Q1 2023
REPORT & ACCOUNTS

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

First three months of 2023 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

Public limited company
Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital Euros 3,000,000,000.00
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

The Q1 2023 Report Accounts is a translation of the "Relatório e Contas de 1T 2023" document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the "Relatório e Contas de 1T 2023" prevails.

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

Millennium
bcp

Millennium
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Main highlights of the Results in Q1 2023

A Bank prepared for the future

Profitability

- Net income of 215.0 million euros, which compares to 112.9 million euros in the first quarter of 2022, despite adverse effects related to Bank Millennium.
  - Increase of 30.7% in core income of the Group to 860.0 million euros and strict management of operating costs (+5.3%, from the same period of 2022).
  - Effects1 related to Bank Millennium: 205.72 million euros of costs related with the foreign exchange mortgage loan portfolio, out of which 71.6 million euros from the application of more conservative assumptions to provisioning model; Positive one-off effect of 127,0 million euros related with the sale of 80% of Millennium Financial Services stake as a result of the strategic partnership in the bancassurance business.
- Net income of 170.8 million euros in the activity in Portugal, which compares to 107.6 million euros in the same period of 2022.

Robust business model

- Substantial strengthening of capital ratios. CET13 ratio stood at 13.6% and total capital ratio at 18.0% (an increase of 205 bp and 245 bp, respectively from the same period in 2022), reflecting the strong capacity to generate organic capital and the approval by the ECB in March 2023 of CRR 352 (2) implementation.
- Strong liquidity indicators4 (LCR: 201%; NSFR:154% and LtD: 74%) and well above regulatory requirement.
- On-Balance sheet customer funds of the Group grew 4.0% to 76.4 billion euros, supported mostly by the deposit increase of 2.5 billion euros (5.1%) in deposits in Portugal.
- Significant decrease of non-performing assets from March 2022: 506 million euros in NPE, 216 million euros in foreclosed assets and 372 million euros in restructuring funds.
- Continued growth of the Customer base, highlighting the increase in mobile Customers, which represent 65% of total Customers as of the end of March 2023.

1 Before taxes and minority interests. 2 Includes provisions for legal risk, costs with out-of-court settlements and legal advice.3 Fully implemented ratio including unaudited net income for the first quarter of 2023. 4 Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR) e Loans to Deposits Ratio (LtD).

Main highlights (1)

Million euros

	31 March 2023	31 March 2022	Chg. % 23/22
BALANCE SHEET			
Total assets	89,157	95,561	(6.7%)
Equity	6,306	6,570	(4.0%)
Loans to customers (net)	55,745	56,656	(1.6%)
Total customer funds	92,063	91,358	0.8%
Balance sheet customer funds	76,416	73,495	4.0%
Deposits and other resources from customers	75,015	71,944	4.3%
Loans to customers (net) / Deposits and other resources from customers (2)	74.3%	78.7%	
Loans to customers (net) / Balance sheet customer funds	72.9%	77.1%	
RESULTS			
Net interest income	665	465	42.9%
Net operating revenues	999	702	42.4%
Operating costs	269	255	5.3%
Operating costs excluding specific items (3)	270	255	5.8%
Results on modification	(6)	(1)	<-200%
Loan impairment charges (net of recoveries)	80	90	(10.5%)
Other impairment and provisions	238	164	44.9%
Income taxes	156	85	82.8%
Net income	215	113	90.5%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	4.5%	3.0%	
Return on average assets (ROA)	1.1%	0.5%	
Income before tax and non-controlling interests / Average net assets (2)	1.8%	0.8%	
Return on average equity (ROE)	17.7%	8.2%	
Income before tax and non-controlling interests / Average equity (2)	28.8%	12.1%	
Net interest margin	3.25%	2.19%	
Cost to core income (2)(3)	31.4%	38.8%	
Cost to income (2)	26.9%	36.3%	
Cost to income (2)(3)	30.9%	36.3%	
Cost to income - Activity in Portugal (2)(3)	29.2%	33.7%	
Staff costs / Net operating revenues (2)(3)	16.7%	19.6%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	56	62	
Non-Performing Exposures (loans to customers) / Loans to customers	3.8%	4.6%	
Total impairment (balance sheet) / NPE (loans to customers)	71.1%	67.9%	
Restructured loans / Loans to customers	3.3%	4.2%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	201%	283%	
Net Stable Funding Ratio (NSFR)	154%	150%	
CAPITAL (4)			
Common equity tier I phased-in ratio	13.6%	11.4%	
Common equity tier I fully implemented ratio	13.6%	11.5%	
Total ratio fully implemented	18.0%	15.5%	
BRANCHES			
Activity in Portugal	408	421	(3.1%)
International activity	819	843	(2.8%)
EMPLOYEES			
Activity in Portugal	6,273	6,264	0.1%
International activity (5)	9,472	9,480	(0.1%)

(1) Some indicators are presented according to management criteria of the Group, with concepts being described and detailed at the glossary.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Excludes specific items: income amounting to 128.3 million euros (before taxes), recognised in the first quarter of 2023, of which 1.3 million euros recognised as staff costs in the activity in Portugal, related to an income recognised after an agreement related to responsibilities with former directors of the Bank and 127.0 million euros in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (117.8 million euros recognised as net trading income and 9.2 million euros recognised as other net operating income).
(4) As at 31 March 2023, capital ratios are estimated including the non-audited positive cumulative net income of the period.
(5) Of which, in Poland: 6,945 employees as at 31 March 2023 (corresponding to 6,815 FTE - Full-time equivalent) and 6,980 employees as at 31 March 2022 (corresponding to 6,842 FTE - Full-time equivalent). As of 31 March 2022, the number of employees associated with the international activity includes 3 employees of Cayman, nonexistent as of 31 March 2023, since the operation was liquidated in 2022.

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 29, 2021 BCP entered into an agreement with Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée"). The sale of the entire share capital of Banque Privée BCP (Suisse) SA ("Banque Privée") to Union Bancaire Privée, UBP SA was completed on November 2, 2021. The sale of Banque Privée allows BCP Group to pursue its strategy of focusing resources and management on core geographies, enhancing their development and thus creating value for stakeholders.

On 29 December 2021, BIM – Banco Internacional de Moçambique, SA (a bank incorporated under Mozambican law in which BCP indirectly holds a stake of 66.69%) formalized the entry into force of a long-term agreement with Fidelidade – Companhia de Seguros, SA, with a view to strengthening capabilities and expanding the offer of insurance through the banking channel (bancassurance) in Mozambique. Under this partnership, the possibility of which was provided for in the memorandum of understanding signed between BCP and the Fosun Group in November 2016, BIM and Fidelidade also formalized the sale by BIM to Fidelidade of shares representing 70% of the share capital and voting rights of Seguradora Internacional de Moçambique, SA, with BIM maintaining approximately 22% of its share capital. BIM and Fidelidade also agreed call and put options with a view to enabling Fidelidade to acquire additional shares, and BIM's shareholding, as a result of these options, may be reduced to 9.9% of SIM's capital. Under the long-term exclusive distribution agreement, BIM will promote the distribution of SIM insurance through the banking channel, continuing to provide its customers with a wide range of competitive insurance products, which is reinforced by the partnership with Fidelidade, an Insurance Group of reference.

Governance

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

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

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

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

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

Under the terms of the articles of association, the BD is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, and can be re-elected. The current Board of Directors is composed of 17 members, of which 15 were elected at the General Meeting that took place on May 4, 2022. As a result of two members elected at that meeting, due to personal unavailability, not having taken office, the Board of Directors co-opted, on May 11 October 2022, two members to join the Board of Directors, the co-option having been ratified at the General Meeting that took place on December 20, 2022.

Of the 17 members that make up the BD, 6 are executive and 11 are non-executive, with 5 qualified as independent.

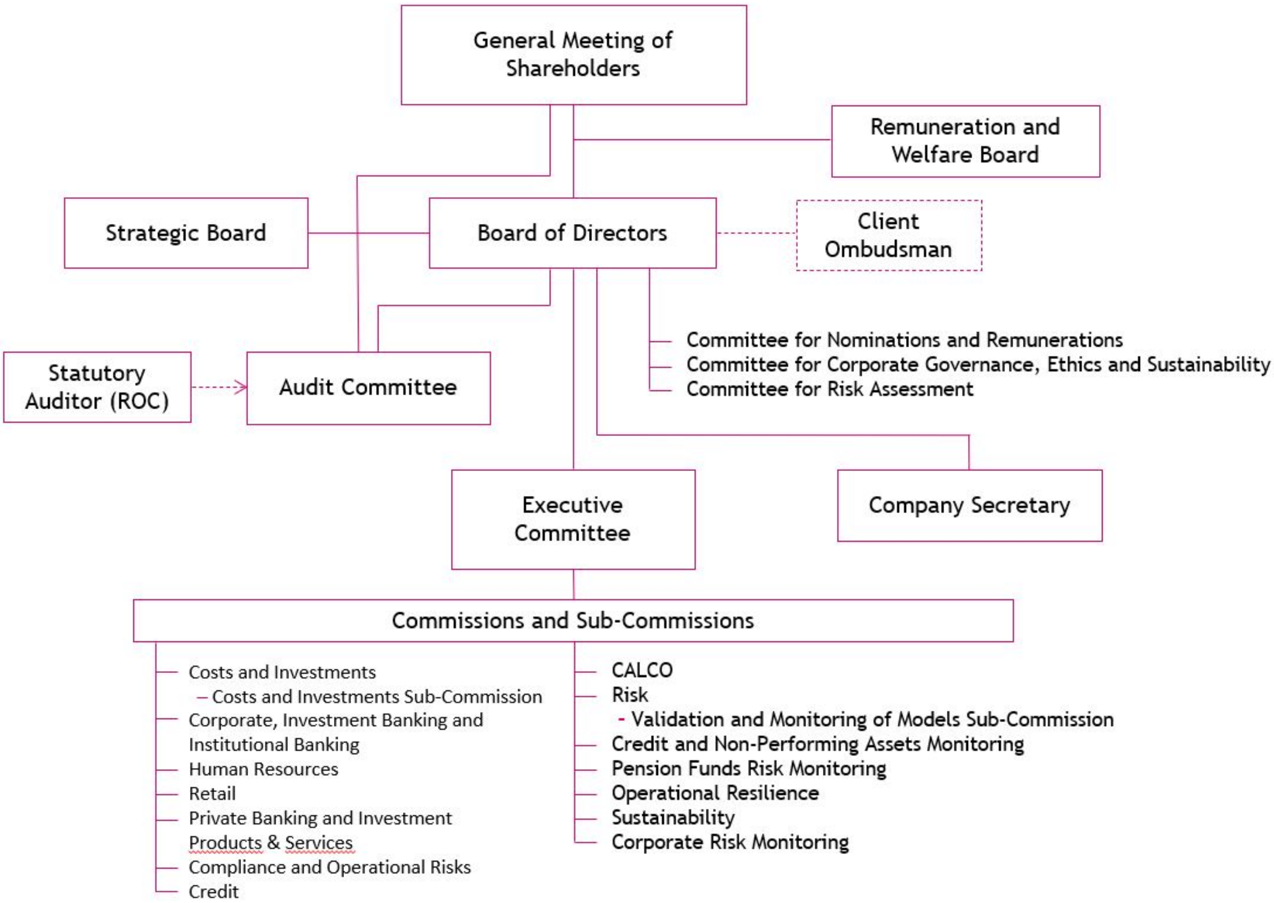
The BD began its functions on September 5, 2022 and appointed an EC, composed of six of its members, with the Chief Executive Officer being appointed by the General Meeting, with the two co-opted members starting their duties on February 4, 2023. The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees in the exercise of this management function, to which it monitors certain relevant matters.

The supervision of the company is made by an Audit Committee elected by the General Meeting of Shareholders and composed of 3 to 5 elected members. The lists proposed for the BD should indicate the members to be part of the Audit Committee and indicate the respective Chairperson. The Committee also includes an alternate member, co-opted by the BoD, whose exercise of the position was authorized by the supervisor on February 14, 2023. As far as Audit Committee is concerned, the non-executive directors are mostly independent.

The RWB is elected by the General Meeting.

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

Corporate Governance Model



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

The General Shareholders' Meeting held on May 4, 2022 elected 17 of the current members of the Bank's Board of Directors, and two were co-opted at a Board meeting held on October 11, 2022. The co-option was ratified at the General Meeting that took place held on December 20, 2022, all members were elected to hold office for the 2022/2025 quadrennium.

	Board of Directors (BD)	Executive Committee (EC)	Audit Committee (AudC)	Remuneration and Welfare Board (RWB)	Board for Strategy *	Committee for Corporate Governance, Ethics and Sustainability (CCGES)	Committee for Nominations and Remunerations (CNR)	Committee for Risk Assessment (CRA)
Nuno Manuel da Silva Amado (Chairman of BD and of CGSES)	●				●	●		
Jorge Manuel Baptista Magalhães Correia (Vice-Chairman of BD and Member of RWB)	●			●	●			
Valter Rui Dias de Barros (Vice-Chairman of BD)	●		●	●	●		●	
Miguel Maya Dias Pinheiro (Vice- Chairman of BD)	●	●			●			
Ana Paula Alcobia Gray	●							●
Cidália Maria da Mota Lopes (Chairman of AudC)	●		●					●
Fernando da Costa Lima (Chairman of (CRA)	●		●					●
João Nuno de Oliveira Jorge Palma	●	●						
Lingzi Yuan (Smilla Yuan) (Chairman of CNR)	●						●	
José Miguel Bensliman Schorcht da Silva Pessanha	●	●						
Lingjiang Xu	●					●	●	
Maria José Henriques Barreto de Matos de Campos	●	●						
Miguel de Campos Pereira de Bragança	●	●						
Rui Manuel da Silva Teixeira	●	●						
Xiao Xu Gu (Julia Gu)	●							
Altina de Fátima Sebastian Gonzalez **	●		●					●
José Pedro Rivera Ferreira Malaquias	●					●		
José António Figueiredo Almaça (Chairman of RWB)				●				

* The Board of Directors may, on a case-by-case basis, appoint up to five ad-hoc members, to choose from among the representatives of shareholders with qualified holdings and other personalities of recognized merit linked to the topics that, at any given moment, are the object of analysis by part of the Strategic Board, and whose functions will cease at the same time as the term of office of the Board of Directors expires.**

Main events in Q1 2023

During the first quarter of 2023, the Bank kept its focus on supporting households and companies, in the current challenging macroeconomic environment.

Fitch Ratings upgraded BCP's long-term deposits rating to 'BBB-' and the long-term Issuer Default Rating to 'BB+', with a stable Outlook. BCP's ratings upgrade primarily reflect the bank's improved asset quality, the improvement in capitalisation and resilient pre-impairment profitability, due to a leading franchise in Portugal and sound cost efficiency.

Bank Millennium S.A. on February 13 executed the agreement for the sale of 80% of the shares in Millennium Financial Services sp. z o.o. and concluded also certain agreements concerning an exclusive insurance distribution model, including a cooperation agreement and distribution and agency agreements. On 29 March 2023, Bank Millennium S.A. informed the completion of the transaction resulting in the recognition of the correspondent extraordinary positive financial result, in the first quarter of 2023, of 597 million Zlotys before taxes (127 million euros).

AWARDS AND DISTINCTIONS

- Millennium bcp and ActivoBank were elected "Escolha do Consumidor" (Consumer Choice) 2023 in the categories of "Big Banks" and "Digital Bank", respectively. Millennium bcp collected the award for the third consecutive year while ActivoBank accumulates five years in the leadership position.

- Millennium bcp distinguished in the 2023 "Cinco Estrelas" (Five Stars) Awards in the category of Large Banks.

- Leadership in the Inovadora COTEC Program for the third consecutive year with 648 applications and 54% market share.

- Millennium bcp was included for the fourth year in the Bloomberg Gender-Equality Index, remaining in the elite group of companies, that worldwide, stand out for their implementation of policies and practices of gender equality, diversity, and inclusion.

- Millennium bcp was distinguished as Local Market Member in Equity in the Euronext Lisbon Awards.

- ActivoBank was named for the second consecutive time as "Powerful Brand" in the "Online Banking" category.

- Millennium App was distinguished with the "Product of the Year" and "Prémio Cinco Estrelas" awards, in the "Banking Apps" category, a distinction awarded by Five Star Consulting Portugal and Consumer Choice.

- Bank Millennium distinguished as "Best Bank in Poland" in 2023 by Global Finance.

- Millennium bim distinguished as "Best Private Bank" in Mozambique for the fourth year in a row.

BCP Share

BCP share closed Q1 2023 with an appreciation of 39.3%, which compares with a 3.9% appreciation of the European banking benchmark index. BCP share have registered one of the best performance in the European banking sector, being the best performance among the Iberian banks.

Despite the financial markets' strong start of the year, Q1 2023 was conditioned by events in the US banking sector, namely, the resolution of Sillicon Valley Bank (SVB), as well as the situation on Credit Suisse, which ended in the sale of the bank to UBS after the joint intervention by the Swiss authorities and regulators. Therefore, BCP share's performance, as well as the banking sector, was conditioned, in Q1 2023, by this instability, which resulted, mainly, in the investors' lack of confidence in the banking sector, fearing that other banks could follow the same path. European banks results' release has been mitigating this fears, since the results have exceeded the expectations of both investors and analysts, highlighting the Euro Zone banks' robustness regarding capital and liquidity.

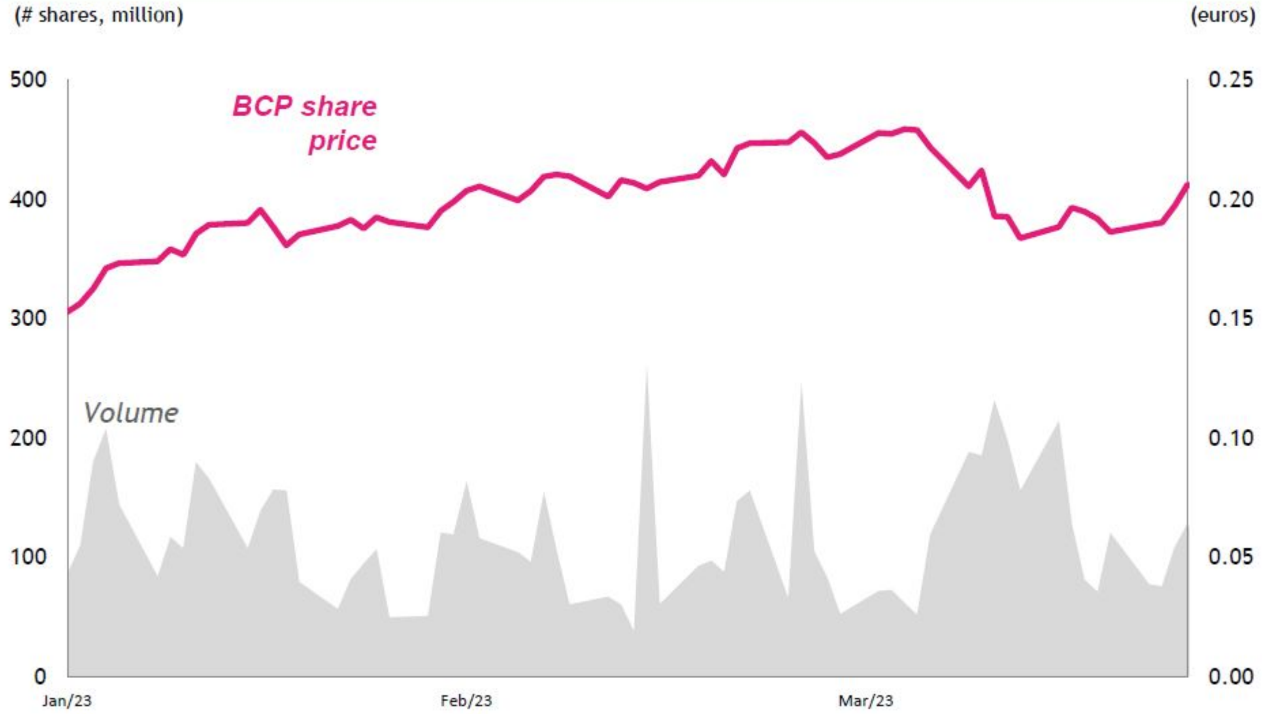
Positive impacts:

- Disclosure of FY 2022 results, which showed business model robustness even in challenging contexts;
- The normalization of interest rates has been positively influencing expectations of analysts and investors to the South European banks;
- Upward revision of BCP share price target, by analysts who cover the Bank. The average price target at the end of April stood at €0.28, which compares with €0.21 at the end of December 2022, corresponding to a variation of 33.3% since the end of 2022.

