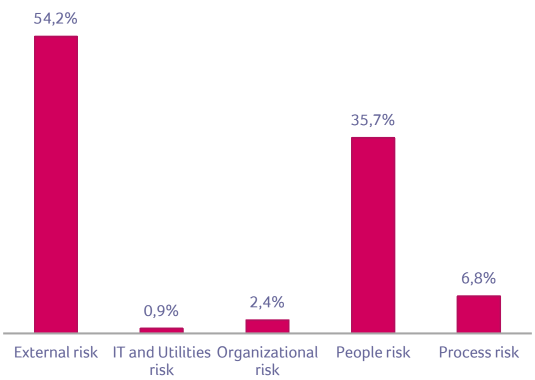


R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Breach of work health & safety regulations
R5 Discrimination over employees
R6 Loss of key staff
R7 Hardware and Software problems
R8 Problems related to telecom services & lines
R9 Systems security
R10 Transaction,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

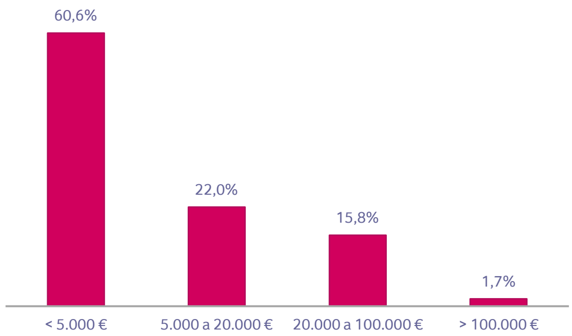
The operational losses identified are registered in the Group's operational risk application and connected with the respective process, being assessed and characterised in accordance to their nature. When applicable, a mitigation action is associated with each loss event.

The following graphs feature the profile of accumulated operational losses in 2020.

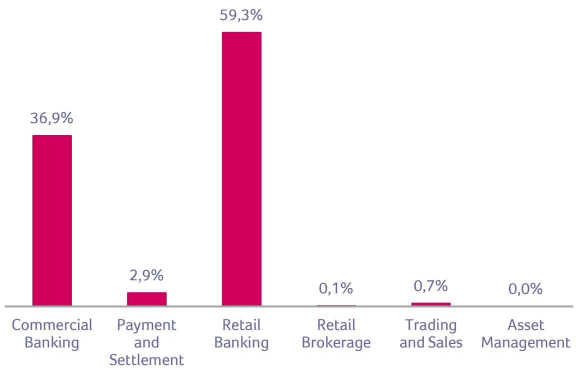
GRAPH 4 – LOSS AMOUNT DISTRIBUTION, BY CAUSE



GRAPH 5 – LOSS AMOUNT DISTRIBUTION, BY AMOUNT RANGE



GRAPH 6 – LOSS AMOUNT DISTRIBUTION, BY BUSINESS SEGMENT



A set of KRI is used by the Group's various operations to monitor the processes risks. These KRI are management instruments represented by metrics that aim at the identification of changes in risk profiles and in controls effectiveness, so as to act preventively and avoid turning potential risk situations into actual losses. Within the process's management, a set of performance and control indicators is also used (Key Performance Indicators and Key Control Indicators) contributing to the detection of risks, even though it is more oriented towards the assessment of operating efficiency.

The Scenario Analysis is an exercise in which all of the macro process owners participate, as well as the heads of selected Divisions, aiming at the impact assessment of extreme and relevant events - potential risks of high severity (low frequency/high impact) – even if this type of events has never occurred at the Bank. The results of this exercise are integrated in the losses estimation model that was developed for the ICAAP and this data is also used for risk management and mitigation, thus contributing to the reinforcement of the internal control environment.

In 2020, the usual activities of operational risk management continued to be carried out by the various intervenient, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as the reporting duties' tasks, both to the Group management bodies and within the regulatory scope.

In addition, the Bank's mobilization to reinvent the banking experience, based on new technologies, presents significant challenges in operational risk management, with highlights on: strengthening the security of digital banking channels, strengthening the mechanisms for prevention and detection of potential fraud, the responsible management of personal data and the fulfilment of the legally prescribed information duties in selling through digital banking channels.

Among the actions carried out in 2020 with the aim of strengthening the mechanisms for controlling and measuring operational risks, the following should be highlighted:

- The presentation of the results of the RSA exercise carried out in 2019 for the set of operational processes and the execution of the same year of 2020.

- Calculation and presentation of the results of the RSA exercise for ICT risks (ICT - Information and Communication Technology).
- Adaptation and reinforcement of the outsourcing risk monitoring framework.

In parallel, the Group continued to strengthen and improve its business continuity management throughout 2020, with a focus on the updating of existing strategies, procedures and documentation, conducting regular business recovery simulations, technological recovery and crisis management exercises in order to improve its emergency response capacity, in articulation with all the teams involved in its different phases.

This area aims at ensuring the continuity of the business activities (or business support activities) in case of catastrophe or major contingency and is addressed by the Group through two distinct but complementary aspects:

- The Disaster Recovery Plan, for communication systems and infrastructures; and
- The Business Continuity Plan, for people, premises and equipment required for the minimum support of selected processes, deemed critical.

It should be noted that the management of this specific operational risk area is designed, promoted and coordinated across the Group by a specific structure unit.

In addition, the Group maintains an insurance contracting policy as an instrument to mitigate potential financial impacts associated with the occurrence of operational risks, by transferring, partially or in full, the risks pertaining to assets, people or liabilities before third parties.

The proposals for new insurances are submitted by the process owners, within the scope of the operational risk management powers regarding their processes, or presented by the heads of areas or structure units, being analysed by the Compliance and Operational Risks Commission and subject to a decision by the EC.

11.4. OPERATIONAL RISK WITHIN THE COVID-19 PANDEMIC CONTEXT

The year 2020 was marked by the covid-19 pandemic, an unprecedented global contingency situation that significantly affected all the Group's activities.