Negative impacts:

- Maintenance of Bank Millennium's high levels of provisioning to face legal risks associated with the mortgage loan portfolio granted in foreign currency;
- Uncertainty in the banking sector with the resolution of Sillicon Valley Bank (SVB) and the sale of Credit Suisse to UBS, following the measures taken by the Swiss Goverment and Regulator.

BCP share price increased 39.3% in Q1 2023, which compares with a 3.9% increase of Eurostoxx 600 banks index



Source: Euronext, Refinitiv

Economic environment

The International Monetary Fund (IMF) revised slightly downwards its projection for the global economic growth in 2023, from 2.9% to 2.8%, which corresponds to an historically low output growth, driven by the restrictive stance of global monetary policy and tensions in the geopolitical sphere. The risks to this projection are tilted to the downside and relate to the possibility of the worsening of the aforementioned factors.

The performance of financial markets in the first quarter of 2023 was positive, despite the heightened volatility observed in the beginning of March due to the turmoil in the American banking sector and, in a less degree, in the European one. The major equity indices registered moderated valuations. In the sovereign debt markets, the German government bond yields continued to surge, benefiting from the dissipation of recession fears in the euro area and from the prospect of additional interest rate hikes by the European Central Bank. In turn, in the United States, the government bond yields exhibited a downward trend, reflecting the higher uncertainty regarding the robustness of the banking sector and investors' expectations about the end of the interest rate hiking cycle by the Federal Reserve, following the increase of 50 basis points between January and March. In this context, the Euro appreciated against the US Dollar, and the Euribor interest rates raised throughout the whole curve, nonetheless, more modestly than in the previous quarter.

In the first quarter, the Portuguese GDP recorded a quarter-on-quarter growth rate of 1.6%, which represents a marked acceleration compared to the previous period (0.3%). The strong dynamism of the Portuguese economy results from a significant increase in exports, driven by the improvement in external demand and by the robust growth levels of tourism services exports. In this context, the IMF has recently revised its projection for the Portuguese GDP growth in 2023, from 1.0% to 2.6%. However, this projection is subject to important downside risks related to tighter financial conditions and the slowdown of external demand. Concerning prices, the inflation rate decreased since the start of the year, with an observed value of 8.0% in March. The IMF predicts that the inflation rate will proceed a downward trajectory throughout the year, albeit remaining at elevated levels (5.6%).

After the notable resilience manifested by the Polish economy in 2022, amid strong uncertainty stemming from the military aggression of Russia to Ukraine, the economic activity may have lost vigor in the first quarter of 2023, driven by a sluggish internal demand. The persistence of inflationary pressures, more elevated than previously anticipated, prompted the central bank to maintain a restrictive monetary policy, keeping the key interest rate unchanged at 6.75%. Against this background, the IMF projects that in 2023 the GDP registers a marginal growth rate of 0.3% and that inflation persists at high levels (11.9%). Zloty was relatively stable throughout the quarter.

In Mozambique, the IMF anticipates an acceleration of GDP in 2023, from 4.1% to 5.0%, bolstered by the energy projects in Rovuma River basin, notwithstanding the risks of slowdown of the external demand and the reduction of commodity prices in international markets. The persistence of high inflationary pressures led the Central Bank of Mozambique to raise the mandatory reserve ratios, however the key interest rate remained unchanged at 17.25% and the Metical depreciated, albeit at a moderate pace. In Angola, the economy grew 3.0% in 2022, supported by the non-oil sector. In 2023, the IMF envisages an acceleration of GDP's recovery, with a growth rate of 3.5%. The central bank eased its monetary policy stance, in a context of lower inflation, which led to a slight depreciation of Kwanza against the Euro.

Business Model

Nature of operations and main activities

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

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

In Portugal, Millennium bcp is focused on the retail and companies markets, providing services to its Customers in a segmented manner. The Bank makes products available to Customers through its network of branches, offering a wide range of products and services.

Distinctive factors of the business model

Largest private sector banking institution

BCP is the largest private banking institution in terms of business volume in Portugal, assuming a leading and prominent position in various financial products and services as well as different market segments, with its activity based on a modern branch network with wide coverage at a national level. In addition, the Bank has remote banking channels (banking service by telephone, Mobile Banking and Internet), which act as distribution points for its financial products and services.

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

At the end of March 2023, Millennium bcp continued to be the largest Portuguese privately-owned bank on business volumes and with a relevant position in the countries where it operates.

On 31 March 2023, operations in Portugal accounted for 70% of total assets, 70% of total loans to Customers (gross) and 73% of total customer funds. The Bank had over 2.6 million active Customers and market shares of 17.3% and 19.1% of loans to Customers and customer deposits, respectively, in December 2022.

International presence as a platform for growth

At the end of March 2023, Millennium bcp was also present throughout the world through its banking operations, representative offices and/or commercial protocols, serving over 6.5 million active Customers.

In Poland, Bank Millennium has a well distributed network of branches, supported by a modern multi-channel infrastructure, a service quality and with high brand recognition.

In March 2023, Bank Millennium had a market share of 5.7% in loans to Customers and of 5.6% in deposits.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.2 million Active Customers and is the reference bank in this country, with market shares of 16.0% in loans and advances to Customers and of 22.7% in deposits, at the end of March 2023. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, strong penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

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

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

The Bank also has 6 representation offices (1 in the United Kingdom, 2 in Switzerland, 2 in Brazil and 1 in China, in Guangzhou), 3 commercial protocols (USA, France and Luxembourg).

Growth based on digital/mobile banking

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

Digital banking

In terms of satisfaction in digital channels, Millennium is the first bank in terms of Net Promoter Score (NPS) since 2018, according to Marktest. BCP is also considered the Best Digital Bank according to the unaided nomination of Customers, measured by the Brand Score, and is also considered as having the best Banking App by the “Cinco Estrelas” award.

The Millennium App continues to lead the ratings in the stores of the main platforms, with scores very close to the maximum achievable.

Innovation centred on Customer needs translates into accelerated growth in mobile usage and sales.

It is highlighted the strong growth in the number of mobile transactions (in year-on-year terms) with:

+32% transactions (+77% P2P transfers; +18% national transfers; +17% payments);

+32% in sales (+31% cards; +12% personal credit; +34% savings).

The penetration rate of mobile customers has been growing consistently, going from 48% to 54% in the period of one year.

The number of digital interactions increased by 22% year-on-year, from 117 million to 143 million.

Digital transactions registered an increase from 78% to 82%, with the reduction of transactions in the ATM channel continuing.

Digital sales reinforced their weight in the number of operations, from 73% to 81%.

Business Model Sustainability

Millennium bcp, with the objective of strengthening its proposal and performance in matters of Sustainability and responsible finance, has been leading a fast-paced transforming dynamic of adaptation to new ESG (Environmental, Social and Governance) requirement allowing it to respond to the expectations of Stakeholders in these lines of action.

For this evolution the Bank has, within the framework of its governance and decision-making model, a Committee of the Board of Directors for Corporate Governance, Ethics and Sustainability, a Sustainability Committee headed by the CEO and a Sustainability Director Plan, a management instrument that should be understood as a coherent aggregator of multidisciplinary actions to be developed within the scope of ESG dimensions.

Millennium bcp's intervention is thus divided into three fundamental axes: Environmental, aimed at implementing measures that encourage a fair and inclusive transition to a decarbonised economic development model, including the incorporation of the climate dimension in the Bank's risk models and in the offer commercial products and services; Social, which ensures and promotes, in articulation with the Millennium bcp Foundation, proximity and involvement with internal and external communities in the creation of shared value; and Corporate Governance, promoting the integration of Sustainability principles in the Bank's decision-making and management processes.

This alignment is central to Sustainability at Millennium bcp, remaining as a privileged means of determining the social and environmental impact of the activity carried out and the expected corporate performance of the company in these dimensions. The Bank is aware of the competitive advantage of incorporating environmental, social and governance factors, opportunities and risks in decision-making processes and of reflecting them in the provision of solutions, products and services, a conviction that is well expressed in the inclusion of Sustainability as one of the vectors structuring elements of the "Superação 24" Strategic Plan, a document that summarizes the vision, objectives and value proposition of Millennium bcp for the three-year period 2021-2024.

The deepening of a Responsible Business culture that promotes the creation of wealth and its fair distribution, and positively influences the organization's long-term value proposition, in balance with the well-being of people, the company and the communities in which is inserted and with respect for the preservation of natural resources, the climate and the environment, constitute the essence of the Sustainability strategy, policies and practices defined and implemented by the BCP Group in all its geographies in which operates.

Financial information

Results and Balance Sheet

RESULTS AND ACTIVITY IN THE FIRST QUARTER OF 2023

The war in Ukraine, resulting from the invasion of that country by the Russian Federation at the end of February 2022, continues to influence world events. Although the direct exposure of the Group to the economies of the two countries involved in the conflict is not material, the high level of uncertainty currently prevailing regarding the outcome of the conflict does not allow, at this stage, to exclude significant future impacts, which currently cannot be predicted or quantified.

On 13 February 2023, Bank Millennium signed an agreement for the sale of 80% of the shares in Millennium Financial Services sp. z o.o. to Towarzystwo Ubezpieczeń na Życie Europa S.A. which acquires 72% of the Company's shares and Towarzystwo Ubezpieczeń Europa S.A. which acquires 8% of the Company's shares. Bank Millennium concluded also with the buyers and with Millennium Financial Services sp. z o.o. certain agreements concerning exclusive insurance distribution model, including a cooperation agreement, distribution agreements and agency agreements. The strategic cooperation provides for long term (10 years) bancassurance partnership in relation to specified insurance products linked to loans offered by Bank Millennium.

On March 29, 2023, the transaction was concluded with the transfer of 80% of the shares of Millennium Financial Services sp. z o.o., as well as with the payment of the price for the shares to Bank Millennium S.A., resulting in the recognition of the corresponding positive financial result and triggers the commencement of the Strategic Insurance Cooperation between the Bank and the buyers, as described above.

On March 24, 2023, BCP was notified of the favourable decision of the supervisory authority on the request for the application of article 352 (2) of the CRR for the exclusion of the calculation of weighted assets for market risk of certain structural exchange positions for hedging of regulatory ratios against changes in exchange rates.

RESULTS

The consolidated **net income** of Millennium bcp amounted to 215 million euros in the first quarter of 2023, corresponding to an increase of 90.5% from the 113 million euros achieved in the same quarter of the previous year.

This evolution of the consolidated net income was due to the significant growth recorded both in the activity in Portugal and in the international activity, driving the return on equity (ROE) of the Group to 17.7%, significantly above the 8.2% achieved in the first quarter of 2022.

The evolution of core income, which increased by 30.7% (202 million euros) from the first quarter of 2022, largely contributed to the growth in the net income of the Group, mainly benefiting from the performance of net interest income, both in the activity in Portugal, where it grew by 128 million euros (+60.5%) and in the international activity, where the increase amounted to 71 million euros (+28.2%).

The net income of the first three months of the year also reflects the extraordinary gain, considered as a specific item, of 127[1] million euros resulting from the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o., in the scope of the strategic partnership in the bancassurance business.

On the other hand, the costs associated with foreign exchange mortgage portfolio continue to heavily penalise the performance of the Polish subsidiary and, consequently, of the Group, with an overall increase of 78[1] million euros, from 128[1] million euros in the first quarter of 2022, to 206[1] million euros, in the first quarter of 2023. The additional provisions booked to face the legal risk implicit in this portfolio represent

[1] Before taxes and minority interests

the most significant portion of these costs, having also been the main cause for the overall increase in costs associated to this portfolio, reflecting more conservative provisioning model assumptions.

Despite having a less material impact on the evolution of net income of the Group, it is also important to mention, on the one hand, the favourable performance of loans impairment and, on the other, the increase in operating costs that despite a disciplined management, mainly reflects the impact of inflation observed in the geographies in which the Bank operates. Results on modification and equity accounted earnings also recorded a less favourable performance compared to the first quarter of 2022.

The consolidated core operating profit of Millennium bcp amounted to 591 million euros in the first quarter of 2023, showing a significant growth of 46.8% compared to the 403 million euros achieved in the same quarter of 2022, driven by the increase in core income, from 658 million euros to 860 million euros in the same period.

In the activity in Portugal, net income amounted to 171 million euros at the end of March 2023, showing a significant growth from the 108 million euros achieved in the same period of the previous year.

The performance of the activity in Portugal largely benefited from the growth of 133 million euros (38.3%) recorded in core income, which rose from 348 million euros in the first quarter of 2022 to 482 million euros in the first quarter of 2023, as a result of the favourable evolution evidenced mainly by net interest income, but also by net commissions, although in this case with a less material impact.

Despite the slight increase in operating costs, from 143 million euros to 146 million euros, determined by the impact of inflation on other administrative costs, **core operating profit** in the activity in Portugal showed a growth higher than 60% compared to the 205 million euros recorded in the first quarter of 2022, rising to 335 million euros in the same period of the current year.

In addition, the evolution of net income of the activity in Portugal in the period under analysis was also influenced, on one hand by the significant decrease in other impairments and provisions with special emphasis on loans impairment, and on the other hand, by the lower net trading income and, albeit on a smaller scale, also by the drop in other net operating income.

In the international activity, net income amounted to 44 million euros, compared to 5 million euros recorded in the same quarter of the previous year.

Although the subsidiary in Mozambique showed a favourable performance, the increase in net income from the international activity, compared to the first quarter of 2022, was almost entirely due to the higher contribution of the Polish subsidiary, that showed positive results for the second quarter in a row, after an extended number of quarters with negative results.

In this context, the gains associated with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., with a total amount of 127 million euros (118 million euros referring to the gain, recognised in net trading income and 9 million euros recognised in other net operating income, associated with the revaluation of the 20% minority stake held by Bank Millennium after the completion of the operation) were particularly relevant. The growth in net interest income also contributed largely to the evolution of net income in the Polish subsidiary, driven by the successive increases in the reference interest rates between the last quarter of 2021 and the third quarter of 2022. Additionally, the performance of the Polish subsidiary benefited from the reduction of around 50% of the mandatory contributions to which it was subject in the first quarter of 2023, compared to the same quarter of the previous year (18 million euros vs 36 million euros). This reduction follows the suspension of payment of both the special tax on the Polish banking sector, resulting from the activation, at the beginning of the second half of 2022, of the Bank Millennium Recovery Plan, and the contribution to the Bank's deposit guarantee fund, due to the contribution to the Polish institutional protection fund (IPS - Institutional Protection Scheme) created in June 2022, despite the increase in the costs associated with the resolution fund recorded in the first quarter of the year. On the other hand, as previously mentioned, the performance of the Polish subsidiary continues to be heavily penalised by the costs associated with foreign exchange mortgage portfolio, as they globally showed an increase of 78[1] million euros compared to the amount calculated in the first quarter of 2022, arising above all from the application of more conservative assumptions to the provisioning model.

The 1 million euros amount recognised in results from discontinued operations in the international activity, in the first quarter of 2022, mostly incorporates the adjustment of the sale price of Banque Privée, in accordance with previously agreed conditions[2].

[2] Following the sale of the entire share capital of Banque Privée BCP (Suisse S.A.) in the first quarter of 2021, the purchase price received may be adjusted positively or negatively in the future, according to typical adjustments in this kind of transactions, including the variation of the equity in the completion date, and the ones that may result from the variation of stocks and/or flows of assets under management, in pre-determined dates and specified portfolios.

Benefiting from the increase in core income and despite the impact of inflation rate on operating costs, core operating profit of the international activity grew by 29.5%, from 198 million euros in the first quarter of 2022 to 256 million euros in the first quarter of 2023.

Net interest income of the Group showed a significant growth of 42.9% from the 465 million euros posted in the first quarter of 2022, reaching 665 million euros at the end of March 2023. The favourable evolution of net interest income was observed in all the geographies in which the Bank operates, with the activity in Portugal growing by more than 60%.

In the first quarter of 2023, net interest income in the activity in Portugal amounted to 340 million euros, showing a significant growth of 60.5% compared to the 212 million euros recorded in the same quarter of 2022.

The favourable performance of net interest income in the activity in Portugal largely reflects the higher income generated by the loan portfolio stemming from the increases in interest rates. On the other hand, the rise in interest rates had an impact on the remuneration of the deposit portfolio, with the consequent negative impact on the evolution of the net interest income in the activity in Portugal. Additionally, the evolution of the net interest income in the activity in Portugal also reflects the positive impact resulting from the management of the securities portfolio, with particular reference to the greater contribution of the income generated by the public debt portfolio, benefiting from the evolution of interest rates.

Conversely, the evolution of the net interest income in the activity in Portugal reflects the increase, compared to the first quarter of 2022, of the costs incurred with issued debt, arising not only from the increase in interest rates, but also from the impact of an issue of senior preferential debt securities, in the amount of 350 million euros, launched in October 2022, under the Bank's Euro Note Programme, aiming at meeting the requirements known as “MREL” (Minimum Requirements for Own Funds and Eligible Liabilities), only partially offset by the repayment of a covered bond issue in May 2022. At the same time, reference should also be made to the increase in costs incurred with issued subordinated debt, reflecting the increase in interest rates applied.

Finally, it is important to mention that the performance of net interest income in the activity in Portugal was also influenced by the impact from the income recorded in the first quarter of 2022 related to the funding obtained from the European Central Bank, through participation in Targeted Longer-Term Refinancing Operations (TLTRO), resulting from the negative interest rate applied. Following the full early repayment of this refinancing operation (TLTRO III) in December 2022 and a residual portion in January 2023, the respective interest did not have a material impact in the first quarter of 2023. In contrast, reference should be made to the increase in net interest income resulting from liquidity deposited at the Bank of Portugal.

In the international activity, net interest income grew by 28.2% compared to the 253 million euros recorded in the first quarter of 2022, rising to 325 million euros in the first quarter of 2023. This evolution was mainly due to the performance of the Polish subsidiary, driven by successive increases in the reference interest rates that have been taking place between the last quarter of 2021 and the third quarter of 2022, with the net interest income at the subsidiary in Mozambique also increased, albeit to a lesser extent.

In consolidated terms, net interest margin rose from 2.19% in the first quarter of 2022 to 3.25% in the first quarter of 2023, reflecting both the performance of the activity in Portugal and in the international activity.

Thus, in the activity in Portugal, net interest margin evolved from 1.41% in the first quarter of 2022 to 2.44% in the first quarter of 2023, mainly influenced by the increase in interest rates underlying the credit and sovereign debt portfolios, while net interest margin in the international activity, increased, from 4.13% to 4.98% in the same period, mainly reflecting the impact of the monetary policy of the National Bank of Poland, which after a period of rates close to zero, made successive increases between the last quarter of 2021 and the third quarter of 2022.

Equity accounted earnings together with **dividends from equity instruments**, which comprise dividends and earnings received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, evolved from 17 million euros in the first quarter of 2022 to 14 million euros in the first quarter of 2023, mainly reflecting the performance of the activity in Portugal, since the change recorded in the international activity is not material within the scope of this analysis.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments totalled 13 million euros in the first three months of 2023, standing 20.3% below the 16 million euros posted in the same period of the previous year. This evolution mainly reflects the performance of equity accounted earnings, namely the unfavourable evolution in the income generated by the participation in Unicre, partially offset by the higher contribution of the participation in SIBS.

In the international activity, equity accounted earnings together with the income of dividends from equity instruments stood at 1 million euros in the first quarter of 2023, remaining stable compared to the amount accounted for in the same quarter of the previous year.

Net commissions[3] reached 195 million euros in the first quarter of 2023, standing 1.3% above the 193 million euros recorded in the same quarter of the previous year.

The evolution of net commissions, in consolidated terms, benefited from the increase in banking commissions in the activity in Portugal, which was offset by the reduction in market related commissions, both in the activity in Portugal and mainly in the international activity, where banking commissions also decreased compared to the amount recorded in the same quarter of the previous year.

In the activity in Portugal, net commissions grew by 3.8% from the 136 million euros recorded in in the first quarter of 2022, amounting to 142 million euros in the first quarter of 2023. Decisive for this evolution was the increase of 6 million euros (5.2%) recorded in commissions related to the banking business, largely benefiting from the performance of commissions related to cards and transfers. These commissions mainly include the amounts charged for transactions carried out with cards and the respective payment networks, for bank transfers and for the use of points of sale (POS), thus showing an increase of transaction levels. Commissions associated with management and maintenance of accounts also grew compared to the amount posted in March 2023. Conversely, credit commissions showed a reduction in the period under analysis, given the lower credit production in the current context. Commissions related to financial markets, in turn, had a minor impact on the evolution of net commissions in the activity in Portugal, standing 1 million euros (3.4%) below the amount accounted for in the first quarter of 2022.

In the international activity, net commissions totalled 54 million euros in the first quarter of 2023, standing 4.7% below the 56 million euros posted in the same period of the previous year, with the increase recorded in the subsidiary in Mozambique being insufficient to offset the drop in the Polish subsidiary.

[3] In the first quarter of 2023, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to the first quarter of 2022 of such items are presented considering these reclassifications with the purpose of ensuring their comparability. The total amount of net commissions disclosed in previous periods remains unchanged compared to those published in previous periods.

NET COMMISSIONS

Million euros

	3M23	3M22	Chg. 23/22
BANKING COMMISSIONS	**170**	**165**	**3.1 %**
Cards and transfers	63	50	24.2 %
Credit and guarantees	33	41	(20.2)%
Bancassurance	32	30	6.7 %
Management and maintenance of accounts	40	40	(1.4)%
Other commissions	3	3	(10.4)%
MARKET RELATED COMMISSIONS	**25**	**28**	**(9.1)%**
Securities	8	9	(10.6)%
Asset management and distribution	17	18	(8.4)%
NET COMMISSIONS	**195**	**193**	**1.3 %**
Of which:			
Activity in Portugal	142	136	3.8 %
International activity	54	56	(4.7)%

Net trading income amounted to 132 million euros in the first quarter of 2023, showing a very expressive growth compared to the 43 million euros achieved in the same period of the previous year, caused by the gain recognised with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland, as part of the strategic partnership in bancassurance business (118 million euros in the first quarter of 2023, considered as specific item).

In the activity in Portugal, net trading income totalled 10 million euros in the first three months of 2023, standing well below the 49 million euros posted in the same period of 2022. This evolution stems mainly from the gains recognised in the first quarter of the previous year with the sale of foreign sovereign debt securities, which did not occur in the first quarter of this year. Likewise, the income recognised from the sale of credits in the first quarter of 2022, contrasts with the costs recorded in the first quarter of 2023, negatively influencing the evolution of this item.

In the international activity, the significant increase in net trading income, from a negative amount of 6 million euros in the first quarter of 2022 to an income of 121 million euros in the first quarter of 2023, was determined by the recognition of the gain obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland, as mentioned before. The evolution of net trading income at the Polish subsidiary also benefited from the reduction in costs incurred in converting mortgage loans granted in Swiss francs, following the agreements with customers, which totalled 11 million euros in the first quarter of 2023, compared to the 26 million euros that were recognised in the first quarter of 2022.

Other net operating income[4] includes, among others, the costs associated with the resolution and the deposit guarantee funds as well as with the other mandatory contributions, both in the activity in Portugal and in the international activity.

In the first quarter of 2023, other net operating income stood at a negative amount of 6 million euros, showing a significant improvement compared to the also negative amount of 17 million euros recorded in the same quarter of the previous year. This evolution was driven by the international activity, namely the Polish subsidiary.

In the activity in Portugal, other net operating income went from 11 million euros in the first quarter of 2022 to 2 million euros at the same period of the current year, mainly due to the gains recognised with the

[4] In the fourth quarter of 2022, the amounts associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans, which were recognised in other net operating income were restated, becoming recognised as results on modification. The historical amounts referring to the first quarter of 2022, considered in this analysis, are in accordance with those restatement in order to ensure it comparability, thus diverging from the published accounting values. The amounts reclassified in the first three months of 2022 amounted to 0.8 million euros.

sale of non-current assets held for sale, which in the first three months of 2023 were lower than the amount recognised in the first quarter of 2022.

In the international activity, other net operating income improved considerably compared to the negative amount of 28 million euros recognised in the first quarter of 2022, totalling also a negative amount of 8 million euros in the same period of 2023. This evolution mainly reflects the performance of the Polish subsidiary, largely influenced by the reduction of the mandatory contributions to which it was subject.

Thus, the mandatory contributions borne by the Polish operation totalled 18 million euros in the first quarter of 2023, corresponding to around half of the 36 million euros posted in the same quarter of the previous year, largely due to the suspension of payment of the special tax on the Polish banking sector, resulting from the activation, at the beginning of the second half of 2022, of the Bank Millennium Recovery Plan (in the first quarter of 2022 this tax amounted to 18 million euros). At the same time, the contribution to the Bank Millennium deposit guarantee fund is also suspended, following the contribution to the Polish institutional protection fund (IPS - Institutional Protection Scheme) in June 2022. This fund was set up with the aim of ensuring the stability of the local financial system by ensuring the liquidity and solvency of the member banks, while serving to support situations of forced restructuring carried out by the Bank Guarantee Fund in banks that are public companies. As such, Bank Millennium only recorded costs of the deposit guarantee fund for the first quarter of 2022, which amounted to 8 million euros. On the other hand, the costs recognised in the first quarter with the resolution fund, 18 million euros, represent an increase from the 10 million euros recorded in the first quarter of 2022. The amount recognised in the first quarter of 2023 corresponds to an estimate of the charges for this fund, with the final amount only known in the second quarter.

On the other hand, it should also be noted that following the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the first quarter of 2023, Bank Millennium in Poland recognised a gain of 9 million euros under this heading, considered as a specific item, associated with the revaluation of the minority stake (20%) it held.

Conversely, other net operating income was negatively influenced by the impacts related to foreign exchange mortgage loan portfolio that went from an aggregate positive amount of 9 million euros in the first quarter of 2022 to a marginally positive amount of 1 million euros in the first quarter of 2023. This performance reflects on one hand the increase arising from court costs related to the claim processes filed by Bank Millennium, which are mainly aimed at claiming the costs associated with the use of capital, by customers, during the period of the respective loans and on the other hand, the reduction in income to be reimbursed from a third party, as compensation for costs incurred with the booking of provisions to address the legal risk implicit in foreign exchange mortgage loans, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A.

Operating costs totalled 269 million euros in the first quarter of 2023, standing 5.3% above the 255 million euros recorded in the same quarter of the previous year. Notwithstanding the disciplined management of costs and the commitment of the Group on improving efficiency, this evolution was strongly influenced by the inflation observed in the geographies in which the Bank operates.

In this sense, it should be noted that the performance of operating costs of the Group reflects the increase both in the activity in Portugal (from 143 million euros in the first quarter of 2022 to 146 million euros in the first quarter of 2023), and mainly in the international activity (from 112 million euros to 122 million euros, in the same period).

In consolidated terms, this evolution reflects an increase of 7 million euros (4.8%) in staff costs and 8 million euros (9.2%) in other administrative costs. Depreciation showed a slight decrease of 1 million euros (-2.0%).

In consolidated terms, despite higher operating costs, compared to the amount accounted for in the first three months of 2022, cost to income and cost to core income ratios showed a significant improvement, benefiting from the favourable evolution of both net operating revenues and core income, respectively. Thus, excluding the impact of specific items[5], the cost to income ratio of the Group was considerably below the first quarter of 2022 level (36.3%), standing at 30.9% in the same period of the current year, while cost to core income ratio of the Group stood at 31.4%, also considerably below the March 2022 level (38.8%). Cost to income and cost to core income stated ratios stood at 26.9% and 31.2%, respectively.

[5] Specific items: income amounting to 128 million euros recognised in the first quarter of 2023, of which 1 million euros recognised as staff costs in the activity in Portugal and 127 million euros related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. recognised in the international activity, mainly as net trading income.

Staff costs totalled 144 million euros in the first three months of 2023, standing 4.8% above the 138 million euros accounted in the same period of the previous year, mainly due to the performance of the international activity.

Staff costs in the activity in Portugal amounted to 80 million euros in the first three months of 2023, standing 0.4% above the 80 million euros recorded in the same period of the previous year. After the implementation of the headcount adjustment plan that the Bank carried out in 2021, the number of employees in the activity in Portugal remained relatively stable, having evolved from 6,264 employees on 31 March 2022 to 6,273 employees at the end of March from 2023.

In the international activity, staff costs increased by 10.9% compared to the 58 million euros recorded in the first quarter of 2022, rising to 64 million euros in the same period of the current year. A major contributor to this evolution was the increase in wages recorded at the Polish subsidiary, although the subsidiary in Mozambique also recorded an increase in this item, albeit with a smaller impact in absolute terms.

Both subsidiaries maintained their number of employees stable, as the Polish subsidiary ended the first quarter of 2023 with 6,945 employees (6,815 FTE - full-time equivalent) compared to 6,980 employees (6,842 FTE - full-time equivalent) in the same quarter of the previous year, while the operation in Mozambique increased from 2,497 employees to 2,527 employees in the same period.

Other administrative costs increased from 83 million euros in the first quarter of 2022 to 90 million euros in the first quarter of 2023, strongly influenced by the inflation rates in the geographies in which the Bank operates. The 9.2% increase in consolidated terms thus reflects the contribution of both the activity in Portugal and the international activity, despite the disciplined management of costs pursued by the Group.

In the activity in Portugal, other administrative costs totalled 48 million euros in the first three months of 2023, standing 10.4% above the 43 million euros recorded in the same period of the previous year mainly reflecting the increase in costs related to advisory services, in particular arising from exercises within the scope of supervision, outsourcing, information technology services, advertising and other specialised services. Conversely, the savings obtained in water, energy and fuel, resulting from an efficient management of these consumptions, stand out.

At the same time, following the pursuit of disciplined cost management, the Bank continues to implement a series of measures in this regard, among which a series of recurring initiatives with the objective of optimising the cost structure of the Bank, such as the resizing of the branch network which, in the activity in Portugal, evolved from 421 branches, at the end of March 2022, to 408 branches at the same date in 2023, with the resulting positive impact on most items of other administrative costs.

In the international activity, other administrative costs amounted to 42 million euros in the first quarter of 2023, standing 7.8% above the 39 million euros recorded in the same period of the previous year, largely reflecting the aforementioned general price increase, which had repercussions both on the Polish subsidiary and on the subsidiary in Mozambique. On the other hand, it should be noted that the evolution of other administrative costs, in the international activity, continues to benefit from the synergies obtained as a result of the optimisation of the branch network verified in the Polish subsidiary whose number decreased from the 646 branches existing at the end of March 2022, to 622 branches on March 31, 2023. The subsidiary in Mozambique, in turn, ended first quarter of 2023 with 197 branches, the same number as a year earlier.

Depreciations amounted to 34 million euros in the first quarter of 2023, standing 2.0% below the amount recorded in the same quarter of the previous year. This performance benefited from the favourable evolution recorded in the activity in Portugal, from 20 million euros in March 2022 to 18 million euros at the end of March 2023, partially offset by the increase in the international activity, from 15 million euros, to 15 million euros in the same period.

OPERATING COSTS

Million euros

	3M23	3M22	Chg. 23/22
Staff costs	144	138	4.8 %
Other administrative costs	90	83	9.2 %
Depreciations	34	35	(2.0)%
OPERATING COSTS	269	255	5.3 %
Of which:			
Activity in Portugal	146	143	2.3 %
International activity	122	112	9.2 %

Results on modification totalled a negative amount of 6 million euros in the first quarter of 2023, which compares with an also negative amount of 1 million euros recorded in the same quarter of the previous year. In both periods, the amounts are associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans.

In fact, in the fourth quarter of 2022, the Bank reclassified the amount associated with potential costs arising from the moratorium program (credit holidays[6]) in Poland, enacted in July of that year, which was accounted for in other impairments and provisions, starting to recognise these costs as results on modification. Since then this heading also started to include contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans, in accordance with IFRS9. Despite being insignificant within the scope of this analysis, the amounts referring to the first quarter of 2022, which were recognised in other net operating income, were restated, thus diverging from the published accounting values.

In the first quarter of 2023, **impairment for loan losses** (net of recoveries) stood 10.5% below the 90 million euros recorded in the same quarter of the previous year, totalling 80 million euros, thanks to the favourable evolution recorded in the activity in Portugal, partially offset by the performance of the international activity.

In the activity in Portugal, loans impairment charges (net of recoveries), amounted to 53 million euros in the first three months of 2023, showing a 22.7% reduction from the 69 million euros recognised in the same period of the previous year, reflecting a better perspective of the credit portfolio risk.

In the international activity, impairment charges (net of recoveries), in turn, totalled 27 million euros in the first quarter of 2023, standing 28.5% above the 21 million euros recognised in the same quarter of the previous year, reflecting the higher level of provisioning required by the Polish subsidiary.

The evolution of impairment charges (net of recoveries), in consolidated terms, allowed the cost of risk of the Group, net of recoveries, to record a significant improvement from the 62 basis points observed in the first quarter of 2022, standing at 56 basis points in the first quarter of the current year.

The performance of the activity in Portugal was decisive for this evolution, with the cost of risk (net of recoveries) falling significantly from 68 basis points to 53 basis points in the same period.

In the international activity, in turn, the cost of risk net of recoveries went from 47 basis points in the first quarter of 2022 to 63 basis points in the first quarter of 2023.

[6] Following the signing by the President of the Republic of Poland of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers, introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for borrowers of mortgages denominated in Zlotys.

Other impairments and provisions totalled 238 million euros in the first quarter of 2023, standing 44.9% above the 164 million euros recorded in the same period of 2022, essentially reflecting the increase in the international activity, mainly associated with the reinforcement of the provision booked by the Polish subsidiary, to face the legal risk of foreign exchange mortgage loans (184 million euros in the first quarter of 2023 vs 108 million euros in the same quarter of the previous year).

In the activity in Portugal, other impairments and provisions showed a 12.4% decrease from the 56 million euros recognised in the first quarter of 2022, standing at 49 million euros at the end of March 2023. This evolution reflects, to a large extent, the significant reduction of non-current assets held for sale, namely the foreclosed assets portfolio.

In the international activity, other impairment and provisions amounted to 189 million euros in the first quarter of 2023, significantly above the 108 million euros posted in the same period of the previous year, mainly due to the reinforcement of the extraordinary provision, booked by the Polish subsidiary to address the foreign exchange mortgage legal risk.

In this sense, it should be noted that the increase in these provisions, from 108 million euros in the first quarter of 2022 to 184 million euros in the first quarter of 2023, essentially results from the inclusion of more conservative assumptions in the calculation methodology (corresponding to an additional amount of 71.6 million euros), in order to anticipate potential negative trends. The impact of these provisions was partially offset by the recognition of income, reflected under the heading of other net operating income, corresponding to the amount receivable from a third party, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A. (9 million euros in the first three months of 2023 and 10 million euros in the same period of 2022).

Income tax (current and deferred) amounted to 156 million euros in the first quarter of 2023, which compares to 85 million euros obtained in the same period of the previous year.

The recognised taxes include, in the first quarter of 2023, current tax of 76 million euros (18 million euros in the first quarter of 2022) and deferred tax of 80 million euros (67 million euros in the same period of 2022).

Current tax expenses in the first quarter of 2023 were strongly influenced by provisions for legal risks related to the portfolio of foreign currency mortgage loans and mandatory contributions to the banking sector, both non-deductible for tax purposes, in the Polish subsidiary.

Deferred tax expenses in the first quarter of 2023 mainly result from the income of the period of the activity in Portugal and are influenced by provisions not deductible for tax purposes.

BALANCE SHEET

Total assets of the consolidated balance sheet of Millennium bcp amounted to 89,157 million euros as of 31 March 2023, showing a 6.7% drop compared to the 95,561 million euros recorded on 31 March 2022, with this evolution being explained essentially by the reduction of assets recorded in the activity in Portugal, despite the slight increase observed in the international activity.

In the activity in Portugal, total assets reached 62,105 million euros on 31 March 2023, showing a decrease of 9.6% compared to the 68,737 million euros recorded at the end of the first quarter of 2022. This evolution is mostly explained by the reductions in deposits at central banks (associated to the early repayment of the financing that had been raised from the European Central Bank within the scope of Targeted Longer-Term Refinancing Operations) and, to a lesser extent, by the decreases in non-current assets held for sale, hedging derivatives, others assets and loans to customers portfolio (net of impairment). On the other hand, there were increases in the securities portfolio and loans and advances to credit institutions.

In the international activity, total assets amounted to 27,052 million euros on 31 March 2023, showing a slight increase of 0.8% compared to the 26,824 million euros recorded on the same date of the previous year. Regarding the evolution of the balance sheet items, there were increases in the securities portfolio and in others assets, which were partially offset by the reductions in loans to customers portfolio (net of impairment), loans and advances to credit institutions, deposits in Central Banks, deposits in other credit institutions and, also, by the recognition of the total impairment of the goodwill associated with the acquisition by the BCP Group of the current percentage of control over the Polish subsidiary.

Consolidated **loans to customers (gross)** of Millennium bcp, as defined in the glossary, totalled 57,290 million euros on 31 March 2023, 2.0% below the 58,473 million euros figure achieved in the same date of the previous year, due mainly to the reductions verified in the international activity and in the activity in Portugal, although in the latter case the decrease recorded is of lesser magnitude.