In this context, the Group's operational capability, together with the protection of Customers and Employees, was ensured through the activation of contingency plans for business continuity, which implied the extensive use of teleworking - with considerable reinforcement of the IT and communications infrastructure in Portugal , in addition to specific measures and increased vigilance in systems' security - the distribution/installation of protective materials and rules for occupation and dislocations within the premises, through the use of appropriate signage.

From the transactional point of view, it is also important to highlight the impact - translated into operational effort and increased operational risk - that the moratoriums on loans granted to individuals and companies (as well as credit lines with mutual guarantee covered by the State, in Portugal) implied from the end of the first quarter of 2020. In the domestic operation, this impact was mitigated through the introduction, in a very short time, of automatic and massified processing mechanisms that ensured an operational response that was not only effective, but also robust (from the point of view of controlling the risk of errors) in the processing of operations).

Finally, it should be noted that, within the appropriate framework2 ((and even if this does not affect the calculation of regulatory capital requirements for operational risk), the extraordinary costs resulting from the pandemic and from the need to maintain the Bank's operational capability, were recorded as operating losses, amounting to c. 5.7 M € on 31/12/2020 (amount for Portugal, Poland and Mozambique), relating to the reinforcement of IT infrastructure to support massive teleworking, to protective materials and signage of the installations, to personal protective consumables (masks, disinfectant gel, gloves) and extraordinary costs for cleaning and disinfecting the premises and branches.

[2] EBA REPORT ON THE IMPLEMENTATION OF SELECTED COVID-19 POLICIES (EBA/REP/2020/19)

12. INTEREST RATE RISK IN THE BANKING BOOK

The interest rate risk derived from the Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated balance sheet, reflecting the potential economic value loss that may occur as a result of adverse changes to interest rates.

The Banking Book includes all the positions not included in the Trading Book, namely, the positions resulting from institutional funding operations and from money markets, commercial and structural operations and the securities of the Investment Portfolio, as well as the operations carried out within the scope of the Group's assets and liabilities structural management (ALM).

The changes in market interest rates have an impact over the Group's net interest income, both in a short-term and in a medium/long-term perspective. The main risk factors are the repricing mismatch of the portfolio positions (repricing risk) and the changes in the level of the market interest rates (yield curve risk). In addition – although with less relevant impacts – there is the risk of having unequal variations in different indexes with the same repricing period (basis risk).

In order to identify the exposure of the Group's Banking Book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of the contracts available in the systems' databases and the respective expected cash flows are projected in accordance with their repricing dates. Hence, this provides an assessment of the impact on the Group's economic value that would result from several alternative scenarios involving changes in market interest rate curves.

The Commercial and Structural areas' risk positions that are not specifically hedged against the market are transferred, through internal operations, to the Funding areas and/or CALCO and, from then on, they are incorporated in the respective portfolios. As such, they are daily evaluated through the VaR methodology.

The fundamental assumptions used in this analysis are documented in internal regulations and consist, essentially, on one hand, in definitions about interest rate repricing maturities (for items for which there is no defined repricing date) and, on the other hand, in certain expected behaviours concerning early repayments.

In 2020, for items for which there are no defined repricing dates, the following assumptions of repricing terms were applied:

- *Nostro* and *Vostro* Accounts: assumption of repricing in 1 month.
- Demand deposits at central banks: assumption of repricing in 1 month.
- Roll-over credit/Current accounts and overdrafts: assumption of 40% repricing in 12 months, 15% in 24 months, 15% in 36 months, 15% in 48 months and 15% in 60 months.
- Roll-over credit/Credit cards: assumption of 50% repricing in 12 months, 15% in 24 months, 15% in 36 months, 10% in 48 months and 10% in 60 months.
- Roll-over credit/Factoring: assumption of 45% repricing in 12 months, 15% in 24 months, 15% in 36 months, 15% in 48 months and 10% in 60 months.
- Non-interest-bearing demand deposits and other deposits (in Euros): assumption of 15% repricing in 12 months, 10% in 24 months, 10% in 36 months, 10% in 48 months and 55% in 60 months.
- Non-interest-bearing demand deposits and other deposits (in other currencies): assumption of 20% repricing in 12 months, 20% in 24 months, 10% in 36 months, 10% in 48 months and 40% in 60 months.
- Interest earning demand deposits: assumption of 50% repricing in 1 month, 40% in 3 months and 10% in 6 months.

Stress tests are carried out for the Banking Book by applying standard shocks of parallel shifts of the yield curve. Also, stress tests are carried out for all Group positions for which interest rate risk is a relevant component, by considering different macroeconomic scenarios that contemplate several variables of analysis.

Stress tests are carried out every six months, with the aim of assessing the impact of extreme situations that cannot be measured through VaR and BPV analyses (Basis Point Value - analysis of positive and negative impacts as a result of interest rate variations).

The macroeconomic scenarios are designed based on the economic situation and on the impact that may result from changes in the main risk analysis variables - namely, on traded assets prices, interest rates, exchange rates, default probabilities and the recovery rates of non-performing loans.

Table 80 illustrates the impacts on the shareholders' equity of the Group, as at 31 December 2020 and 2019, in amount and percentage, as a result of +200 and –200 basis points shocks in interest rates.

TABLE 80 - SENSITIVITY ANALYSIS TO THE INTEREST RATE RISK IN THE BANKING BOOK

(Thousand euros)

		31 Dec 2020	31 Dec 2019
Value	+200 bp	-27 147	-9 487
	-200 bp	175 099	117 026
% Shareholders' equity [1]	+200 bp	0.3%	0,1%
	-200 bp	2.5%	1,7%

[1] Shareholders' equity excludes hybrid products accounted in Equity but not eligible for CET1 capital.

On both end-of-years, the range of shocks considered in this analysis (parallel variations of interest rate curves of +/- 200 bps) reflects a relevant asymmetry of impacts over the economic value of the Group. This is due to the assumptions related with the limits to interest rate decreases in rates decrease scenarios and to the different impacts verified over the portfolio for the several repricing terms (resulting in different effective impacts occurring under the two scenarios).