In the activity in Portugal, customer loans (gross loans) stood at 39,937 million euros on 31 March 2023, 0.9% below the 40,318 million euros recorded at the end of the first quarter of 2022. This evolution is explained by the companies segment, which registered a reduction of 735 million euros compared to the end of the first quarter of 2022, influenced by the environment of lower demand for credit due to higher interest rates and delays in investment projects and, also, by the reduction of stock of NPE. Conversely, the evolution of loans to individuals mitigated the reduction in loans to customers, due to the positive performance of both mortgage loans (300 million euros more than in the same date of the previous year) and personal loans (54 million euros more than in the same date of the previous year).

In the international activity, customer loans (gross loans) stood at 17,353 million euros on 31 March 2023, 4.4% below the 18,155 million euros registered at the end of the first quarter of 2022. By geographies, there was a reduction in credit at the Polish subsidiary and an increase in the loan portfolio at the subsidiary in Mozambique, not sufficient to avoid a decrease in loans to customers in the international activity. The portfolio of loans to individuals showed a contraction of 712 million euros compared to the same date of the last year, with this evolution being explained by the reduction of mortgage loans at the Polish subsidiary, as a result of the provision booked for credit holidays program, despite the increase registered in the subsidiary in Mozambique. Additionally, loans to companies recorded a reduction of 90 million euros compared to the same date of the last year, due to the contraction of credit recorded in the Polish subsidiary within the scope of risk weighted assets and capital ratios optimisation, partially offset by the increase in credit in the subsidiary in Mozambique.

Still with regard to the international activity, the mortgage loan portfolio in foreign currency, registered in the Polish subsidiary, mostly denominated in Swiss francs, continued to show a significant downward trend, falling from 1,986 million euros on 31 March 2022 to 1,219 million euros on 31 March 2023, representing 11.3% and 7.3% of the total amount of credit recorded on the balance sheet of Bank Millennium and 3.4% and 2.1% of the Group's total loans portfolio, at the end of the first quarter of 2022 and 2023, respectively. If the portion relating to Euro Bank S.A. (the risk of which is fully covered by a third party, within the scope of the clauses provided for in the acquisition contract of that entity) is deducted from the aforementioned portfolio, the amount of the mortgage loan portfolio in foreign currency decreased from 1,832 million euros at the end of the first quarter of 2022 to 1,106 million euros at the end of the first quarter of 2023, representing 10.5% and 6.6% of the total amount of loans recorded on the balance sheet of Bank Millennium and 3.1% and 1.9% of the Group's total loans portfolio on the aforesaid dates, respectively.

LOANS TO CUSTOMERS (GROSS)

Million Euros

	31 Mar. 23	31 Mar. 22	Chg. 23/22
INDIVIDUALS	**33,819**	**34,177**	**(1.0)%**
Mortgage loans	27,733	28,208	(1.7)%
Personal loans	6,086	5,969	2.0 %
COMPANIES	**23,471**	**24,296**	**(3.4)%**
Services	8,179	8,316	(1.6)%
Commerce	3,978	4,130	(3.7)%
Construction	1,547	1,831	(15.5)%
Others	9,768	10,020	(2.5)%
	57,290	**58,473**	**(2.0)%**
Of which:			
Activity in Portugal	39,937	40,318	(0.9)%
International activity	17,353	18,155	(4.4)%

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

Since the outbreak of the Russia/Ukraine conflict, the Bank has performed a set of quantitative and qualitative analysis to assess the potential impacts in the performance of the credit portfolio. This evaluation was carried out, particularly, in Portugal and Poland, the latter being a geography potentially more exposed to the impacts of this event, considering it is a neighbouring country of Ukraine. Taking into consideration that it is not possible to foresee how the conflict will evolve, it is difficult to determine the full extent of the economic consequences in the Bank's business and near/mid-term prospects, namely regarding the effects of the impacts on the energy sector, on the distribution chains of several products and commodities, on inflationary pressures and on the level of interest rates. Nevertheless, specific portfolios were identified as being potently more vulnerable and for which more closely monitoring procedures were put in place.

Despite the complex economic context, credit quality continues to show a generally favourable evolution. The stock of NPE, in consolidated terms, decreased to 2,173 million euros on 31 March 2023, showing a reduction of 506 million euros compared to the end of the first quarter of 2022. In the activity in Portugal, the stock of NPE totalled 1,279 million euros at the end of the first quarter of 2023, with a reduction of 509 million euros recorded in the aforesaid period.

The NPE ratio[7], in consolidated terms, decreased from 4.6% at the end of the first quarter of 2022 to 3.8% on 31 March 2023, essentially reflecting the performance of the loan portfolio in Portugal, whose NPE ratio stood at 3.2% at the end of the first quarter of 2023, which compares with the 4.4% recorded in the same period of the last year.

At the same time, the coverage ratios recorded a positive evolution, with emphasis on coverage of NPL for more than 90 days, in consolidated terms, going from 155.5% on 31 March 2022 to 211.6% on 31 March 2023. In addition, coverage of NPE by impairments, in consolidated terms, increased from 67.9% on 31 March 2022 to 71.1% at the end of the first quarter of 2023, being worth mentioning the performance of the domestic loan portfolio whose coverage of NPE by impairments stood at 74.3% on 31 March 2023, about 6pp above the 68.5% recorded on 31 March 2022.

[7] NPE ratio, measured by the percentage between non performing exposures and the total loan portfolio.

Still regarding to the coverage ratios, we highlight that the coverage of foreign exchange mortgage loan portfolio in the Polish Subsidiary[8] was reinforced from 30.9% as of 31 March 2022 to 55.8% as of 31 March 2023.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Mar. 23	31 Mar. 22	Chg. 23/22	31 Mar. 23	31 Mar. 22	Chg. 23/22
STOCK (M€)						
Loans to customers (gross)	57,290	58,473	(2.0)%	39,937	40,318	(0.9)%
Overdue loans > 90 days	488	876	(44.3)%	176	516	(65.8)%
Overdue loans	595	1,007	(41.0)%	197	533	(63.0)%
Restructured loans	1,893	2,466	(23.3)%	1,360	1,966	(30.8)%
NPL > 90 days	730	1,169	(37.5)%	338	708	(52.3)%
NPE	2,173	2,679	(18.9)%	1,279	1,788	(28.5)%
Loans impairment (Balance sheet)	1,545	1,818	(15.0)%	951	1,225	(22.4)%
NPE impairment (Balance sheet)	1,044	1,346	(22.5)%	612	880	(30.4)%
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9%	1.5%		0.4%	1.3%	
Overdue loans / Loans to customers (gross)	1.0%	1.7%		0.5%	1.3%	
Restructured loans / Loans to customers (gross)	3.3%	4.2%		3.4%	4.9%	
NPL > 90 days / Loans to customers (gross)	1.3%	2.0%		0.8%	1.8%	
NPE / Loans to customers (gross)	3.8%	4.6%		3.2%	4.4%	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.5%	3.0%		2.3%	2.9%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	316.8%	207.4%		539.6%	237.6%	
Coverage of overdue loans	259.9%	180.5%		482.0%	229.8%	
Coverage of NPL > 90 days	211.6%	155.5%		281.2%	172.9%	
Coverage of NPE	71.1%	67.9%		74.3%	68.5%	
Specific coverage of NPE	48.0%	50.3%		47.8%	49.2%	

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

Consolidated **total customer funds** amounted to 92,063 million euros on 31 March 2023, 0.8% above the 91,358 million euros obtained on the same date of the previous year, benefiting from the increases registered both in the activity in Portugal and in the international activity. With regard to the nature of resources, balance sheet customer funds showed an increase, while a decrease was observed in off-balance sheet customer funds.

Consolidated balance sheet customer funds amounted to 76,416 million euros on 31 March 2023, showing a growth of 2,921 million euros compared to the 73,495 million euros achieved on the same date of the previous year, driven by the positive contributions of the activity in Portugal and in the international activity, which showed increases of 2,334 million euros and 587 million euros compared to the same period of the last year, respectively.

[8] Coverage ratio, measured between the total amount of provisions booked (771 million euros and 1,203 million euros, including both provisions recognised as reduction in the gross book value of loans in the assets side and provisions recorded in liabilities side, on 31 March 2022 and 31 March 2023, respectively) and the total amount of the portfolio, before the provisions directly reducing the gross book value of the loans and excluding exposure from Euro Bank S.A. (2,495 million euros and 2,155 million euros as at 31 March 2022 and 31 March 2023, respectively). Provisions for individual mortgage loans in Swiss francs deducted from assets amounted to 662 million euros and 1,049 million euros at 31 March 2022 and 2023, respectively, and the mortgage loan portfolio in foreign currency, deducted from the portion relating to the Euro Bank S.A. amounted to 1,832 million euros at the end of the first quarter of 2022 and 1,106 million euros at the end of the first quarter of 2023.

As at 31 March 2023, consolidated off-balance sheet customer funds amounted to 15,647 million euros, showing a reduction of 12.4% compared to the 17,863 million euros obtained on the same date of the previous year, due to the declines registered both in the activity in Portugal and in the international activity, being in the latter case a lesser magnitude decrease. The reduction registered in off-balance sheet customer funds reflects the expiry date of some products with a fixed term and the lower appetite for investment products in a context of greater uncertainty, as well as the devaluation of some portfolios due to the negative evolution of the financial markets.

In the activity in Portugal, total customer funds reached 66,996 million euros as of 31 March 2023, which compares to the 66,635 million euros calculated on the same date of the previous year. This evolution is explained by different dynamics, namely by the increase of 2,476 million euros in deposits and other resources from customers, still reflecting an increase in individuals savings, and by the decrease of 1,973 million euros in off-balance customer funds, with this decrease observed in all segments (the reduction registered in insurance products - savings and investment was the most significant one in absolute terms).

In the international activity, total customer funds amounted to 25,067 million euros at the end of the first quarter of 2023, increasing by 1.4% compared to the 24,723 million euros recorded on 31 March 2022. Balance sheet customer funds in the international activity stood at 23,609 million euros as of 31 March 2023, registering an increase of 2.5% compared to the 23,022 million euros recorded at the end of the first quarter 2022, benefiting from the increasing volumes of deposits both in the Polish operation, as well as in the Mozambican operation, even though in a smaller scale in the latter case. In turn, off-balance sheet customer funds in the international activity decreased from 1,701 million euros on 31 March 2022 to 1,458 million euros as of 31 March 2023, with this decrease being observed in all business segments.

On 31 March 2023, balance sheet customer funds and deposits and other resources from customers, on a consolidated basis, represented 83.0% and 81.5% of total customer funds (80.4% e 78.7% for the aforementioned ratios as of 31 March 2022, respectively).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 74.3% as of 31 March 2023, with the same ratio, considering balance sheet customer funds, standing at 72.9%. Both ratios show values below those obtained at the same date of the previous year, 78.7% and 77.1%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	31 Mar. 23	31 Mar. 22	Chg. 23/22
BALANCE SHEET CUSTOMER FUNDS	76,416	73,495	4.0 %
Deposits and other resources from customers	75,015	71,944	4.3 %
Debt securities	1,401	1,551	(9.7)%
OFF-BALANCE SHEET CUSTOMER FUNDS	15,647	17,863	(12.4)%
Assets under management	5,221	5,557	(6.0)%
Assets placed with customers	5,307	6,052	(12.3)%
Insurance products (savings and investment)	5,119	6,254	(18.1)%
	92,063	**91,358**	**0.8 %**
Of which:			
Activity in Portugal	66,996	66,635	0.5 %
International activity	25,067	24,723	1.4 %

On 31 March 2023, the consolidated **securities portfolio**, as defined in the glossary, amounted to 22,929 million euros, showing an increase of 14.7% compared to the 19,985 million euros registered on the same

date of the previous year, representing 25.7% of the total assets at the end of the first quarter 2023, which compares to the 20.9% at the end of the first quarter 2022.

The securities portfolio allocated to the activity in Portugal recorded an increase of 1,029 million euros, standing at 15,965 million euros on 31 March 2023, which compares with the 14,937 million euros recorded on the same date of the previous year. With regard to the investment in public debt in the activity in Portugal, there was an increase compared to the amount recorded in the same date of the previous year, associated with greater portfolio diversification, following the strengthening of foreign public debt, namely Spanish and French public debt, which more than offset the divestment recorded in Portuguese sovereign debt.

The securities portfolio allocated to the international activity was above the one observed at the end of the first quarter of 2022, having evolved from the 5,048 million euros on that date to 6,963 million euros on 31 March 2023. Regarding the investment in public debt in the international activity, there was also an increase compared to the levels recorded in the same date of the prior year, due to the expansion of Mozambican public debt and that of others countries, partially offset by the divestment in Polish public debt.

Business Areas

Activity per Segments

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

BUSINESS SEGMENT	PERIMETER
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery Division Banco ActivoBank
Companies & Corporate	Companies and Corporate Network of Millennium bcp (Portugal) Specialised Recovery Division Large Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Trade Finance Department
Private Banking	Private Banking Network of Millennium bcp (Portugal) Millennium bcp Bank & Trust (Cayman Islands) (*)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (**) Millennium bcp Bank & Trust (Cayman Islands) (*)
Other	Comprises the activity carried out by Banco Comercial Português, S.A. not included in the commercial business in Portugal which corresponds to the segments identified above, including the activity carried out by Macao branch. Also includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) For the purposes of business segments, Millennium bcp Bank & Trust (Cayman Islands) is included in the Private Banking segment. In terms of geographic segments, this operation is considered Foreign Business. It should be noted, however, the liquidation of this operation during the year 2022.

(**) Consolidated by the equity method.

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

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

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

The information presented below for the individually more relevant business areas in Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 March 2023.

RETAIL

Million euros

RETAIL BANKING in Portugal	Mar 31, 2023	Mar 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	195	146	34.1%
Other net income	113	108	4.4%
	308	254	21.4%
Operating costs	82	80	2.8%
Impairment and provision	2	4	-58.6%
Income before tax	224	170	32.2%
Income taxes	70	53	32.2%
Income after tax	154	117	32.2%
SUMMARY OF INDICATORS			
Allocated capital	794	401	97.9%
Return on allocated capital	78.7%	117.8%	
Risk weighted assets	6,382	6,426	-0.7%
Cost to income ratio	26.7%	31.5%	
Loans to Customers (net of impairment charges)	26,234	25,759	1.8%
Balance sheet Customer funds	39,235	36,438	7.7%

Notes:

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

Income

As at 31 March 2023, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled Euros 154 million, showing a 32.2% increase compared to Euros 117 million in the same period of 2022, reflecting an higher net interest income. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached Euros 195 million as at 31 March 2023, increasing 34.1% compared to the previous year (Euros 146 million), reflecting the effect of the normalization of interest rates, mainly on deposit portfolio, previously applied at negative interest rates or close to zero.
- Other net income reached Euros 113 million as at 31 March 2023, showing an increase of 4.4% compared to the amount attained in the previous year. This evolution mainly reflects the positive performance of commissions, mainly from cards, transfer fees and management and maintenance of accounts.
- Operating costs were 2.8% higher than the amounts recognized in the same period of 2022. Notwithstanding the disciplined management of costs and the commitment on improving efficiency, this evolution was strongly influenced by the inflation observed.
- Impairment charges amounted to Euros 2 million by the end of March 2023, decreasing 58.6% compared to the amount of Euros 4 million recorded in the same period of the previous year, reflecting the reduction of implicit risks in the credit portfolio.
- In March 2023, loans to customers (net) totalled Euros 26,234 million, 1.8% up from the position at the end of March 2022 (Euros 25,759 million), while balance sheet customer funds increased by 7.7% in the same period, amounting to Euros 39,235 million by the end of March 2023 (Euros 36,438 million at the end of March of the previous year), mainly explained by the increase in customer deposits.

COMPANIES AND CORPORATE

Million euros

COMPANIES AND CORPORATE in Portugal	Mar 31, 2023	Mar 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	43	55	-21.1%
Other net income	44	59	-25.6%
	87	114	-23.4%
Operating costs	14	14	-0.7%
Impairment and provision	51	66	-22.6%
Income before tax	22	34	-34.2%
Income taxes	7	11	-34.2%
Income after tax	15	23	-34.2%
SUMMARY OF INDICATORS			
Allocated capital	1,551	803	93.1%
Return on allocated capital	4.0%	11.8%	
Risk weighted assets	12,308	12,808	-3.9%
Cost to income ratio	15.9%	12.3%	
Loans to Customers (net of impairment charges)	11,537	11,803	-2.2%
Balance sheet Customer funds	10,527	9,928	6.0%

Notes:

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

Income

Companies and Corporate segment in Portugal income after tax of Euros 15 million in March 2023, compared unfavourably to an amount of Euros 23 million presented in March 2022. The unfavourable performance of this segment results from a lower net operating income, despite the lower level of costs recorded, both impairment charges and operating costs. As at March 2023 the performance of this segment is explained by the following changes:

- Net interest income stood at Euros 43 million as at 31 March 2023, 21.1% below the amount attained in the same period of the previous year (Euros 55 million). The income arising from the loan portfolio reflects the favourable interest rate environment. However, the lower spread and average volume of the loan portfolio led to a lower net interest income, partly offset by the improvement in the margin on deposits, enabled by the normalization of interest rates.
- Other net income reached Euros 44 million in March 2023, being 25.6% lower compared to the amount achieved in March 2022, which is mainly explained to the gains recognized with the sale of non-current assets held for sale recorded in the first quarter of 2022, practically non-existent in the first quarter of 2023.
- Operating costs totalled Euros 14 million by the end of March 2023, 0.7% below the overall amount of costs recorded in the same period of the previous year.
- Impairments charges recorded Euros 51 million in March 2023, decreasing from Euros 66 million in the same period of 2022, evolution explained by the impact of the significant reduction of legacy exposures occurred in 2022.
- As at March 2023, loans to customers (net) totalled Euros 11,537 million, decreasing 2.2% from the position in March 2022 (Euros 11,803 million), influenced by the environment of lower demand for credit due to higher interest rates and delays in investment projects and, also, by the reduction of stock of NPE. Balance sheet customer funds reached Euros 10,527 million, 6.0% above the amount recorded in March 2022, particularly through the expansion of the client’s deposits base.

PRIVATE BANKING

Million euros

PRIVATE BANKING in Portugal	Mar 31, 2023	Mar 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	8	4	123.4%
Other net income	8	8	-4.8%
	16	12	34.2%
Operating costs	4	3	8.7%
Impairment and provision	-1	0	-94.5%
Income before tax	13	9	45.5%
Income taxes	4	3	45.5%
Income after tax	9	6	45.5%
SUMMARY OF INDICATORS			
Allocated capital	17	9	96.8%
Return on allocated capital	203.5%	275.3%	
Risk weighted assets	136	140	-3.3%
Cost to income ratio	22.6%	27.9%	
Loans to Customers (net of impairment charges)	344	346	-0.6%
Balance sheet Customer funds	2,674	2,611	2.4%

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

Income

Income after tax from Private Banking business in Portugal, computed according to the geographic segmentation perspective, totalled Euros 9 million in March 2023, showing an increase of 45.5% compared to the net profit reached in the same period of 2022 (Euros 6 million). Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Net operating revenues stood at Euros 16 million in March 2023, 34.2% up from the same period of the previous year (Euros 12 million), driven by the growth shown, both in net interest income and in other net income. Net interest income totalled Euros 8 million in March 2023, comparing favourably to Euros 4 million reached in March 2022, benefiting from the increase in interest rates, reflecting mostly in the margin on deposit portfolio. Other net income amounted to Euros 8 million in March 2023, reflecting an increase of 4.8% compared to the same period of the previous year, mainly driven by higher commissions from asset management activity and from exchange and brokerage transactions.
- Operating costs amounted to Euros 4 million in March 2023, being 8.7% above the operating costs recorded in March 2022.
- The impairment and provision charges recorded a favourable impact in the income statement recording reversals in March 2023 (Euros 1 million) and being null in March 2022.
- Loans to customers (net) amounted to Euros 344 million by the end of March 2023, showing a decrease of 0.6% compared to figures accounted in the same period of the previous year, while balance sheet customer funds grew 2.4% during the same period, from Euros 2,611 million in March 2022 to Euros 2,674 million in March 2023, mainly due to the increase in customer deposits.