13. LIQUIDITY RISK

13.1. LIQUIDITY RISK MANAGEMENT AND ASSESSMENT

LIQUIDITY MANAGEMENT

The liquidity management of the BCP Group is coordinated at the consolidated level, in accordance with the principles and methodologies defined at the Group level. The Consolidated Liquidity Plan, an integral part of the annual budget and planning process, is the main instrument used in pursuing this objective.

The Group's liquidity management policy aims to limit interdependence between the various entities that comprise it. Accordingly, each geography must maintain and guarantee autonomy with regard to the management of its financing needs, maintaining its own liquidity buffers appropriate to the size and risk profile of the respective operation, so as not to depend on other entities of the Group.

The Bank has reduced the risk profile of its operation through a process of deleveraging its balance sheet, which has resulted in a reduction in the commercial gap by the decrease in the credit portfolio and the reinforcement of customer deposits, allowing the progressive reduction of the dependence on market and ECB funding.

LIQUIDITY RISK ASSESSMENT

The Group's liquidity risk assessment is based on the calculation and analysis of the regulatory indicators defined by the supervisory authorities, as well as other internal, short-term, and structural metrics, for which exposure limits are monitored and reviewed regularly and approved by the Risk Commission or by the BoD, in case of RAS metrics.

In structural terms, the Group's Risk Appetite Statement (RAS) defines, in a consolidated perspective, a set of structural liquidity indicators and respective limits, which are then reflected in the Corporate RAS of each of the Group's main operations, in order to reinforce consistency in risk assessment and greater efficiency in centralized monitoring. Internal limits are typically more stringent than regulatory ones, ensuring prudent liquidity risk management.

The evolution of wholesale funding, the LCR (Liquidity Coverage Ratio), the credit ratio on deposits and assets eligible for discount available on the ECB and other central banks vs clients' deposits are monitored at least weekly.

Daily, the main entities monitor short-term liquidity indicators, adopting the centrally defined methodology.

Concomitantly, the Group's liquidity position is regularly analyzed, identifying the factors that justify deviations from the consolidated Liquidity Plan and by entity. This analysis is submitted to CALCO, which, when applicable, decides the appropriate measures to maintain adequate financing conditions. The Risk Commission is responsible for the continuous assessment of the liquidity risk management framework and for approving and controlling limits for exposure to that same risk.

In order to avoid the appearance of a liquidity crisis or to act immediately if it materializes, it is reported weekly to the management bodies the results of the Early Warning Signals system of the Liquidity Contingency Plan, with a score that summarizes several indicators that monitor the evolution of liquidity risk factors.

The control of liquidity risk is further reinforced by periodic stress tests, carried out to assess the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil their short-term obligations in various crisis scenarios. These tests are also used to support the liquidity contingency plan and decision-making on the subject, including periodic measurement of capacity counterbalancing measures set out in the Recovery Plan.

13.2. MANAGEMENT MODEL

The Group's liquidity management is coordinated at the level of the BCP Group under the responsibility of CALCO, with the objective of promoting an efficient financing policy both from a short-term and structural perspective.

The BCP Group's Liquidity Plan, prepared on a consolidated basis for the Group and individually for the main entities, aims to ensure the alignment of the expected evolution of incoming and outgoing liquidity flows resulting from commercial and corporate objectives with prudent treasury management and maintenance of adequate liquidity levels, respecting the regulatory risk limits and those defined internally in the Group's RAS and in the RAS of the different geographies ensuring the alignment in the monitoring of risk appetite in all entities of the BCP Group and along the main risk-taking dimensions.

Liquidity management is carried out by local units autonomously, aiming at their self-sufficiency and guaranteeing independence in relation to the other units of the Group.

The liquidity risk management and assessment methodologies described in 13.1. and the refinement of the government model dealt with succinctly in this section, are continually reassessed in the Liquidity Adequacy Assessment Process (ILAAP), which is materialized in a document prepared in accordance with the guidelines of the European Banking Authority and the European Central Bank, representing the Group's self-assessment of liquidity and risk management strategy and practices.

The ILAAP is, therefore, a key component of the Group's f structure and consists of a coherent set of principles, policies, procedures and structures in order to ensure that the Group adequately manages liquidity risk within the limits defined in RAS at the consolidated level and for each entity. The improvement opportunities identified at ILAAP give rise to detailed action plans, to guarantee a permanent adaptation of the liquidity risk management methodologies and governance to the challenges faced by the Group and the pursuit of best practices. ILAAP systematically deals with the main components of liquidity management and the respective risks according to the following structure:

Liquidity and funding risk management:

Definition of a framework of procedures, responsibilities, methodologies and rules used by the Group to approach liquidity and financing risk management.

Funding strategy:

Assessment of the Group's policies and procedures regarding its ability to fund its liquidity needs.

Liquidity buffer and collateral management:

Documentation of the Bank's practices concerning the management of assets and of liquid assets that are eligible as collateral in refinancing operations with central banks.

Cost benefit allocation mechanism:

Assessment of the Bank's approach for liquidity transfer pricing.

Intraday liquidity risk management:

Presentation of the Bank's methodology for managing intraday liquidity risk, as well as of the mechanism that allow to obtain supporting and root-cause information for registered incidents related to obligations that were not met in a timely manner.

Regulatory indicators monitoring:

Alignment of the regulatory requirements defined by the supervision with the Group's current liquidity management requirements and monitoring of its adequacy, through internal limits developed from common and transversal concepts to the Group.

Liquidity stress testing:

Execution of liquidity stress tests on a regular basis, with a periodical review of the methodologies.

Contingency funding plan:

Presentation of the lines of responsibility for designing, monitoring and executing the Contingency Funding Plan along with the methodologies for the early detection of tension situations and an assessment of the feasibility of the measures of reinforcement of the counterbalancing capacity.

13.3. REGULATORY REQUIREMENTS AND ILAAP

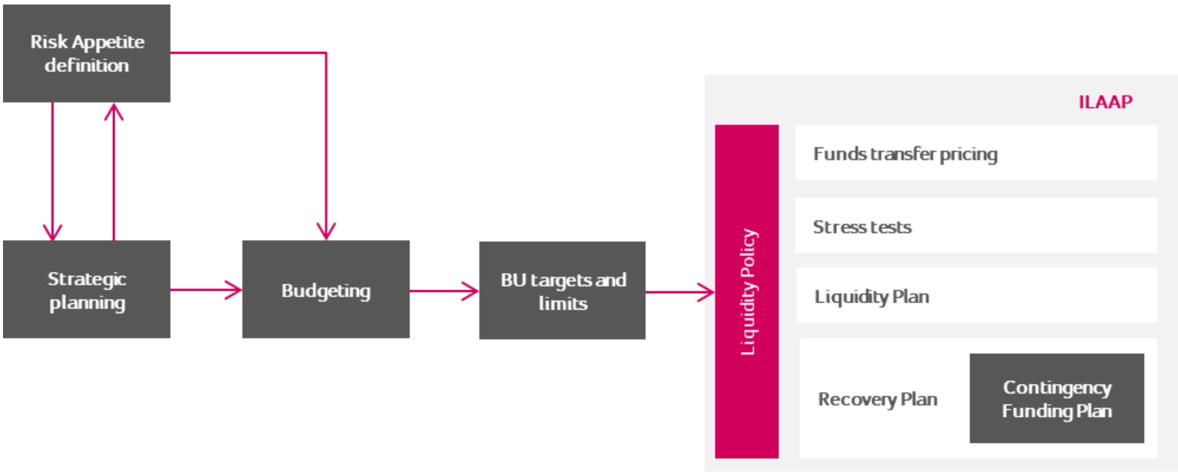
In the scope of the new prudential information requirements that is subject, the BCP Group has been monitoring the application and compliance with the new regulatory framework requirements, not only through the participation on study exercises promoted by the Basel Committee (QIS – Quantitative Impact Study) and reporting exercises performed within the European supervision, through the SSM – Single Supervisory Mechanism (STE – short-term exercise), but also through the regular reports on liquidity (via COREP – the Common reporting Framework).

Within liquidity risk management, it should be noted, the application of the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, from 2016 onwards in what concerns the liquidity coverage requirement.

The Supervisory Review and Evaluation Process (SREP), regarding the Internal Liquidity Adequacy Assessment Process (ILAAP), together with the Internal Capital Adequacy Assessment Process (ICAAP), are key evaluation instruments for risk management, and for determining internal liquidity and capital needs, respectively.

Within the scope of the ILAAP, the bank analyses a vast set of qualitative and quantitative information, aiming at defining a liquidity risk management framework for the Group, in accordance with the respective profile and aligned with the European Banking Authority guidelines and with the Single Supervisory Mechanism expectations. The ILAAP methodology already mentioned (at section 12.2) is shared, to a large extent, with the liquidity risk management that the Group has been developing over the last years. In this context, the ILAAP exercise considers specific features of the Group, such as business model, governance, implemented controls and its monitoring, dimension, complexity, market constraints, and local regulatory duties of each geography.

TABLE 81 – ILAAP INTERCONNECTION WITH OTHER PLANNING EXERCISES OF THE GROUP



During the first half of 2019, the ECB's Banking Supervision conducted the Sensitivity Analysis of Liquidity Risk - Stress Test 2019 (LiST 2019) to assess banks' ability to withstand idiosyncratic hypothetical liquidity shocks.

In the case of the BCP Group, liquidity reserves were considered adequate to offset the simulated liquidity loss scenarios. In addition, the quality and timeliness of the response to questions raised by the ECB during the quality assurance phase of the exercise were positively assessed.

Between December 2018, the reference date for the aforementioned year, and December 2020, BCP's liquidity position strengthened significantly, with the liquidity buffer available for discount at the ECB growing from 4.9B to 19.2B, an evolution followed for the resolution of all the main recommendations addressed to the Bank by its Internal Audit and the ECB.

13.4. BALANCE SHEET INDICATORS

The main evolutions regarding the Group's liquidity situation in 2020 were the following:

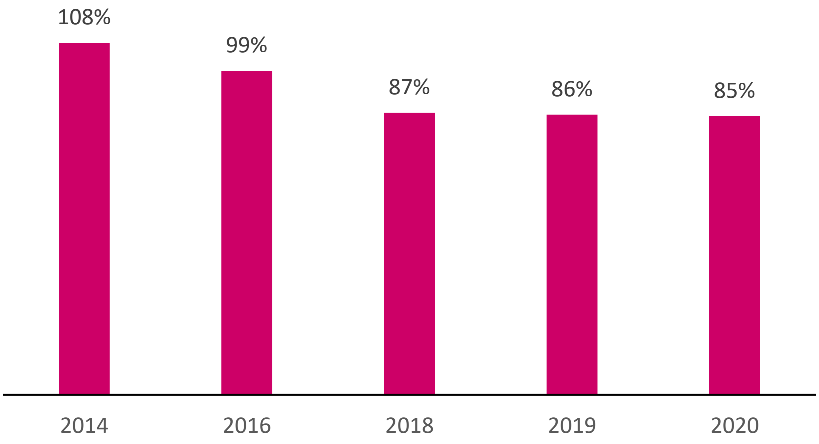
- The COVID-19 pandemic, whose negative effects on the economy and in particular on the Banking sector are not yet fully known, led Supervisors and Central Banks to promptly take a broad range of mitigation measures. In the case of the ECB, these were announced throughout April, involving the provision of additional liquidity to the Banking system through the creation of "Targeted longer-term refinancing operations III" (TLTRO III) and the transversal reduction of haircuts applicable to all types of assets eligible for discount with the ECB.
- Although the daily monitoring of all liquidity indicators has shown since the beginning of the crisis, both at BCP and at its subsidiaries, a total stability of the deposit base and liquidity buffers with central Banks, the Bank decided to rapidly adjust its funding policy from a precautionary point of view: still in April, BCP SA borrowed an additional 1,5 billion euro from the ECB through the use of Main refinancing operations (MRO) with a 3-month term, thus increasing its exposure to the central Bank from 4,0 billion euro related to the Targeted long-term refinancing operation II (T LTRO II) to 5,5 billion euro; and in June, on the due date of the T LTRO II and the MRO referred to above, it took over 7,550 billion euro in T LTRO III. After these operations, net financing from the ECB increased to a maximum of 4,867 billion euro in September 2020, decreasing until the end of the year to 3,283 billion euro, 2,999 billion more than in the previous year.
- The additional liquidity thus obtained, added to that resulting from the reduction of the commercial gap in Portugal (although the significant increase in the loans portfolio, especially to corporate, the increase in the deposits base was even greater) was applied to the repayment of long-term loans from the European Investment Bank which totalled 1,051 billion euro in 2020 (of which 750 million euro with early repayment in June), the strengthening of the securities portfolio in Portugal (3,842 billion euro, of which 3,6 billion euro in sovereign) and in liquidity deposited with the Banco de Portugal (increase of 638 million euro, to Euro 4,295 billion euro).
- The strengthening of the sovereign debt portfolios was reflected in an increase in the size of the portfolio of assets eligible for discount at the ECB, which also benefited, within the scope of prudent liquidity management,