FOREIGN BUSINESS

Milhões de euros

Poland	Mar 31, 2023	Mar 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	268	207	29.3 %
Other net income	150	6	>200%
	418	213	96.4 %
Operating costs	92	86	7.2 %
Result on modification	-6	—	
Impairment and provision	207	125	65.2 %
Income before tax	113	2	>200%
Income taxes	59	28	110.3 %
Income after income tax	54	-26	<-200%
BALANCE SHEET			
Loans to Customers (net of impairment charges)	16,106	16,981	-5.2%
Balance sheet Customer funds	21,553	20,997	2.6%

Note: The accounts presented are in accordance with the Consolidated Accounts of the Group, and there may be differences in relation to the accounts disclosed locally.

Milhões de euros

Mozambique	Mar 31, 2023	Mar 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	56	45	24.9 %
Other net income	18	17	3.2 %
	74	62	19.0 %
Operating costs	30	26	16.8 %
Impairment and provision	6	4	37.7 %
Income before tax	38	32	18.6 %
Income taxes	9	8	20.2 %
Income after tax from continuing operations	29	24	18.1 %
Income from discontinued operations	—	—	-100.0 %
Income after income tax	29	24	20.1 %
BALANCE SHEET			
Loans to Customers (net of impairment charges)	653	581	12.4%
Balance sheet Customer funds	2,056	2,025	1.5%

Note: The accounts presented are in accordance with the Consolidated Accounts of the Group, and there may be differences in relation to the accounts disclosed locally.

Million euros

FOREIGN BUSINESS	Mar 31, 2023	Mar 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	325	253	28.2 %
Other net income (*)	168	24	>200%
	493	277	77.8 %
Operating costs	122	112	9.2 %
Result on modification	-6	-1	>200%
Impairment and provision	216	129	67.1 %
Income before tax	149	35	>200%
Income taxes	70	36	90.6 %
Income after tax from continuing operations	79	-1	<-200%
Income from discontinued operations	—	1	-100.0 %
Income after income tax	79	—	>200%
SUMMARY OF INDICATORS			
Allocated capital (**)	1,798	2,393	-24.9 %
Return on allocated capital	17.9%	—%	
Risk weighted assets	14,646	16,139	-9.3%
Cost to income ratio	24.8%	40.3%	
Loans to Customers (net of impairment charges)	16,758	17,562	-4.6%
Balance sheet Customer funds	23,609	23,022	2.5%

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

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

Income

Income after tax from Foreign Business, computed in accordance with the geographic perspective, posted Euros 79 million in March 2023, comparing favourably with a null result achieved by the end of March 2022. This favourable evolution is mostly explained by the higher level of the net operating income, being attenuated by an higher level of impairment.

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

- Net interest income stood at Euros 325 million in March 2023, which compares to Euros 253 million achieved in March 2022. Excluding the impact arising from the foreign exchange effects, it would have increased 29.3%, reflecting mainly the performance of the Polish subsidiary, driven by successive increases in the reference interest rates that have been taking place between the last quarter of 2021 and the third quarter of 2022, while the net interest income at the subsidiary in Mozambique also increased, albeit to a lesser extent.
- Other net income attained Euros 168 million in March 2023, increasing when compared to the Euros 24 million recorded in the same period of the previous year. Excluding foreign exchange effects, other net income would have increased sixfold, determined by the recognition of the gain obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland and by the reduction of the mandatory contributions to which it was subject.
- Operating costs amounted to Euros 122 million as at 31 March 2023, 9.2% up from March 2022. Excluding foreign exchange effects, operating costs would have increased 9.8%, mostly influenced by the evolution in the subsidiaries in Poland and Mozambique. Wages increase in Poland impacted in staff costs of the subsidiary from that country, although the subsidiary in Mozambique also recorded an increase in this item, albeit with a smaller impact in absolute terms. In other administrative expenses, the general price increase had repercussions both on the Polish subsidiary and on the subsidiary in Mozambique. On the other hand, it should be noted that the evolution of other administrative costs continues to benefit from the synergies

obtained as a result of the optimisation of the branch network verified in the Polish subsidiary.

- Results on modification totalled a negative amount of 6 million euros in the first quarter of 2023, which compares with an also negative amount of 1 million euros recorded in the same quarter of the previous year. In both periods, the amounts are associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans.
- Impairment and provision charges at the end of March of 2023 presented a 67.1% growth compared to the figures reported in the same period of 2022, corresponding essentially to the reinforcement of the extraordinary provision, booked by the Polish subsidiary to address the foreign exchange mortgage legal risk.
- Results from discontinued operations in 2022 reflects the adjustment to the sale price of Banque Privée BCP (Suisse) SA, and Seguradora Internacional de Moçambique, S.A., in accordance with the sale agreements, following the completion of these sales.
- Loans to customers (net) stood at Euros 16,758 million at the end of March 2023, below the amount attained as at 31 March 2022 (Euros 17,562 million). Excluding foreign exchange effects, the loan portfolio decreased 3.7%, influenced by the evolution of the Polish subsidiary. The Foreign business' balance sheet customer funds increased 2.5% from Euros 23,022 million reported as at 31 March 2022 to Euros 23,609 million as at 31 March 2023. Excluding the foreign exchange effects, balance sheet customer funds increased 3,2%, mainly driven by the performance of the subsidiary in Poland.

Liquidity Management

Over the past twelve months, the main operations of the Group reinforced their liquidity positions through growth in the respective customer deposit bases, which was particularly significant in the Portuguese and Polish operations. This trend supported the favourable behaviour of discountable liquidity buffers at the respective central banks and most of the risk indicators, which continued to comfortably comply with the minimum regulatory requirements, both locally and on a consolidated basis.

In the case of BCP, this evolution occurred despite the interruption, in the first quarter of 2023, of the long cycle of growth in customer deposits that started after the outbreak of the COVID-19 crisis, in the first quarter of 2020. The erosion of deposits occurred both in the retail segment and in the corporate segment, the former being mainly attributable to increased competition from non-banking products in attracting savings, within a framework of increasing interest rates and normalisation of the monetary policy.

With regard to market financing, the activity of BCP between March 2022 and March 2023 was once again justified mainly on grounds of regulatory compliance, given the Bank's excess liquidity position. In chronological order, BCP repaid in May its only outstanding issue of covered bonds amounting to 1,000 million euros, which, given the Bank's strong liquidity surplus, there was no need to refinance in the market. In October, the Bank issued 3NC2 (3 years maturity callable after two years) senior preferred debt of 350 million euros, with a view to ensuring compliance with the "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities), namely the indicative target for Portugal in force from 1 January 2023. This issue, with a coupon of 8.50% per annum, was carried out despite adverse market conditions. Finally, in November, as the Bank had not decided to exercise (in December) the early repayment option of a T2 issue for 300 million euros, it launched an exchange offer at a ratio of 1:1 for new bonds with a higher coupon and longer term. The amount of the new issue was fixed at 133.7 million euros and a coupon of 8.75% per annum, corresponding to a spread of 605.1 bp on mid-swaps.

Still in Portugal, and throughout the period under analysis, the liquidity raised from the favourable behaviour of the commercial gap and by the MREL issuance plan was used, in order of materiality, in the full early repayment of TLTRO III (in the gross amount of 8.15 billion euros) and in the payment of the referred issue of covered bonds. The reinforcement of the derivatives' margin accounts, whose provisioning needs grew significantly after the start of the crisis in Ukraine and until the end of 2022, was slightly above 900 million euros.

The liquidity buffer available for discounting at the ECB stood at 26.0 billion euros on 31 March 2023, 2.8 billion euros more than a year earlier and slightly below the amount observed in December 2022 (26.5 billion euros). The liquidity buffer comprises at that date a long position of 689 million euros on the ECB, which evolved from a short position of 711 million euros one year before.

Likewise, in March 31, 2023, Bank Millennium and BIM held resilient liquidity positions, supported by robust discountable buffers at the respective central banks, with a favourable evolution compared to the previous year. In the case of the operation in Poland, this occurred even considering the effects of the invasion of Ukraine, which resulted in the market price loss of the eligible asset portfolio and the reinforcement of the derivative's margin accounts.

From a regulatory perspective, on a consolidated basis, the Liquidity Coverage Ratio (LCR) stood at 201% at the end of March 2023 (31 March 2022: 283%), equivalent to a surplus of 10 billion euros (31 March 2022: 16 billion euros) facing a 100% regulatory minimum requirement, supported by highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity. The decrease of the LCR was mainly due to the reimbursement of the Targeted Longer Term Refinancing Operation III (T LTRO III; 8.15 billion euros), as the collateral released with the reimbursement, though eligible for central bank discount, is not eligible for the HQLA buffer of the LCR, contrary to the cash balance with the Bank of Portugal, causing the indicator to drop but still well above the minimum requirement of 100%.

In addition, the Group reinforced its stable funding base, characterised by a large share of customer deposits in the funding structure, supplemented by collateralised funding and medium and long-term instruments, which enabled the net stable funding ratio (Article 428 of Regulation (EU) 2019/876) as at 31 March 2023 to stand at 154% (150% as at 31 March 2022). With a similar trend, the indicator that calculates the transformation ratio of loans to deposits, in accordance with Bank of Portugal Instruction no. 16/2004 (current version), registered on 31 March 2023 a value of 74%, compared to 79% one year earlier.

Capital

The estimated CET1 ratio as at 31 March 2023 stood at 13.6% both phased-in and fully implemented, reflecting a change of +212 and +205 basis points, respectively, compared to the 11.4% and 11.5% phased-in and fully implemented ratios reported in the same period of 2022, above the minimum regulatory ratios defined within the scope of SREP (Supervisory Review and Evaluation Process) for the year 2023 (CET1 9.41%, T1 11.38% and Total 14.00%) and in line with the medium-term solvability goals.

The evolution of capital ratios in the period continued to be significantly influenced by the impacts on Bank Millennium, related to the increase in provisions for legal risks associated with loans in foreign currency and with the new regime of moratorium on mortgage loans adopted in Poland. These effects were, however, more than offset not only by the positive performance of the recurrent activity in Portugal and by the careful management of capital, but also by the supervisory authority's approval of the request for the application of CRR article 352 (2) to exclude from the market risk weighted assets certain structural currency positions to immunise regulatory ratios against exchange rates' changes.

SOLVENCY RATIOS

Million euros

	31 Mar. 23	31 Mar. 22
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	5,590	5,295
Tier 1	6,085	5,801
Total Capital	7,412	7,145
Risk weighted assets	41,254	46,054
Solvency ratios		
CET1	13.6 %	11.5 %
Tier 1	14.8 %	12.6 %
Total capital	18.0 %	15.5 %
PHASED-IN		
CET1	13.6 %	11.4 %

Note: The capital ratios of March 2023 are estimated, including the positive accumulated net income.

Strategic Plan 2021-2024

The Strategic Cycle launched in 2021 reflects its determination to accelerate Millennium's development so that it's in a strong position for the future, ready to face and overcome the challenges that are shaping both the macro-economic environment and the competitive landscape for banking.

Successfully executing on the priorities and key levers of Millennium's previous Strategic Plan Cycle was crucial for setting the bank on a solid normalization path by significantly reducing its legacy exposures. It also laid important foundations for the future by a substantial acceleration in the Bank's level of digitization.

This trajectory was particularly influenced by developments in Portugal (a 40% reduction of NPEs compared to 2018 and mobile customers up by 48% in 2020) where the bank managed to recover its volume growth trend (~5% p.a. growth in lending and deposits over 2018-20) and increase its share of revenues (+0.6pp in 2018-20) in an environment of margin compression and continued low interest rates.

This progress was impacted by the pandemic which has, inter alia, raised credit risk levels. In Poland, moreover, despite a positive operational performance and the swift integration of EuroBank, the bottom-line result was hindered by negative developments in FX mortgages (despite the bank having stopped writing new FX mortgages in 2008).

Going forward, the bank faces an environment of economic turmoil, with the prospects of recovery on the immediate horizon promising growth opportunities but with associated risks of continued low interest rates and thus an inherent challenge to profitability. Greater customer expectations, more digital and e-commerce activity, the increasing threat of tech platforms and digital attackers and the overriding requirement of sustainability will together present significant challenges but also major opportunities.

The Bank's profitability performance is also constrained by legislative developments in Portugal in relation to contributions to the National Resolution Fund and limitations regarding fair commissions and fees.

In this context, it's necessary to update our strategic plan, and for the moment focus more on Portugal. This update is designed to preserve relevant priorities from the previous cycle, build on what's already been achieved and add new elements that respond to this new environment.

The new plan targets Millennium with achieving robust profitability and balance sheet positions and managing the impact of the pandemic while accelerating its competitive differentiation in efficiency and customer engagement levels, supported by targeted human touch and new mobile/digital solutions and business models, enabled by a highly skilled and effective talent base, while at the same time addressing societal sustainability challenges with a focus on climate change risks and the opportunities that may unfold in mitigating them.

The main strategic priorities for Millennium in Portugal have been set out for this new Cycle, preserving a balance between continuity and bolder moves to reinforce its competitive edge and innovation:

Serving the financial and protection needs of customers with personalized solutions which combine targeted human touch with a leading mobile platform: aiming to expand relevance and develop high engagement relationships that empower our customers in their financial lives.

This priority is about serving customers in meeting all of those profitable retail needs in which Millennium holds a leadership position: investment management, bancassurance and personal lending solutions.

Being a trusted partner for corporate recovery and transformation: supporting customers' pursuit of opportunities driven by EU funding to the economy (PRR, PT 2030), while enabling solutions fit for a more digitized, competitive and export-oriented corporate landscape.

Capital and risk resilience: reinforcing our balance sheet and ensuring readiness for the post-pandemic world, strengthening both our risk and capital management practices.

Best in class efficiency: realizing cost savings enabled by productivity gains already achieved in the previous Cycle by several transformational changes including the full exploitation of mobile and automated capabilities, increased efficiency in the branch network and tech and data-driven process reengineering and automation.

Data and technology edge: focusing efforts on the implementation of our next-generation data platform while scaling advanced analytics models to gain differentiating mass personalization capabilities, intelligent automation and informed and agile business and regulatory management. In parallel, the Bank will expand the deployment of its new technology foundations by advancing its cloud platform, using modular IT building blocks augmented by the digital experience platform and new cybersecurity solutions, designed to deliver agility and speed to market, scale, resilience and cost efficiency.

Capability building and talent renewal: reinforcing Millennium's ability to attract, develop and retain the best talent to embrace modern challenges in critical domains and adapt working practices to reflect the new paradigm while promoting an equal-opportunity environment.

Sustainability-driven: adapting our business model to increase differentiation towards the community's and our customers' rising expectations of sustainability while capturing associated business opportunities as well as addressing regulatory demands.

Finally, Millennium's innovation efforts will enable the bank to explore broader opportunities, going beyond traditional banking, not only in order to go on delivering a superior customer experience but also to support our income growth and cost-containment goals.

The execution of these priorities for Portugal will be combined with ongoing efforts to explore prudently the full growth potential of our international operations, continuously looking for ways to optimize their footprint.

This will enable Millennium to deliver against a set of bold targets for 2024. The Group aspires to improve C/I (to ~40% in 2024) and profitability (aiming at a ROE of ~10%). In parallel, Millennium will focus on risk management, aiming to significantly lower the cost of risk (to ~50 bps) and the NPE ratio (to ~4%), while keeping a prudent CET 1 ratio (>12.5%).

Additionally, there will be continued investment in increasing our mobile penetration (from 48% to more than 65%) and maintaining our leading digital customer satisfaction (#1 in digital NPS).

Targets for 2024

The new Strategic Plan Cycle aims to speed up Millennium's transition to a position of strength and readiness for the future in Portugal, notwithstanding the risks that shape the macro-economic environment and the competitive landscape.

Our aspiration can be synthesised as:

i) Achieving robust profitability and a strong balance sheet position, managing the impact of the pandemic;

ii) accelerating BCP's competitive differentiation in efficiency and customer engagement, supported by targeted human touch, mobile/ digital solutions and in business models supported in a talent base of excellence;

iii) addressing societal sustainability challenges focusing on climate change risks and the associated unfolding opportunities.

In the international business, Millennium will continue the journey started in 2018, making adjustments in the face of recent developments. In Poland, where it is implementing a resilience plan, the focus is on responding to the risks of exposure to mortgage loans in Swiss francs, actually reducing the need for provisions for this risk, ensuring the continued development of the commercial franchise and Customer satisfaction. In Mozambique, it will continue to adapt the business model to improve the service and respond to the evolving needs of Customers, maintaining a strong commitment to profitability, efficiency and the model of risk control.

The successful execution of BCP's strategic priorities will reinforce its franchise position and business model sustainability.

By 2024, the Group's bold ambition is to improve C/I to ~40% and to grow ROE profitably to ~10%. In parallel, Millennium will focus on risk management, with the goal of reducing the cost of risk (to ~50 bps), its NPE ratio (to ~4%) and a prudent objective for the CET 1 ratio (>12.5%). Finally, there will be a continued investment around rising levels of mobile penetration (from 48 to >65%) and a focus on delivering leading digital Customer satisfaction.

Ambitious goals aligned with strategic priorities — Group level

	Q1 2023	2024
C/I ratio	31%*	~40%
Cost of risk	56 bp	~50 bps
ROE	17.7%	~10%
CET1 ratio	13.6%	>12.5%
NPE ratio	3.8%	~4%
Share of mobile customers	65%	>65%
Growth of high engagement customers (vs. 2020)**	+10%	+12%
Average ESG rating***	69%	>80%

*Adjusted cost to income: without the positive one-off effect of 127 million related with the sale of Millennium Financial Services stake (80%). Cost to income stated of 27% for the Group.
**Active Customers with card transactions in the previous 90 days or funds > €100 (>MZM 1,000 in Mozambique)
***Average of Top 3 indices (DJSI, CDP and MSCI) | NPE include loans to Customers only.