from the inclusion in the monetary policy pool of a retained covered bond issuance worth 1,842 billion euro after haircuts. Together with the collateral easing measures determined by the ECB, this decision contributed to raise the balance of assets eligible for discount at the ECB to 22,503 billion euro (after haircuts), 5,443 billion euro more than in December 2019.

- In the same period, the liquidity buffer with the ECB increased by 2,443 billion euro, to 19,220 billion euro
- As in BCP, all liquidity indicators regarding Bank Millennium (Poland) and BIM (Mozambique) demonstrate the resilience of their liquidity positions throughout the COVID-19 crisis, supported from the outset by the stability of deposit bases and the solidity of liquidity buffers held with the respective Central Banks. Accordingly, both operations position themselves comfortably within the comfort zone of the liquidity risk indicators adopted across the Group, as well as regarding the regulatory standards.
- In consolidated terms, the refinancing risk of medium-term liabilities will remain at very low levels over the coming years, as maturing debt will be reaching 1,0 billion euro only in 2022. Even in this case, it will involve the payment of a covered bond issue in that exact amount, the collateral of which will be integrated into the ECB's liquidity buffer after repayment, thus meaning a minor loss of liquidity.

The loan to deposits ratio was kept clearly below 100%, reflecting a prudent management of the structural liquidity position of the Bank:

GRAPH 7 – LTD RATIO EVOLUTION (*)



(*) According to Instruction 16/2004 of Banco de Portugal

At the end of December 2020, customer deposits stood at 63,259 million euros, registering an increase of 4,0% compared to 31 December 2019, with the balance sheet resources of Customers reaching 64.764 million euros, gross loans amounted to 55,766 million euros, which represents an increase of 2,6% compared to the end of 2019. Consequently, the transformation ratio thus evolved from 86% at the end of 2019 to 85% at the end of 2020.

The eligible pool of assets for funding operations in the European Central Bank and other Central Banks, net of haircuts, is detailed as follows:

TABLE 82 - LIQUID ASSETS INTEGRATED IN COLLATERAL POOLS

(Thousand euros)

	31 Dec 2020	31 Dec 2019
European Central Bank	9 783 715	7 328 153
Other Central Banks	4 591 249	5 785 675
TOTAL	**14 374 964**	**13 113 828**

As at 31December 2020:

- The gross amount discounted with the European Central Bank amounts to Euros 7,550,070,000 (31 December 2019: Euros 4,000,000,000)

- The amount discounted with the Bank of Mozambique was Euro 2.364.000 (Euros 2,426,000 as at 31 December 2019).
- There were no discounted amounts with other central banks.
- The amount of assets eligible for discount with the European Central Bank includes securities issued by the SPE from securitization operations whose assets have not been derecognised in the Group's consolidated view, so that the securities are not recognized in the securities portfolio.

The evolution of the ECB's eligible assets portfolio, the net borrowings at the ECB and the liquidity buffer between 31/12/2020 e 31/12/2019 are analysed as follows:

TABLE 83 – LIQUIDITY BUFFER OF THE ECB

(Thousand euros)

	31 Dec 2020	31 Dec 2019
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	9 783 715	7 328 153
Outside the pool of ECB monetary policy	12 719 114	9 731 980
	22 502 829	**17 060 133**
Net borrowing at the ECB (ii)	3 282 609	283 385
LIQUIDITY BUFFER (iii)	**19 220 220**	**16 776 748**

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).

ii) Includes, as at 31 December 2020, the value of funding with ECB (deducted from the accrual of the T LTRO III), deducted from deposits with the Bank of Portugal and other liquidity with the Eurosystem (Euros 4,642,131,000), plus the minimum cash reserves (Euros 414,727,000).

iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

Thus, on 31 December 2020, the liquidity that could be mobilized through available collateral, plus deposits with Banco de Portugal deducted from the minimum cash reserves and accrued interest, amounted to 19,220 million euros, compared to 16,776 million euros in 31 December 2019.

13.5.REGULATORY INDICATORS

13.5.1. LIQUIDITY COVERAGE RATIO

The Liquidity Coverage Ratio (LCR), on a consolidated basis, stood at 230% at the end of December 2020, comfortably above the minimum requirement of 100%, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The Liquidity Coverage Ratio stood significantly above the one on the same date of the previous year (216%), with a high coverage level.

TABLE 84 – TEMPLATE EU LIQ1 - LCR DISCLOSURE*

(Thousand euros)

		Total unweighted value (average)				Total weighted value (average)			
		30/09/2020	31/03/2020	30/06/2020	31/12/2020	30/09/2020	31/03/2020	31/12/2020	31/12/2020
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)	-	-	-	-	15 022	15 858	16 949	17 807
	Cash outflows								
2	Retail deposits and deposits from small business customers, of which:	47 162	48 724	49 940	50 873	2 316	2 417	2 513	2 585
3	Stable deposits	23 193	24 068	24 802	25 749	1 160	1 203	1 240	1 287
4	Less stable deposits	8 855	9 348	9 883	10 040	1 156	1 214	1 273	1 298
5	Unsecured wholesale funding	13 055	13 005	13 110	13 090	5 503	5 586	5 737	5 718
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	2 105	1 933	1 871	1 861	525	482	466	464
7	Non-operational deposits (all counterparties)	10 916	11 036	11 210	11 208	4 944	5 069	5 242	5 234
8	Unsecured debt	33	36	28	21	33	36	28	21
9	Secured wholesale funding	-	-	-	-	57	21	0	0
10	Additional requirements	10 965	11 872	12 560	13 068	2 700	3 213	3 399	3 508
11	Outflows related to derivative exposures and other collateral requirements	1 832	2 317	2 412	2 418	1 832	2 317	2 412	2 418
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	9 133	9 555	10 148	10 650	868	896	987	1 090
14	Other contractual funding obligations	804	822	832	812	804	819	829	809
15	Other contingent funding obligations	5 358	5 146	5 069	4 981	697	573	578	574
16	**Total cash outflows**	-	-	-	-	**12 077**	**12 629**	**13 055**	**13 195**
	Cash inflows								
17	Secured lending (eg reverse repos)	195	163	160	98	31	31	31	0
18	Inflows from fully performing exposures	2 869	2 729	2 693	2 535	1 943	1 848	1 823	1 725
19	Other cash inflows	8 554	8 741	8 673	8 341	3 612	3 872	3 943	3 799
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-	-	-	-	-
20	**Total cash inflows**	**11 619**	**11 634**	**11 526**	**10 974**	**5 586**	**5 751**	**5 797**	**5 524**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	11 619	11 634	11 526	10 974	5 586	5 751	5 797	5 524
21	**Liquidity buffer**	-	-	-	-	**15 022**	**15 858**	**16 949**	**17 807**
22	**Total net cash outflows**	-	-	-	-	**6 491**	**6 878**	**7 258**	**7 671**
23	**Liquidity coverage ratio (%)**	-	-	-	-	**232%**	**231%**	**234%**	**232%**

(*) Ratio calculated as a simple average of the consolidated LCR, using the end-of-month observations over the last twelve months at each Quarter (EBA/GL/2017/01). The LCR value as at 31 of December 2020 stood at 230%.

Concentration of funding and liquidity sources:

The funding of the business model of the BCP Group's operations is essentially based on deposits from retail customers, endowed with a high level of stability, complemented by deposits from corporates and financial entities, mainly supporting operational relations. The concentration of the largest depositors has been decreasing materially in recent years in the Group's largest operations, currently presenting very comfortable values. Long-term secured resources, such as TLTRO with the ECB, covered bonds bond and loans with the EIB, have contributed to the Group's stable financing base. Senior and subordinated issues that concur, in part, for regulatory capital, complete and increase the level of diversification of wholesale funding sources, which, as a whole, does not show any material refinancing concentrations in the coming years.

Derivative exposures and potential collateral calls:

Derivative transactions carried out by the BCP Group are mainly defined under guarantee agreements that ensure the market risk hedging of these transactions. Group entities include liquidity risk, considering the impacts of an adverse market scenario that leads to changes in the market values of the derivatives, creating additional liquidity needs due to collateral coverage / replacement needs. In the LCR approach, this additional liquidity requirement is determined by the historical observation of the most significant net change (between receivables and payables) in these collaterals, in the sense of an increase in use of liquidity by these collateral in intervals of 30 calendar days, in the last 24 months.

Currency mismatch in the LCR:

The BCP Group has a significant amount of funding obtained in zlotys (PLN), mostly obtained by the subsidiary in Poland and representing about 22% of the total Group funding. The liquidity coverage ratio in PLN is significantly above the required 100%.

Description of the centralization degree of both liquidity management and interaction between Group's units:

The Group's liquidity management is decentralized by geography, as each subsidiary must be self-sufficient in the management and funding of its liquidity needs, mainly ensured by the respective deposit bases and complementarily through the market mechanisms available locally.

The BCP Group consolidates the individual liquidity plans for the main entities of the Group, in order to ensure the alignment between the evolution of inflows and outflows of assets and liabilities resulting from commercial and corporate objectives with prudent treasury management and comfortable liquidity indicators, including the maintenance of liquidity buffers of appropriate size with central banks. The evolution of the liquidity and funding position of each of the Group's entities is monitored centrally through operational and structural indicators, either regulatory or internal. The various entities operate with autonomy to manage their liquidity needs, while the Group ensures internal mechanisms for maximizing management efficiency on a consolidated basis, namely in potential situations of stress.

Other items in the LCR calculation that are not captured in the LCR disclosure template but are considered relevant for the Group's liquidity profile:

The BCP Group's financing structure is based on retail deposits considered to be stable in nature, generating a low level of outflows. On the other hand, although wholesale funding presents a lower stability, potentially generating higher outflows, an adequate management of maturity mismatches is carried out. The liquidity buffer is essentially composed of Level 1 assets, based on sovereign public debt and deposits in central banks.

13.5.2. NET STABLE FUNDING RATIO

The definition of the stable financing ratio (NSFR - Net Stable Funding Ratio) was approved by the Basel Committee in October 2014. The Group presents a stable financing base obtained by the high weight of customer deposits in the funding structure, collateralized financing, medium and long term instruments and a strengthened regulatory capital structure, which adequately supports the stable financing requirements of the medium and long term business model, including tangible and intangible fixed assets, credit to customers and the portfolio of securities that in part it serves the purpose of maintaining a reserve of highly liquid assets to cover liquidity outflows in adverse situations. The NSFR calculated in December 2020 reached 140% (compared to 135% on December 31, 2019).

13.5.3. ENCUMBERED AND UNENCUMBERED ASSETS

At the end of 2020, and according to the EBA methodology, the total encumbered assets represents 15% of the Group's total balance sheet assets. The encumbered Loans to customers represent 87%, while Debt securities represents 8%.