Consolidated financial statements

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Million euros

	Consolidated			Activity in Portugal			International activity		
	Mar. 23	Mar. 22	Chg. 23/22	Mar. 23	Mar. 22	Chg. 23/22	Mar. 23	Mar. 22	Chg. 23/22
INCOME STATEMENT									
Net interest income	664.6	465.1	42.9 %	339.9	211.8	60.5 %	324.7	253.3	28.2 %
Dividends from equity instruments	0.0	0.9	(95.1)%	0.0	0.8	(100.0)%	0.0	0.1	(32.4)%
Net fees and commission income	195.4	192.8	1.3 %	141.7	136.5	3.8 %	53.7	56.4	(4.7)%
Net trading income	131.6	43.4	>200%	10.2	49.3	(79.4)%	121.4	-5.9	>200%
Other net operating income	-6.4	-16.9	62.3 %	1.7	10.8	(84.6)%	-8.0	-27.6	71.0 %
Equity accounted earnings	13.8	16.2	(15.1)%	12.9	15.3	(16.0)%	0.9	0.9	0.7 %
Net operating revenues	**999.0**	**701.6**	**42.4 %**	**506.3**	**424.5**	**19.3 %**	**492.7**	**277.1**	**77.8 %**
Staff costs	144.3	137.7	4.8 %	80.2	79.9	0.4 %	64.2	57.9	10.9 %
Other administrative costs	90.3	82.7	9.2 %	47.9	43.4	10.4 %	42.4	39.3	7.8 %
Depreciation	33.9	34.6	(2.0)%	18.4	20.0	(7.8)%	15.5	14.6	5.9 %
Operating costs	**268.5**	**255.0**	**5.3 %**	**146.4**	**143.2**	**2.3 %**	**122.1**	**111.8**	**9.2 %**
Operating costs excluding specific items	269.8	255.0	5.8 %	147.8	143.2	3.2 %	122.1	111.8	9.2 %
Profit before impairment and provisions	**730.5**	**446.6**	**63.6 %**	**359.8**	**281.3**	**27.9 %**	**370.6**	**165.3**	**124.2 %**
Results on modification	-5.9	-0.8	<-200%	0.0	0.0	— %	-5.9	-0.8	<-200%
Loans impairment (net of recoveries)	80.4	89.9	(10.5)%	53.0	68.5	(22.7)%	27.4	21.3	28.5 %
Other impairment and provisions	237.7	164.1	44.9 %	49.2	56.2	(12.4)%	188.5	107.9	74.7 %
Profit before income tax	**406.3**	**191.8**	**111.9 %**	**257.6**	**156.5**	**64.6 %**	**148.7**	**35.2**	**>200%**
Income taxes	**156.2**	**85.5**	**82.8 %**	**86.8**	**49.1**	**77.0 %**	**69.4**	**36.4**	**90.6 %**
Current	76.3	18.0	>200%	6.3	5.6	13.2 %	70.0	12.4	>200%
Deferred	79.9	67.5	18.5 %	80.5	43.5	85.2 %	-0.6	24.0	(102.4)%
Income after income tax from continuing operations	**250.1**	**106.3**	**135.3 %**	**170.8**	**107.5**	**58.9 %**	**79.3**	**-1.2**	**>200%**
Income arising from discontinued operations	0.0	1.4	(100.0)%	0.0	0.0	— %	0.0	1.4	(100.0)%
Non-controlling interests	35.1	-5.2	>200%	0.0	-0.1	55.8 %	35.2	-5.1	>200%
Net income	**215.0**	**112.9**	**90.5 %**	**170.8**	**107.6**	**58.8 %**	**44.1**	**5.3**	**>200%**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	89,157	95,561	(6.7)%	62,105	68,737	(9.6)%	27,052	26,824	0.8 %
Total customer funds	**92,063**	**91,358**	**0.8 %**	**66,996**	**66,635**	**0.5 %**	**25,067**	**24,723**	**1.4 %**
Balance sheet customer funds	**76,416**	**73,495**	**4.0 %**	**52,807**	**50,473**	**4.6 %**	**23,609**	**23,022**	**2.5 %**
Deposits and other resources from customers	75,015	71,944	4.3 %	51,407	48,931	5.1 %	23,609	23,013	2.6 %
Debt securities	1,401	1,551	(9.7)%	1,401	1,542	(9.2)%	0	9	(100.0)%
Off-balance sheet customer funds	**15,647**	**17,863**	**(12.4)%**	**14,189**	**16,162**	**(12.2)%**	**1,458**	**1,701**	**(14.3)%**
Assets under management	5,221	5,557	(6.0)%	4,336	4,597	(5.7)%	885	960	(7.8)%
Assets placed with customers	5,307	6,052	(12.3)%	4,995	5,678	(12.0)%	311	374	(16.8)%
Insurance products (savings and investment)	5,119	6,254	(18.1)%	4,857	5,886	(17.5)%	262	367	(28.7)%
Loans to customers (gross)	**57,290**	**58,473**	**(2.0)%**	**39,937**	**40,318**	**(0.9)%**	**17,353**	**18,155**	**(4.4)%**
Individuals	**33,819**	**34,177**	**(1.0)%**	**21,115**	**20,761**	**1.7 %**	**12,704**	**13,416**	**(5.3)%**
Mortgage	27,733	28,208	(1.7)%	18,918	18,618	1.6 %	8,814	9,590	(8.1)%
Personal Loans	6,086	5,969	2.0 %	2,197	2,143	2.5 %	3,890	3,826	1.7 %
Companies	**23,471**	**24,296**	**(3.4)%**	**18,822**	**19,557**	**(3.8)%**	**4,649**	**4,739**	**(1.9)%**
CREDIT QUALITY									
Total overdue loans	595	1,007	(41.0)%	197	533	(63.0)%	397	474	(16.2)%
Overdue loans by more than 90 days	488	876	(44.3)%	176	516	(65.8)%	312	361	(13.6)%
Overdue loans by more than 90 days / Loans to customers	0.9 %	1.5%		0.4 %	1.3%		1.8 %	2.0%	
Total impairment (balance sheet)	1,545	1,818	(15.0)%	951	1,225	(22.4)%	595	593	0.3 %
Total impairment (balance sheet) / Loans to customers	2.7 %	3.1%		2.4 %	3.0%		3.4 %	3.3%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	316.8 %	207.4 %		539.6 %	237.6%		190.8 %	164.4 %	
Non-Performing Exposures (NPE)	2,173	2,679	(18.9)%	1,279	1,788	(28.5)%	894	891	0.3 %
NPE / Loans to customers	3.8 %	4.6%		3.2 %	4.4%		5.2 %	4.9%	
Total impairment (balance sheet) / NPE	71.1 %	67.9%		74.3 %	68.5%		66.5 %	66.6%	
Restructured loans	1,893	2,466	(23.3)%	1,360	1,966	(30.8)%	533	500	6.6 %
Restructured loans / Loans to customers	3.3 %	4.2%		3.4 %	4.9%		3.1 %	2.8%	
Cost of risk (net of recoveries, in b.p.)	56	62		53	68		63	47	

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Thousands of euros)

	31 March 2023	31 March 2022
Interest and similar income	978,598	513,921
Interest expense and similar charges	(314,047)	(48,820)
NET INTEREST INCOME	664,551	465,101
Dividends from equity instruments	44	889
Net fees and commissions income	195,405	192,844
Gains/(losses) on financial operations at fair value through profit or loss	12,488	8,691
Foreign exchange gains/(losses)	6,567	1,859
Gains/(losses) on hedge accounting	668	(2,162)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	112,672	6,377
Gains/(losses) arising from derecognition of financial assets at fair value through other comprehensive income	(832)	28,619
Other operating income / (losses)	(16,039)	(25,298)
TOTAL OPERATING INCOME	975,524	676,920
Staff costs	144,337	137,723
Other administrative costs	90,261	82,667
Amortisations and depreciations	33,914	34,611
TOTAL OPERATING EXPENSES	268,512	255,001
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	707,012	421,919
Results on modification	(5,949)	—
Impairment of financial assets at amortised cost	(81,226)	(90,932)
Impairment of financial assets at fair value through other comprehensive income	245	398
Impairment of other assets	(2,789)	(11,395)
Other provisions	(234,399)	(152,039)
NET OPERATING INCOME	382,894	167,951
Share of profit of associates under the equity method	13,767	16,208
Gains / (losses) arising from sales of subsidiaries and other assets	9,675	7,617
NET INCOME BEFORE INCOME TAXES	406,336	191,776
Income taxes		
Current	(76,299)	(17,978)
Deferred	(79,947)	(67,493)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	250,090	106,305
Net income from discontinued or discontinuing operations	0	1,388
NET INCOME AFTER INCOME TAXES	250,090	107,693
Net income for the year attributable to:		
Bank's Shareholders	214,959	112,866
Non-controlling interests	35,131	(5,173)
NET INCOME FOR THE YEAR	250,090	107,693
Earnings per share (in Euros)		
Basic	0.055	0.027
Diluted	0.055	0.027

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022 AND 2021

(Thousands of euros)

	31 March 2023	31 December 2022
ASSETS		
Cash and deposits at Central Banks	3,035,276	6,022,001
Loans and advances to credit institutions repayable on demand	203,508	213,460
Financial assets at amortised cost		
Loans and advances to credit institutions	628,975	963,434
Loans and advances to customers	54,075,476	54,675,793
Debt securities	14,958,995	13,035,582
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,581,105	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	540,856	552,679
Financial assets at fair value through other comprehensive income	7,897,799	7,461,553
Hedging derivatives	38,943	59,703
Investments in associated companies	322,814	298,717
Non-current assets held for sale	253,491	499,035
Investment property	14,720	15,217
Other tangible assets	607,023	574,697
Goodwill and intangible assets	177,389	182,687
Current tax assets	17,907	17,945
Deferred tax assets	2,791,088	2,938,986
Other assets	2,011,441	1,582,455
TOTAL ASSETS	89,156,806	89,860,541
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	1,095,155	1,468,360
Resources from customers	73,913,771	75,430,143
Non subordinated debt securities issued	1,488,619	1,482,086
Subordinated debt	1,331,426	1,333,056
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	246,611	241,506
Financial liabilities at fair value through profit or loss	2,502,224	1,817,678
Provisions	600,354	561,786
Current tax liabilities	62,876	23,680
Deferred tax liabilities	7,845	11,708
Other liabilities	1,471,683	1,391,973
TOTAL LIABILITIES	82,851,208	83,939,976
EQUITY		
Share capital	3,000,000	3,000,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	268,534	268,534
Reserves and retained earnings	1,580,845	1,245,949
Net income for the year attributable to Bank's Shareholders	214,959	207,497
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,480,809	5,138,451
Non-controlling interests	824,789	782,114
TOTAL EQUITY	6,305,598	5,920,565
TOTAL LIABILITIES AND EQUITY	89,156,806	89,860,541

Alternative performance measures

The BCP Group prepares financial information in accordance with International Financial Reporting Standards (IFRS) endorsed by European Union. As a complement to that information, the BCP Group uses a set of alternative performance measures that allow monitoring the evolution of its activity over the time. Following the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on October 2015 (ESMA/2015/1415), the BCP Group presents some indicators related to the assessment of profitability and efficiency and the quality of the credit portfolio, among others, which are intended to facilitate comprehension of the evolution of the economic and financial position of the Group. The information presented in this context does not, under any circumstance, replace the financial information prepared in accordance with IFRS. It should also be noted that the definitions and concepts used by the BCP Group for the calculation of these indicators may differ from those used by other entities in the determination of other similar measures and may therefore not be directly comparable. These indicators and their components are also described in more detail in the glossary.

1) Loans to customers (net) / Balance sheet customer funds

Relevance of the indicator: the loans-to-deposits ratio is an indicator of liquidity that allows the evaluation of the Group's retail funding structure.

Million euros

	31 March 23	31 March 22
Loans to customers (net) (1)	55,745	56,656
Balance sheet customer funds (2)	76,416	73,495
(1) / (2)	**72.9%**	**77.1%**

2) Return on average assets (ROA)

Relevance of the indicator: allows measurement of the capacity of the Group to generate results with the volume of available assets.

Million euros

	3M23	3M22
Net income (1)	215	113
Non-controlling interests (2)	35	(5)
Average total assets (3)	89,920	93,759
[(1) + (2), annualised] / (3)	**1.1%**	**0.5%**

3) Return on average equity (ROE)

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, assessing the level of profitability generated by the funds invested by the shareholders in the Group.

Million euros

		3M23	3M22
Net income (1)		215	113
Average equity (2)		4,917	5,569
	[(1), annualised] / (2)	**17.7%**	**8.2%**

4) Cost to income

Relevance of the indicator: it allows for the monitoring of the level of efficiency of the Group (excluding specific items), evaluating the volume of operating costs to generate net operating revenues.

Million euros

		3M23	3M22
Operating costs (1)		269	255
of which: specific items (2)		(1)	—
Net operating revenues (3)		999	702
of which: specific items (4)		127	—
	[(1) - (2)] / [(3) - (4)]	**30.9%**	**36.3%**

Specific items: income amounting to 128 million euros recognised in the first quarter of 2023, of which 1 million euros recognised as staff costs in the activity in Portugal and 127 million euros related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. recognised in the international activity, mainly as net trading income.

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

Relevance of the indicator: allows assessment of the quality of the loan portfolio by evaluating the ratio between impairment charges recognised in the period (net of reversals and recoveries of credit and interest) and the stock of loans to customers at the end of that period.

Million euros

		3M23	3M22
Loans to customers at amortised cost, before impairment (1)		57,267	58,396
Loan impairment charges (net of recoveries) (2)		80	90
	[(2), annualised] / (1)	**56**	**62**

6) Non-performing exposures (NPE) / Loans to customers (gross)

Relevance of the indicator: allows the assessment of the level of credit risk to which the Group is exposed based on the proportion of the NPE loan portfolio in the loans-to-customers portfolio (gross).

Million euros

		31 March 23	31 March 22
Non-Performing Exposures (1)		2,173	2,679
Loans to customers (gross) (2)		57,290	58,473
	(1) / (2)	**3.8%**	**4.6%**

7) Coverage of non-performing exposures (NPE) by balance sheet impairment

Relevance of the indicator: it allows the assessment of the level of coverage of the NPE portfolio by balance sheet impairment.

Million euros

		31 March 23	31 March 22
Non-Performing Exposures (1)		2,173	2,679
Loans impairments (balance sheet) (2)		1,545	1,818
	(2) / (1)	**71.1%**	**67.9%**

Glossary

Assets placed with customers – amounts held by customers in the context of the placement of third-party products that contribute to the recognition of commissions.

Balance sheet customer funds – deposits and other resources from customers and debt securities placed with customers.

Business Volumes - corresponds to the sum of total customer funds and loans to customers (gross).

Commercial gap – loans to customers (gross) minus on-balance sheet customer funds.

Core income - net interest income plus net fees and commissions income.

Core operating profit - net interest income plus net fees and commissions income deducted from operating costs.

Cost of risk, net (expressed in basis points) - ratio of loans impairment (P&L) accounted in the period to loans to customers at amortised cost and debt instruments at amortised cost related to credit operations before impairment at the end of the period.

Cost to core income - operating costs divided by core income.

Cost to income – operating costs divided by net operating revenues.

Coverage of non-performing exposures by impairments – loans impairments (balance sheet) divided by the stock of NPE.

Coverage of non-performing loans by impairments – loans impairments (balance sheet) divided by the stock of NPL.

Coverage of overdue loans by impairments - loans impairments (balance sheet) divided by overdue loans.

Coverage of overdue loans by more than 90 days by impairments - loans impairments (balance sheet) divided by overdue loans by more than 90 days.

Debt instruments – non-subordinated debt instruments at amortised cost and financial liabilities measured at fair value through profit or loss (debt securities and certificates).

Debt securities placed with customers - debt securities issued by the Bank and placed with customers.

Deposits and other resources from customers – resources from customers at amortised cost and customer deposits at fair value through profit or loss.

Dividends from equity instruments - dividends received from investments classified as financial assets at fair value through other comprehensive income and from financial assets held for trading.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having some influence, the Group does not control the financial and operational policies.

Insurance products – includes unit linked saving products and retirement saving plans ("PPR", "PPE" and "PPR/E").

Loans impairment (balance sheet) – balance sheet impairment related to loans to customers at amortised cost, balance sheet impairment associated with debt instruments at amortised cost related to credit operations and fair value adjustments related to loans to customers at fair value through profit or loss.

Loans impairment (P&L) – impairment (net of reversals and net of recoveries - principal and accrual) of financial assets at amortised cost for loans to customers and for debt instruments related to credit operations.

Loans to customers (gross) – loans to customers at amortised cost before impairment, debt instruments at amortised cost associated to credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments.

Loans to customers (net) - loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

Loan to Deposits ratio (LTD) – loans to customers (net) divided by deposits and other resources from customers.

Loan to value ratio (LTV) – mortgage amount divided by the appraised value of property.

Net commissions - net fees and commissions income.

Net interest margin (NIM) - net interest income for the period as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

Non-performing exposures (NPE) – non-performing loans and advances to customers (includes loans to customers at amortised cost, loans to customers at fair value through profit or loss and, from 2023, debt instruments at amortised cost associated to credit operations before impairment) more than 90 days past-due or unlikely to be paid without collateral realisation, if they recognised as defaulted or impaired.

Non-performing loans (NPL) – overdue loans (includes loans to customers at amortised cost, loans to customers at fair value through profit or loss and, from 2023, debt instruments at amortised cost associated to credit operations before impairment) more than 90 days past due including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Off-balance sheet customer funds – assets under management, assets placed with customers and insurance products (savings and investment) subscribed by customers.

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions – impairment (net of reversals) for loans and advances of credit institutions classified at amortised cost, impairment for financial assets (classified at fair value through other comprehensive income and at amortised cost not associated with credit operations), impairment for other assets, namely assets received as payment in kind, investments in associated companies and goodwill of subsidiaries and other provisions.

Other net income – dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings.

Other net operating income – other operating income/(loss) and gains/(losses) arising from sales of subsidiaries and other assets.

Overdue loans – total outstanding amount of past due loans to customers (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Overdue loans by more than 90 days – total outstanding amount of past due loans to customers by more than 90 days (loans to customers at amortised cost, debt instruments at amortised cost associated to credit operations and loans to customers at fair value through profit or loss), including principal and interests.

Performing loans - loans to customers (gross) deducted from Non-performing exposures (NPE).

Profit before impairment and provisions – net operating revenues deducted from operating costs.

Resources from credit institutions – resources and other financing from Central Banks and resources from other credit institutions.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on average assets (ROA) – net income (before minority interests) divided by the average total assets (weighted average of the average of monthly net assets in the period).

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – net income (before tax) divided by the average attributable equity + non-controlling interests (weighted average of the average of monthly equity in the period).

Return on equity (ROE) – net income (after minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments (weighted average of the average of monthly equity in the period).

Securities portfolio - debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers and trading derivatives), financial assets at fair value through other comprehensive income and assets with repurchase agreement.

Specific coverage of NPE - NPE impairments (balance sheet) divided by the stock of NPE.