The encumbered assets are mostly related with the Group's funding operations - namely with the ECB and via REPO operations - through the issuance of mortgage bonds and securitisation programs. The type of assets used as collateral for these financing transactions are different Loans to Customers' portfolios, supporting securitisation programs and mortgage bonds issues, either placed outside of the Group or intended to reinforce the collateral pool with the ECB and to collateralise REPO operations from the money markets. Another part of the collateralisation of operations of the latter type, as well as financing from the European Investment Bank, is obtained though sovereign debt eligible for central banks, together with bonds issued by public sector companies.

On 31 December 2020, the item “Other assets: Other”, in the amount of Euros 7.178 million, although not encumbered, are mostly related to the Group’s activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

On 31 December 2020, the Group has Euros 12.5 billion BCP Covered Bond Programme (Programme) with Euros 10.2 billion of covered bonds outstanding. The Programme is backed by a Euros 11.7 billion portfolio of residential mortgages, providing an overcollateralization (“OC”) of 14,6% that is above the minimum of 14% currently required by rating agencies.

The Portuguese covered bond legislation affords covered bond holders a dual recourse, firstly over the issuer, secondly over the cover pool that also may include other eligible assets, over which they benefit from a special preferential claim. The Portuguese covered bond legislation ensures total segregation of the covered pool from any future issuer’s insolvent estate, for the benefit of covered bond holders, who have precedence over claims of any other of the issuer’s creditors in case of issuer insolvency, thus and to this extent superseding the general insolvency and recovery legislation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, among them a maximum LTV of 80%, delinquency of no more than 90 days, and them being first lien mortgages (or, if otherwise, all preceding liens being in the cover pool) over properties located in the EU. The BCP’s Programme documentation limits property location to Portugal only.

According to European Banking Authority guidelines (EBA/GL/2014/03) on the disclosure of encumbered assets and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Committee, the following information is presented in accordance with DELEGATED REGULATION (EU) 2017/2295 OF THE COMMISSION of 4 September 2017 that complements Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to technical regulatory standards for the disclosure of encumbered and unencumbered assets:

TABLE 85 – MODEL A - EBA/GL/2014/03 - ENCUMBERED ASSETS

Assets	Dec 2020 (1)							
(Thousand euros)	Carrying amount of encumbered asset		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the reporting institution, of which:	**13,132,480**	**1,282,547**			**72,219,836**	**19,600,935**		
Equity instruments	-	-			89,476	-	-	-
Debt securities	1,282,547	1,282,547	1,271,418	1,271,418	19,744,815	15,027,097	19,778,972	15,063,086
of which: covered bonds	-	-	-	-	-	-	-	-
of which: asset-backed securities	-	-	-	-	-	-	-	-
of which: issued by general governments	1,229,857	1,229,857	1,220,181	1,220,181	14,576,381	14,227,085	14,615,178	14,263,052
of which: issued by financial corporations	529	529	529	529	2,033,289	81,056	2,025,739	81,069
of which: issued by non-financial corporations	39,353	39,353	38,417	38,417	3,018,735	703,490	3,019,139	703,407
Other assets	**11,913,754**	**-**			**52,427,676**	**4,073,228**		
of which: Loans on demand	-	-			3,860,054	3,565,628		
of which: Loans and advances other than loans on demand	11,618,136	-			41,548,406	-		
of which: Other	325,213	-			7,178,437	529,125		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA and HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank eligibility.

TABLE 86 – MODEL B - EBA/GL/2014/03 – COLLATERAL RECEIVED

(Thousand euros)	Dec 2020 (1)			
	Fair value of encumbered collateral received, or own debt securities issued		Unencumbered Fair value of collateral received, or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the reporting institution	**-**	**-**	**32,017**	**13,752**
Loans on demand	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	-	-	13,752	13,752
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	-	-	13,752	13,752
of which: issued by financial corporations	-	-	-	-
of which: issued by non-financial corporations	-	-	-	-
Loans and advances other than loans on demand	-	-	12,665	-
Other collateral received	-	-	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-	-	-
Own covered bonds and asset-backed securities issued and not yet pledged			5,021,248	4,992,276
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	13,132,480	1,282,547		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.
(2) Disclosure of encumbered and unencumbered assets EHQLA and HQLA is presented in accordance with the liquidity criterion defined in Commission Delegated Regulation (EU) 2015/61, which differs from regulatory reporting by pointing to an operational criterion - central bank eligibility.

TABLE 87 – MODEL C - EBA/GL/2014/03 – SOURCES OF ENCUMBRANCE

	Dec 2020 (1)	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received, and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	9,830,665	12,788,441

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the 4 quarters of the year.

14. REMUNERATION POLICY

14.1. GENERAL PRINCIPLES

The rules guiding remuneration policies at BCP Group level (GRP), establishing a common framework defining the concepts, principles, rules and governance model for the preparation, approval and monitoring of remuneration policies implemented in all entities of the Group are clearly defined, approved by the Board of Directors and published in a group code applicable to the entire Group.

In this context, the principle of alignment of the GRP with the business strategy, objectives, values and long-term interests of the Group and each Group Entity is established and incorporates measures that avoid conflicts of interest as well as the promotion of sound and effective risk management that does not encourage the assumption of risks that exceed the risk level of the Bank defined in the RAS. It is up to the Group Entities to implement, for the different segments of the identified employees, specific remuneration policies and appropriate risk alignment mechanisms to ensure that the impact of the employee category identified in the risk profile of the institution is adequately aligned with its remuneration.

GRP considers a fixed component and a variable component. In the cases where variable remuneration is allocated, this assignment is based on the performance of the business units, the team, and the individual performance of each employee, and considers the risks assumed. In principle, the variable component of remuneration may not exceed the fixed component, but exceptions are allowed provided that they are justified and approved by the competent bodies.

The fixed remuneration of identified employees incorporates their professional experience and organizational responsibility taking into account their academic level, their seniority, the level of knowledge and skills, their limitations and work experience, the business activity concerned and the level of remuneration in the geographical location.

The variable remuneration is aligned with the strategic plan and incorporated into the budget projections. The preliminary amount allocated for this purpose is explicitly approved in the approval process of the annual budget by the Board of Directors, considering its impact on the capital and liquidity requirements of the Bank and of the Entity.

The amount of the variable remuneration allocated conforms adequately to changes in the performance of the employee, with situations where the performance and/or behavior of the employee lead to a sharp reduction of the variable remuneration, which may even be reduced to zero, being defined.

The GRP considers, as a rule, 100% of the maximum ratio between the variable and fixed components of the remuneration. However, a maximum proportion above 100% may be approved by the General Shareholders' Meeting, when necessary, or by the Board of Directors, but may not exceed 200%.

In determining the GRP, different categories of employees are considered, and specific schemes are defined for each category, namely distinguishing between executive and non-executive directors, the Chief Risk Officer, other members of the corporate bodies directly elected by the General Meeting of Shareholders, employees with key functions performing control functions of the Bank or not and, lastly, all the other employees. The policies defined for the above-mentioned categories are described in detail in Part D of the Corporate Governance Report, available on the Bank's website.

Employees involved in control functions are independent of the business units they supervise and are remunerated according to the execution of the goals that do not depend on the performance of the business areas they control.

The GRP is designed in such a way that the adequate compensation of employees is not dependent on the allocation of variable remuneration, to avoid incentives to take excessive risks in the short term.

All employees have access to the remuneration policy that applies to them through the Bank's intranet.

14.2 IDENTIFICATION OF EMPLOYEES WITH KEY FUNCTIONS

The Group annually identifies employees with key functions (Key Function Holders / KFH) through a self-assessment process carried out by BCP's Human Resources Division, in coordination with similar bodies in each Group Entity, in accordance with the Commission Delegated Regulation (EU) 604/2014. This exercise ensures the complete identification of all employees whose professional activities have a material impact on the Group's risk profile, at the individual and group level, and is supported on the qualitative and quantitative criteria mentioned below:

First-line Managers and Executive Directors or equivalent of other Entities of the Group.

Second-line Managers of the Risk Office, Compliance Office, and Internal Audit Division.

Second-line Managers of the Treasury Division.

Employees with delegated powers to approve credit transactions at a decision level immediately below those in which the intervention of the members of the Executing Commission is required.

Members of the management committees, with the right to vote, not included in the above-mentioned groups.

Employees with total remuneration of more than 500,000 euros or equivalent in the last financial year.

Employees included in the set of 0.3% of employees with a higher total remuneration, in the previous financial year.

Employees with a total remuneration, in the previous financial year, above the lowest total remuneration of a First Line Manager.

The annual self-assessment process at the level of the Group Entity is conducted during the third quarter of the year and the results submitted for approval by each Board of Directors of the Group Entities, and subsequently presented to BCP's Board of Directors, jointly with the opinion issued by the Committee for Nominations and Remunerations.

14.3 REMUNERATION POLICY GOVERNANCE

The Remuneration and Welfare Board (RWB), a body emanating from the General Meeting of Shareholders, is responsible for setting the remuneration of the members of the Bank's corporate bodies (Board of Directors, Board of the General Assembly and the Board for International Strategy), to determine the pension supplements of the directors and, jointly with the Committee for Nominations and Remunerations, to make a proposal for the remuneration policy of the members of the corporate bodies to be presented to the General Assembly.

The Board of Directors of BCP (BofD) is responsible for the approval of the GRP and the continuous monitoring and oversight of its implementation by delegation of the Remunerations and Welfare Board.

The Committee for Nominations and Remunerations (CNR) provides support and advice to the BofD in the preparation of the GRP, being responsible for the preparation, in matters within its competence, of the resolutions on remuneration to be taken by the General Meeting of Shareholders and the BofD. The composition of the CNR and the number of annual meetings of this Committee are contained in mentioned Part D of the Corporate Governance Report.

In the case of BCP and the entities in Portugal, the Remuneration and Welfare Board oversees the preparation of remuneration policies and sets, under delegation of the General Meeting of Shareholders, the remuneration of the members of the Board of Directors, establishes the terms of the pension supplements for the management board and submits the remuneration policy for the Bank's management bodies to the annual General Meeting of Shareholders, jointly with the CNR.

Decisions on the remuneration of the KFHs fall within the competence of the CNR by delegation of the BofD, on a proposal by the Executive Committee (ExCo). The decisions relating to the remuneration of the other employees are a responsibility of the ExCo, in compliance of the GRP approved by the BofD.

Regarding the variable remuneration of the KFHs it is the ExCo's responsibility to make a proposal for the overall amount of the variable remuneration to be attributed to these employees, for approval of the CNR and referral to the BofD.

To perform its task, the CNR communicates with the Committee for Risk Assessment and, if necessary, with the CEO, the CRO and the Company Secretary, and takes into account the contributions made by the relevant corporate functions, in particular the following:

The Human Resources Division (HRD) participates in the planning of the remuneration structure, remuneration levels and incentive schemes, considering strategic and budgetary goals, the profile of employees, retention strategies and market conditions.

The Risk Office informs on the definition of appropriate and risk-adjusted performance metrics and possible impacts of variable compensation on the institution's culture and risk profile.

The Compliance Office analyzes how the remuneration policy affects compliance with legislation, regulation, internal policies, and risk culture.

The relevant performance metrics for the following year associated with the variable remuneration should preferably be adopted with the budgetary procedure and at the latest in the first quarter of each year.

The assessment of the performance of employees who are not members of the boards of directors, carried out by the Human Resources Division, should be approved by the Executive Committee by the end of the first quarter of the following year.

Decisions regarding the approval of remuneration policies of other Group Entities and regarding the remuneration of employees of other Group Entities that are Group KFHs require a prior opinion of BCP's CNR, and BCP's CEO and Executive Directors monitoring the Entity should, in principle, be members of the Entity's remuneration committee.

14.4 QUANTITATIVE INFORMATION

Quantitative information on the overall amount of remuneration awarded in 2020 and their breakdown by business areas and categories of employees is available in note 51 of the Annual Report and Financial Statements for 2020 and Part D of the Corporate Governance Report.

Market Discipline Report 2020

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