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

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

Accounts and Notes to the Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2023 AND 2022

(Thousands of euros)

	Notes	31 March 2023	31 March 2022
Interest and similar income	2	978,598	513,921
Interest expense and similar charges	2	(314,047)	(48,820)
NET INTEREST INCOME		664,551	465,101
Dividends from equity instruments	3	44	889
Net fees and commissions income	4	195,405	192,844
Gains/(losses) on financial operations at fair value through profit or loss	5	12,488	8,691
Foreign exchange gains/(losses)	5	6,567	1,859
Gains/(losses) on hedge accounting	5	668	(2,162)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	112,672	6,377
Gains/(losses) arising from derecognition of financial assets at fair value through other comprehensive income	5	(832)	28,619
Other operating income/(losses)	6	(16,039)	(25,298)
TOTAL OPERATING INCOME		975,524	676,920
Staff costs	7	144,337	137,723
Other administrative costs	8	90,261	82,667
Amortisations and depreciations	9	33,914	34,611
TOTAL OPERATING EXPENSES		268,512	255,001
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		707,012	421,919
Results on modification	10	(5,949)	—
Impairment of financial assets at amortised cost	11	(81,226)	(90,932)
Impairment of financial assets at fair value through other comprehensive income	12	245	398
Impairment of other assets	13	(2,789)	(11,395)
Other provisions	14	(234,399)	(152,039)
NET OPERATING INCOME		382,894	167,951
Share of profit of associates accounted for using the equity method	15	13,767	16,208
Gains/(losses) on disposal of subsidiaries and other assets	16	9,675	7,617
NET INCOME BEFORE INCOME TAXES		406,336	191,776
Income taxes			
Current	31	(76,299)	(17,978)
Deferred	31	(79,947)	(67,493)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		250,090	106,305
Net income from discontinued or discontinuing operations	17	—	1,388
NET INCOME AFTER INCOME TAXES		250,090	107,693
Net income for the period attributable to:			
Bank's Shareholders		214,959	112,866
Non-controlling interests	44	35,131	(5,173)
NET INCOME FOR THE PERIOD		250,090	107,693
Earnings per share (in Euros)			
Basic	18	0.055	0.027
Diluted	18	0.055	0.027

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2023 AND 2022

(Thousands of euros)

	31 March 2023				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	250,090	—	250,090	214,959	35,131
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (Note 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	90,294	—	90,294	60,592	29,702
Reclassification of (gains) / losses to profit or loss (note 5)	832	—	832	57	775
Cash flows hedging					
Gains / (losses) for the period	139,458	—	139,458	127,052	12,406
Other comprehensive income from investments in associates and others	(5,883)	—	(5,883)	(5,868)	(15)
Exchange differences arising on consolidation	(12,264)	—	(12,264)	(8,850)	(3,414)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	384	—	384	384	—
Fiscal impact	(61,302)	—	(61,302)	(53,157)	(8,145)
	151,519	—	151,519	120,210	31,309
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period (note 43)	6,316	—	6,316	6,354	(38)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	8,831	—	8,831	8,831	—
Actuarial gains / (losses) for the period					
Pension Funds of foreign subsidiaries and associated companies	3,851	—	3,851	3,851	—
Fiscal impact	(2,588)	—	(2,588)	(2,588)	—
	16,410	—	16,410	16,448	(38)
Other comprehensive income / (loss) for the period	167,929	—	167,929	136,658	31,271
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	418,019	—	418,019	351,617	66,402

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	31 March 2022				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	106,305	1,388	107,693	112,866	(5,173)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (Note 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(191,224)	—	(191,224)	(149,540)	(41,684)
Reclassification of (gains) / losses to profit or loss (note 5)	(28,619)	—	(28,619)	(28,619)	—
Cash flows hedging					
Gains / (losses) for the period	(603,352)	—	(603,352)	(596,140)	(7,212)
Other comprehensive income from investments in associates and others	(10,631)	—	(10,631)	(10,633)	2
Exchange differences arising on consolidation	19,695	—	19,695	24,615	(4,920)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,578)	—	(1,578)	(1,578)	—
Fiscal impact	245,533	—	245,533	236,263	9,270
	(570,176)	—	(570,176)	(525,632)	(44,544)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period (note 43)	(150)	—	(150)	(116)	(34)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(59)	—	(59)	(59)	—
Actuarial gains / (losses) for the period					
Pension Funds of foreign subsidiaries and associated companies	2,591	—	2,591	2,591	—
Fiscal impact	392	—	392	386	6
	2,774	—	2,774	2,802	(28)
Other comprehensive income / (loss) for the period	(567,402)	—	(567,402)	(522,830)	(44,572)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(461,097)	1,388	(459,709)	(409,964)	(49,745)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2023 AND 31 DECEMBER 2022

(Thousands of euros)

	Notes	31 March 2023	31 December 2022
ASSETS			
Cash and deposits at Central Banks	19	3,035,276	6,022,001
Loans and advances to credit institutions repayable on demand	20	203,508	213,460
Financial assets at amortised cost			
Loans and advances to credit institutions	21	628,975	963,434
Loans and advances to customers	22	54,075,476	54,675,793
Debt securities	23	14,958,995	13,035,582
Financial assets at fair value through profit or loss			
Financial assets held for trading	24	1,581,105	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	24	540,856	552,679
Financial assets at fair value through other comprehensive income	24	7,897,799	7,461,553
Hedging derivatives	25	38,943	59,703
Investments in associated companies	26	322,814	298,717
Non-current assets held for sale	27	253,491	499,035
Investment property	28	14,720	15,217
Other tangible assets	29	607,023	574,697
Goodwill and intangible assets	30	177,389	182,687
Current tax assets		17,907	17,945
Deferred tax assets	31	2,791,088	2,938,986
Other assets	32	2,011,441	1,582,455
TOTAL ASSETS		89,156,806	89,860,541
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	33	1,095,155	1,468,360
Resources from customers	34	73,913,771	75,430,143
Non subordinated debt securities issued	35	1,488,619	1,482,086
Subordinated debt	36	1,331,426	1,333,056
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	37	246,611	241,506
Financial liabilities at fair value through profit or loss	38	2,502,224	1,817,678
Hedging derivatives	25	130,644	178,000
Provisions	39	600,354	561,786
Current tax liabilities		62,876	23,680
Deferred tax liabilities	31	7,845	11,708
Other liabilities	40	1,471,683	1,391,973
TOTAL LIABILITIES		82,851,208	83,939,976
EQUITY			
Share capital	41	3,000,000	3,000,000
Share premium	41	16,471	16,471
Other equity instruments	41	400,000	400,000
Legal and statutory reserves	42	268,534	268,534
Reserves and retained earnings	43	1,580,845	1,245,949
Net income for the period attributable to Bank's Shareholders		214,959	207,497
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		5,480,809	5,138,451
Non-controlling interests	44	824,789	782,114
TOTAL EQUITY		6,305,598	5,920,565
TOTAL LIABILITIES AND EQUITY		89,156,806	89,860,541

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2023 AND 2022

(Thousands of euros)

	31 March 2023	31 March 2022
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	766,965	422,569
Commissions received	247,975	237,307
Fees received from services rendered	24,327	27,666
Interests paid	(279,540)	(65,760)
Commissions paid	(47,608)	(29,808)
Recoveries on loans previously written off	6,136	4,361
Payments (cash) to suppliers and employees (*)	(276,088)	(297,387)
Income taxes (paid) / received	(19,206)	(11,826)
	422,961	287,122
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	10,778	(198,131)
Deposits held with purpose of monetary control	324,535	(165,597)
Loans and advances to customers receivable / (granted)	359,934	(339,573)
Short term trading securities	(686,406)	(428,164)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	7,552	32,200
Deposits from credit institutions with agreed maturity date	(387,660)	71,397
Loans and advances to customers repayable on demand	(1,842,273)	636,776
Deposits from customers with agreed maturity date	898,271	1,749,647
	(892,308)	1,645,677
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control	106,810	—
Dividends received	44	889
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	84,139	34,267
Sale of financial assets at fair value through other comprehensive income and at amortised cost	422,072	4,558,407
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(33,969,313)	(15,142,789)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	31,197,185	11,523,693
Acquisition of tangible and intangible assets	(11,778)	(17,351)
Sale of tangible and intangible assets	1,028	4,960
Decrease / (increase) in other sundry assets	(19,122)	(795,477)
	(2,188,935)	166,599
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of debt securities	114	406
Reimbursement of debt securities	(9,548)	(24,985)
Issuance of commercial paper and other securities	2,845	23,682
Reimbursement of commercial paper and other securities	(5,588)	(11,021)
Dividends paid to non-controlling interests	(23,719)	(23,114)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(9,250)	(9,250)
Increase / (decrease) in other sundry liabilities and non-controlling interests (**)	141,976	173,863
	96,830	129,581
Exchange differences effect on cash and equivalents	(12,264)	19,695
Net changes in cash and equivalents	(2,996,677)	1,961,552
Cash (note 18)	593,033	601,772
Deposits at Central Banks (note 18)	5,428,968	7,194,527
Loans and advances to credit institutions repayable on demand (note 19)	213,460	361,786
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6,235,461	8,158,085
Cash (note 18)	539,846	578,363
Deposits at Central Banks (note 18)	2,495,430	9,251,234
Loans and advances to credit institutions repayable on demand (note 19)	203,508	290,040
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	3,238,784	10,119,637

(*) As at 31 March 2023, this balance includes the amount of Euros 590,000 (31 March 2022: Euros 98,000) related to short-term lease contracts and the amount of Euros 2,402,000 (31 March 2022: Euros 586,000) related to lease contracts of low value assets.

(**) As at 31 March 2023, this balance includes the amount of Euros 53,330,000 (31 March 2022: Euros 13,743,000) corresponding to principal payments on lease liabilities.

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2023 AND 2022

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non - controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2021	4,725,000	16,471	400,000	259,528	580,304	138,082	6,119,385	942,672	7,062,057
Net income for the period	—	—	—	—	—	112,866	112,866	(5,173)	107,693
Other comprehensive income	—	—	—	—	(522,830)	—	(522,830)	(44,572)	(567,402)
TOTAL COMPREHENSIVE INCOME	—	—	—	—	(522,830)	112,866	(409,964)	(49,745)	(459,709)
Results application									
Transfers for reserves and retained earnings	—	—	—	—	138,082	(138,082)	—	—	—
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—		—	(9,250)	—	(9,250)	—	(9,250)
Dividends (a)	—	—	—	—	—	—	—	(23,114)	(23,114)
Other reserves	—	—	—	—	(206)	—	(206)	8	(198)
BALANCE AS AT 31 MARCH 2022	4,725,000	16,471	400,000	259,528	186,100	112,866	5,699,965	869,821	6,569,786
Net income for the period	—	—	—	—	—	94,631	94,631	(72,649)	21,982
Other comprehensive income	—	—	—	—	(614,125)	—	(614,125)	21,468	(592,657)
TOTAL COMPREHENSIVE INCOME	—	—	—	—	(614,125)	94,631	(519,494)	(51,181)	(570,675)
Results application									
Legal reserve	—	—	—	9,006	(9,006)	—	—	—	—
Dividends paid	—	—	—	—	(13,603)	—	(13,603)	—	(13,603)
Reduction of share capital	(1,725,000)	—	—	—	1,725,000	—	—	—	—
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—		—	(27,750)	—	(27,750)	—	(27,750)
Dividends (a)	—	—	—	—	—	—	—	(36,458)	(36,458)
Other reserves	—	—	—	—	(667)	—	(667)	(68)	(735)
BALANCE AS AT 31 DECEMBER 2022	3,000,000	16,471	400,000	268,534	1,245,949	207,497	5,138,451	782,114	5,920,565
Net income for the period	—	—	—	—	—	214,959	214,959	35,131	250,090
Other comprehensive income	—	—	—	—	136,658	—	136,658	31,271	167,929
TOTAL COMPREHENSIVE INCOME	—	—	—	—	136,658	214,959	351,617	66,402	418,019
Results application									
Transfers for reserves and retained earnings	—	—	—	—	207,497	(207,497)	—	—	—
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—		—	(9,250)	—	(9,250)	—	(9,250)
Dividends (a)	—	—	—	—	—	—	—	(23,719)	(23,719)
Other reserves	—	—	—	—	(9)	—	(9)	(8)	(17)
BALANCE AS AT 31 MARCH 2023	3,000,000	16,471	400,000	268,534	1,580,845	214,959	5,480,809	824,789	6,305,598

(a) Dividendos do BIM - Banco Internacional de Moçambique, S.A.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these interim condensed consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the three-month periods ended on 31 March 2023 and 2022.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group's consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 23 May 2023 by the Bank's Executive Committee and are presented in thousands of euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to the respective current version.

The interim condensed consolidated financial statements for the three-month period ended on 31 March 2023 were prepared for the purpose of recognition and measurement, in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and, therefore, they do not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2022.

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

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2022. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The Group's financial statements were prepared under the going concern assumption, the accrual-based accounting regime and under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Financial assets and liabilities that are covered under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the past liabilities with pensions net of the value of the fund's assets.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, under advice of the Executive Committee, to make judgments, estimations and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimations and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimations. The issues involving a higher degree of judgment or complexity or for which assumptions and estimations are significant are presented in note 1.Y.

B. Basis of consolidation

As from 1 January 2010, the Group began to apply IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The interim condensed consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

B1. Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed, or has rights, to variable returns from its involvement with the entity and can take possession of these results through the power it holds over the relevant activities of that entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired is recorded against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

B2. Investments in associates

Investments in associated companies are registered by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

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

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

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group’s share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued, with exception of the part in which the Group incurs in a legal obligation to assume these losses on behalf of an associate.

B3. Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are recorded directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation, however, it is subject to impairment tests. Goodwill arising from the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising from an acquisition is recognised directly in the income statement of the period in which the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimation of the contingent purchase price, being the difference recorded in the income statement or in equity, when applicable.

According to IFRS 3 – Business combinations, if the initial accounting of a business combination is not concluded until the end of the first financial reporting period in which the combination occurs, it is recorded at the respective provisional values. These provisional values can be adjusted over the measurement period, which can't exceed a year since the acquisition date. Over this period, the Group should retrospectively adjust the amounts recognised previously on the acquisition date, to reflect newly obtained information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have impacted the measurement of the amounts recognised at that date.

During this period, the Group should also recognise additional assets and liabilities in the case of obtaining new information about facts and circumstances that existed at the acquisition date and that, if they were known by then, would have resulted in the recognition of those assets and liabilities at that time.

The recoverable amount of the goodwill registered in the Group's asset is assessed annually in the preparation of the accounts with reference to the end of the year or whenever there are indications of eventual loss of value. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the higher of the asset value in use and the market value after deducting selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

B4. Purchases and dilution of non-controlling interests

The acquisition of non-controlling interests that do not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, no additional goodwill resulting from this transaction is recognised. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests that do not impact the control position of a subsidiary are always recognised against reserves.

B5. Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

B6. Investments in foreign subsidiaries and associates

The financial statements of foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate on the balance sheet date.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, exchange differences, between the conversion to euros of the equity at the beginning of the year and its value in euros at the exchange rate on the balance sheet date in which the consolidated accounts are reported, are recognised against "Reserves - exchange differences". The changes in fair value resulting from instruments that are designated and qualified as hedging instruments related to foreign operations are recorded in equity under "Reserves and retained earnings". Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to euros at an approximate rate of the rates on the dates of the transactions, using a monthly average considering the initial and final exchange rates of each month. Exchange differences from the conversion to euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies".

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves are transferred to profit and loss, as part of the gains or loss arising from the disposal.

The Group applies IAS 29 – Financial reporting in hyperinflationary economies in financial statements of entities that present accounts in functional currency of an economy that has hyperinflation. In applying this policy, non-monetary assets and liabilities are adjusted based on the price index from the date of acquisition or the date of the last revaluation until 31 December 2021. The restated values of assets are reduced by the amount that exceeds their recoverable amount, in accordance with the applicable IFRS.

Equity components are also updated considering the price index from the beginning of the period or date of the contribution if it is earlier.

When the classification as a hyperinflationary economy is applied to associated companies, its effects are included in the Group's financial statements by applying the equity method of accounting on the financial statements restated in accordance with the requirements of IAS 29. The effects of the application of IAS 29 with impact on capital items are recognised against the item "Reserves and retained earnings".

In accordance with the requirements provided in IAS 29, Angola was considered as a hyperinflationary economy until 31 December 2018. This classification is no longer applicable as of 1 January 2019.

B7. Transactions eliminated on consolidation

The balances and transactions between Group's companies, as well as any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in these entities.

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

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

- “Financial assets at amortised cost”;
- “Financial assets at fair value through other comprehensive income”; or,
- “Financial assets at fair value through profit or loss”.

The classification is made taking into consideration the following aspects:

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

Business Model Evaluation

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

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

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

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

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

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

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

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

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

C1.1.1. Financial assets at amortised cost

Classification

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

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

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

Initial recognition and subsequent measurement

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

Financial assets at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost. In addition, they are subject, at their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5), which are recognised in "'Impairment of financial assets measured at amortised cost".

Interest of financial assets at amortised cost is recognised under "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

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

C1.1.2. Financial assets at fair value through other comprehensive income

Classification

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

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

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

Initial recognition and subsequent measurement

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

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses (note C1.5). Impairment losses are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against "Other comprehensive income", and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised in "Interest and similar income", based on the effective interest rate method and in accordance with the criteria described in note C3.

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

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

C1.1.3. Financial assets at fair value through profit or loss

Classification

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

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

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

a) “Financial assets held for trading”

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

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

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

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

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

Initial recognition and subsequent measurement

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

The accrual of interest and of the premium/discount (when applicable) is recognised in "Net interest income", based on the effective interest rate of each transaction, except the accrual of interest from trading derivatives that are recognised in “Gains/(losses) on financial operations at fair value through profit or loss”. Dividends are recognised in profit and loss when the right to receive them is attributed.

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

C1.2. Reclassification between categories of financial assets

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

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

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

C1.3. Modification and derecognition of financial assets

General principles

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

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

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

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

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

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

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

- if the Group transfers substantially all the risks and benefits arising from owning the financial asset, it shall derecognise the financial asset and recognise separately any rights and obligations created or retained in the transfer, as assets or liabilities;

- if the Group retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;

- if the Group neither transfers nor retains substantially all the risks and benefits arising from owning the financial asset, it shall determine whether it retained control of the financial asset. In this case:

a) if the Group did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;

b) if the Group retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

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

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

Derecognition criteria

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

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

- creation of a new exposure that results from a debt consolidation, without any any of the derecognized instruments having a nominal value higher than 90% of the nominal amount of the new instrument;

- Double extension of the residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of the modification;

- Increase of on balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);

- Change in qualitative features, namely:

  i) Change of currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or the relevant monetary authorities;

  ii) Exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;

  iii) Transfer of the instrument's credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.

  iv) Deletion or addition to the debt instrument of features of the "Pay If You Can" type or dependent on the financial performance of the debt instrument.

In the case of a restructuring due to financial difficulties of the debtor, only the criteria set out in items ii, iii and iv of the above paragraph should be checked (the other criteria listed in this paragraph are not relevant in such situations).

Under the regulatory changes that occurred in Poland and the negotiations with customers holding mortgage loans in foreign currency described in note 52, and which correspond to contractual modifications made in accordance with IFRS 9, when the cash flows resulting from the agreement are subject to modification and a given asset is not derecognised, Bank Millennium adjusts the gross book value of the financial asset and recognises the profit or loss due to the modification in the Income Statement - Results on modification. The adjustment to the gross carrying amount of a financial asset is the difference between the discounted cash flows before and after contract modification.

Loans written-off

The Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. Loans written-off are recognised in off-balance sheet accounts.

C1.4. Purchased or originated credit-impaired assets

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

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

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition (note C1.3) and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, where the existence of a significant discount reflects credit losses incurred at the time of their initial recognition.

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

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

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

C1.5.1.1. Financial assets at amortised cost

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

C1.5.1.2. Debt instruments at fair value through other comprehensive income

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

C1.5.1.3. Credit commitments, documentary credits and financial guarantees

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

C1.5.2. Classification of financial instruments by stages

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

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

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses);
- Stage 2: the operations in which there is a significant increase in credit risk since its initial recognition (note C1.5.3) but are not impaired (note C1.5.4) are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses);
- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified at this stage correspond to lifetime expected credit losses.

C1.5.3. Significant increase in credit risk (SICR)

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

C1.5.4. Definition of financial assets in default and impaired

All customers who meet at least one of the following conditions are marked as default and, consequently, in NPE:

a) Delay over 90 days of material payment:

- Amounts of principal, interest or fees not paid on the due date that, cumulatively, represent:
i) more than Euros 100 (retail) or more than Euros 500 (non-retail); and,
ii) more than 1% of the total debt (direct liabilities).

After these two conditions are met, the counting of days of delay begins: if more than 90 consecutive days in which the customer is in this situation have been counted, it is classified as default (or GR15).

The existence of a material payment delay gives rise to the default setting (GR15) of all holders of the operation (or operations).

b) Signs of low probability of payment:
- i. Credit restructuring due to financial difficulties with loss of value;
- ii. Delay after restructuring due to financial difficulties;
- iii. Recurrence of restructuring due to financial difficulties;
- iv. Credit with signs of impairment (or stage 3 of IFRS 9);
- v. Insolvency or equivalent proceedings;
- vi. Litigation;
- vii. Guarantees of operations in default;
- viii. Credit sales with losses;
- ix. Credit fraud;
- x. Unpaid credit status;
- xi. Breach of covenants in a credit agreement;
- xii. Spread of default in an economic group;
- xiii. Cross default in BCP Group.

C1.5.5. Estimates of expected credit losses - Individual analysis

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

Customers in default	Customers in litigation or insolvency, if the total exposure of the group members in these situations exceeds Euros 1 million
	Customers integrated into groups with an exposure over Euros 5 million, if they have a risk grade 15
Groups or customers who are not in default	Other customers belonging to groups in the above conditions
	Groups or customers with an exposure over Euros 5 million, if a group member has a risk grade 14
	Groups or customers with an exposure over Euros 5 million, if a member of the group has a restructured loan and a risk grade 13
	Groups or customers with an exposure over Euros 10 million, if at least one member of the group is in stage 2
	Groups or customers not included in the preceding paragraphs, whose exposure exceeds Euros 25 million

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

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

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

4. The individual analysis includes the following procedures:

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

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

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

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

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.

7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the customer's liabilities.

8. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.

9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

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

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.

11. For the purposes of the preceding paragraphs, the Economic Studies, Sustainability and Cryptoassets Department shall disclose the macroeconomic data that allow the estimations to be made.

12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.

13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

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

14. The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, as well as for the final decision on the customer's impairment.

15. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12-month equivalent to the risk grade 12 of the Master Scale.

16. The individual impairment analysis must be carried out at least annually. In case significant signs of deterioration or improvement in the customer’s economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review of the expected impairment of this customer.

C1.5.6. Estimates of expected credit losses - Collective analysis

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

a) Segments with a reduced history of defaults, designated ‘low default’: Large corporate exposures, Project finance, Institutions (banks/financial institutions) and Sovereigns;

b) Segments not ‘low default’: - Retail: Mortgages; Overdrafts; Credit cards; Small and medium enterprises - Retail (‘SME Retail’); and Others - Corporate: Small and medium enterprises - Corporate (‘Large SME’); and Real Estate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In particular, the PD point-in-time (PDpit) considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values for a set of macroeconomic variables, based on three scenarios (Central, Upside and Downside Scenario) prepared by the Bank's Economic Studies area. These scenarios, which are used across the Bank for various purposes besides calculating impairment, consider existing projections by reference entities.

In December 2022 the Bank carried out an update of the macroeconomic scenarios and of the corresponded adjustment of the parameters considered in the collective impairment model.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

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

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

C2.1.1. Financial liabilities at fair value through profit or loss

Classification

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

a) “Financial liabilities held for trading”

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

C2.1.2. Financial guarantees

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

- the provision for losses determined according to the criteria described in note C1.5;
- the amount initially recognised deducted, when appropriate, from the accumulated amount of income recognised according to IFRS 15 - Revenue from contracts with customers.

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

C2.1.3. Financial liabilities at amortised cost

Classification

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

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

Initial recognition and subsequent measurement

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

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

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

C3. Interest recognition

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

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

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

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

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

C4. Hedge accounting

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

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

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

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

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

C4.1. Fair value hedge

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

C4.2. Cash flow hedge

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

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

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

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

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

C4.3. Hedge effectiveness

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

C4.4. Hedge of a net investment in a foreign operation

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

C5. Embedded Derivatives

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

If the main instrument included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described in note C1.1.3.

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

D. Securitization operations

D1. Traditional securitizations

As at 31 March 2023, BCP has three residential mortgage credit securitization operations (Magellan Mortgages no.1, no.3 and no.4), portfolios which were derecognised from the Bank's individual balance sheet, as the residual portions of the referred operations were sold to institutional investors and, consequently, their risks and benefits were substantially transferred.

By purchasing a part of the most subordinated residual portion, the Group maintained control of the assets and liabilities of Magellan Mortgages no.3, with this Special Purpose Entity (SPE) being consolidated in the Group's financial statements, in accordance with the accounting policy referred to in note 1 B.

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

D2. Synthetic securitizations

As at 31 March 2023, BCP has three synthetic securitization operations, with similar characteristics, with reference to credit portfolios granted by the Bank mainly to Small and Medium Enterprises (SMEs).

Caravela SME no.3, which started on 28 June 2013, has a medium and long-term loan portfolio of current accounts and authorized overdrafts.

Caravela SME no.4, initiated on 5 June 2014, has a reference portfolio of vehicle, real estate and equipment leasing.

Caravela SME no.5, initiated on 20 December 2022, is supported on a credit portfolio of medium and long term loans, leasing contracts and commercial paper programmes.

In any of these operations, the Bank contracted a Credit Default Swap (CDS) from a Special Purpose Entity (SPE), buying, this way, protection over the total referenced portfolio. As in all synthetic securitizations, under CDS, the risk of the respective portfolios was divided in 3 tranches: senior, mezzanine and equity.

In the case of both Caravela no. 3 and no. 4, the mezzanine and part of the equity (20%) were placed in the market through the issuance of Credit Linked Notes (CLNs) by the above mentioned SPE which were subscribed by investors, while the Group retained the senior risk and the remaining part of the equity (80%). In the case of Caravela, SME no. 5, only the full amount of the mezzanine was placed in the market, while the Group retained the risk of the full amount of the senior and equity tranches.

Note that in all the above-mentioned synthetic transactions, the product of the CLNs issue was invested by the SPE in a deposit, which fully collateralizes the responsibilities in the presence of its creditors including BCP in accordance with the CDS.

In March 2022, the Group's subsidiary Bank Millennium concluded a synthetic securitization transaction with the participation of European Investment Bank (EIB) and European Investment Fund (EIF). The portfolio covered by the transaction concerned receivables from small and medium-sized enterprises (SME). Bank Millennium obtained the EIF guarantee for the senior tranche and the junior tranche, which is unfunded credit protection within the meaning of the CRR. The selected loan portfolio covered by the securitization remained in the Bank Millennium"s balance sheet.

On 23 December 2022, Bank Millennium settled another synthetic securitisation transaction executed on a portfolio of corporate and SME receivables. The selected loan portfolio securitised remained on the bank's balance sheet. The risk transfer was affected by a recognised credit protection instrument in the form of Credit Linked Notes (CLNs).

The transaction meets the requirements for the transfer of a material part of the risk, set out in the CRR Regulation (Regulation of the European Parliament and of the Council No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms).

E. Equity instruments

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

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

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

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

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

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

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

F2. Repurchase agreements

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

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

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

If the requirements set out in IFRS 5 for these assets are not met, the balance sheet value and respective impairment are reflected in the caption "Other assets".

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

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short-term are consolidated until the moment of their sale.

G1. Non-operating real estate (INAE)

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

Properties held by real estate companies and real estate investment funds, which are part of the Group's consolidation perimeter, whose capital or units acquired by the Group as a result of the recovery loans are treated as INAE.

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

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

The principles used to determine the net fair value of selling costs of a property apply, whenever possible, to real estate like INAE held by Real Estate Companies and Real Estate Investment Funds for the purpose of consolidating Group accounts.

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

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

H. Lease transactions (IFRS 16)

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

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

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

Lease definition

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

Impacts from the lessee's perspective

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

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

Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Group's spread of risk, applied over the weighted average term of each lease contract. For term contracts, that date is considered as the end of lease date, while for contracts without term, or with renewable terms, it is assessed using the date in which the contract is enforceable, as well as eventual economic penalties associated with the lease contract. In the evaluation of enforceability, the particular clauses of the contracts are considered, as well as the current law on Urban Leases.

Subsequently, lease payments are measured as follows:

- by increasing their carrying amount to reflect interest;
- by reducing their carrying amount to reflect lease payments;
- carrying amount shall be remeasured to reflect any leases' revaluations or changes, as well as to reflect the review of in -substance fixed payments and the review of the lease term.

The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:

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

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

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

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

- in the consolidated income statement:

  (i) recording in "Interest Income" the interest expenses related to lease liabilities;

  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,

  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.

- in the consolidated balance sheet:

  (i) recording in "Financial assets at amortised cost – Loans and advances to customers" the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;

  (ii) recording in "Other tangible assets" the recognition of right-to-use assets; and,

  (iii) recording in "Other liabilities" the amount of recognised lease liabilities.

- in the consolidated statement of cash flows, the balance "Cash flows arising from operating activities – Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the interim condensed consolidated statement of cash flows.

Impact from the lessor's perspective

In accordance with IFRS 16, paragraph 62, lessors shall classify leases as finance or operational leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards inherent to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards inherent to ownership of an underlying asset.

Subleases

A sublease implies that the lessee establishes a lease contract with a third party, which acts as an intermediary, and the lease contract with the original lessor is kept in force.

IFRS 16 – Leases requires that the lessor evaluates subleases regarding right-to-use and not regarding the underlying asset.

The sublease's lessor, simultaneously lessee regarding the original lease, shall recognise an asset in the financial statement – a right-to-use related to the initial lease (if the lease is classified as operating) or a financial asset, measured according to IFRS 9, related to the sublease (if the lease is classified as financing).

In case the primary lease is short-term, then the sublease should be classified as an operating lease.

Impact of the pandemic caused by COVID-19 virus

On 12 October 2020, the European Union published an amendment to IFRS 16, associated with income concessions related to COVID-19. This amendment allows tenants, as a practical expedient, to have the possibility to choose not to consider a rent concession that occurs as a direct consequence of the COVID-19 pandemic as a modification of the lease. A lessee who uses this option must account for any concession that occurs at the rent level in the same way that he would do it under IFRS 16 – Leases, if this change did not constitute a modification of the lease. This amendment does not affect lessors.

Within the scope of the sublease, the Group carried out the analysis of the respective contracts.

I. Recognition of income from services and commissions

In accordance with IFRS 15, the Bank recognizes revenue associated with services and commissions when (or as) a performance obligation is satisfied when transferring a service, based on the transaction price associated with this performance obligation. In this context, the Bank takes the following steps to recognize revenue associated with services and commissions:

- Recognition (satisfaction of the performance obligation): (i) identification of the contract associated with the service provided and whether it should be covered by IFRS 15; (ii) identification of performance obligations associated with each contract; (iii) definition of the criteria for the fulfilment of performance obligations, also considering the contractual terms established with the counterparty. According to this definition, a service is transferred when the customer obtains the benefits and control associated with the service provided. In this context, the Bank also identifies whether performance obligations are met over time ("over time") or at an exact moment ("point in time"), with revenue being recognized accordingly.

- Measurement (price to be recognized associated with each performance obligation): (i) determine the transaction price associated with the service provided, considering the contractual terms established with the counterparty and its usual commercial practices. The transaction price is the amount of consideration to which the Bank expects to be entitled in exchange for transferring promised services to the customer, excluding amounts collected on behalf of third parties. The Bank includes in the transaction price part or all of the estimated amount of the variable consideration associated with a performance obligation, only to the extent that it is highly probable that a significant reversal in the amount of the accrued revenue recognized will not occur when the uncertainty associated with that variable consideration is subsequently resolved; and (ii) allocate the transaction price to each of the performance obligations identified under the contract established with the customer.

It should be noted that when services or commissions are an integral part of the effective interest rate of a financial instrument, income resulting from services and commissions is recorded in net interest income (Note C.3).

J. Gains/(losses) on financial operations at fair value through profit or loss, Foreign exchange gains/(losses), Hedge accounting gains/(losses), Gains/(losses) from derecognition of assets and liabilities at amortised cost and Gains/(losses) from derecognition of financial assets at fair value through other comprehensive income

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

K. Fiduciary activities

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

L. Other tangible assets

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

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

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

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life. The impairment losses of the fixed tangible assets are recognised in the income statement of the period.

M. Investment properties

Real estate properties owned by the Group are recognised as 'Investment properties' considering that the main objective of these buildings is their capital appreciation on a long-term basis and not their sale in a short-term period, nor their maintenance for own use.

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

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

N. Intangible assets

N1. Research and development expenditure

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

N2. Software

The Group recognises as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight-line basis by an estimated lifetime of 6 years. The Group does not capitalise internal costs arising from software development.

O. Cash and cash equivalents

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

P. Offsetting

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

Q. Foreign currency transactions

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

R. Employee benefits

R1. Defined benefit plans

The Group has the responsibility to pay its employees' retirement pensions, invalidity pensions and survivor's pensions for their death, in accordance with the terms of the two collective labour agreements approved. These benefits are provided for in the pension plans 'Plano ACT' and 'Plano ACTQ' of the Banco Comercial Português Group Pension Fund.

Following the publication of Decree-Law no. 54/2009, of 2 March, banking entities are obligatorily enrolling new employees in the General Social Security System (RGSS). These employees have the RGSS as their basic retirement scheme, and do not have any benefits under the ACT (base plan). Under the scope of its management and human resources, the Group had already adopted as a rule the inclusion of new employees in the RGSS since July 2005. However, until the transposition into the ACT of the alterations resulting from the referred Decree-Law no. 54/2009, all employees were covered by the provisions of the social security chapter of the ACT, and for employees who were already registered with the RGSS, the ACT benefit worked as a complement to the RGSS. As of 1 July 2009, in accordance with the ACT, all new employees only have the RGSS as their basic social security scheme.

Until 2011, in addition to the benefits provided for in the two plans above-mentioned, the Group had assumed the responsibility, if certain conditions of profitability were verified in each year, of assigning retirement supplements to the Group's employees hired up to 21 September 2006 (Complementary Plan). The Group, at the end of 2012, determined the extinction (cut) of the old-age benefit of the Complementary Plan. On 14 December 2012, Instituto de Seguros de Portugal (ISP) formally approved this change to the Group's benefit plan, effective from 1 January 2012. The plan was cut, and employees were given individual acquired rights. On that date, the Group also proceeded to the settlement of the respective liability.

From 1 January 2011, Bank employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the banks remain liable for benefits that concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employee, replacing the Banking Social Healthcare System which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The banks support the remaining difference for the total pension assured in the Collective Labour Agreement (ACT).

This integration has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in accordance with the Projected Unit Credit during the average lifetime of the pension until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, an agreement was established between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the IRCT - Instrument of Collective Regulation of Work of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements, namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the ACT was reached between the BCP Group and four unions from the two union federations of the unions that represent the Group's employees, which introduced changes in the Social Security clause and consequently in the pension plan financed by the BCP Group Pension Fund. The new ACT was published by the Ministry of Labour in the Bulletin of Labour and Employment on 15 February 2017 and the effects were recorded in the financial statements of 31 December 2016, for employees associated with these four unions.

The negotiation with Sindicato dos Bancários do Norte (SBN), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labour and Employment, with the effects of this new ACT recorded in the financial statements as at 31 December 2017, for employees associates of SBN.

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

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

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

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

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

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

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

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

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

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

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

R2. Revision of the salary tables for employees in service and pensions in payment

In 2023, negotiations continued with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of the respective clauses, negotiations which are still ongoing.

At the same time, negotiations took place with all the unions subscribed to the Group's Collective Labour Agreements for the revision of the Salary Tables and other clauses of pecuniary expression relative to the year 2023, negotiations that are still ongoing.

Although no agreement has yet been reached, the Group unilaterally decided to carry out in March 2023, with retroactive to 1 January 2023, a provisional update of the Salary Tables, including diuturnities and the Bank's Contributions to SAMS by 3.00%, with the increase from 10.50 euros to 11.50 euros in lunch subsidy, corresponding to a growth of 9,52%. No adjustment was made to the values of the remaining pecuniary expression clauses.

Regarding the revision of the Salary Tables and other clauses of pecuniary expression for 2022, the agreement of unions SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários and SIB – Sindicato Independente da Banca, has not yet been reached on the proposal presented by the Group on 22 June, the content of which corresponds to what was agreed with the other unions, hence the negotiations are still ongoing.

R3. Defined contribution plan

For the defined contribution plans, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 31 March 2023, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

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

R4. Variable remuneration paid to employees

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

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

R5. Share-based compensation plan

As at 31 March 2023, a variable compensation plan with BCP shares is in force for the members of the Executive Committee and for the employees considered Key Function Holders (includes Key Management Members), resulting from the Remuneration Policies for the members of the management and supervisory bodies and for the Employees, both approved for the financial year of 2022 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

Key Function Holders include Key Management Members, which are the first line directors who report directly to the Board of Directors and the remaining employees whose professional activities have a significant impact on the Bank's risk profile.

As defined in the Remuneration Policy for the members of the management and supervisory bodies, an annual variable remuneration system is foreseen, for which an assessment of the performance of each member of the Executive Committee is carried out on an annual basis based on quantitative and qualitative criteria. According to this assessment and the annual fixed remuneration, and provided that the Bank's minimum level of performance as measured by a set of quantitative indicators is met, the amount of the variable remuneration to be attributed to each member of the Executive Committee is decided by the Remuneration and Welfare Board. The payment of the amount of the variable remuneration attributed is subject to a deferral period of 5 years for 50% of its value, being 50% of its value paid in the year following the financial year in question. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

The Remuneration Policy for Employees foresees an annual variable remuneration system for Employees not covered by Commercial Incentives Systems, based on the performance assessment of each employee, in accordance with quantitative and qualitative criteria, that is carried out annually. As a result of this assessment and the fixed reference remuneration for the function performed, and provided that the Bank's minimum level of performance in a set of quantitative indicators is met, the value of the variable remuneration to be attributed to each Employee is decided by the Executive Committee. For Employees considered as Key Function Holders, the payment of the amount of the variable remuneration to be attributed to each Employee is decided by the Nominations and Remunerations Committee, and its payment subject to a deferral period of 5 years for 40% of its value, with 60% of its value paid in the year following the financial year in question. The amounts related to the non-deferred and deferred portion are paid 50% in cash and 50% in BCP shares. The number of BCP shares attributed and to be attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

Employees considered as Key Function Holders are not covered by Commercial Incentives Systems.

For the remaining Employees not covered by Commercial Incentive Systems, the payment of the variable remuneration amount awarded is fully paid in cash in the following year to which it relates.

As foreseen in the approved Remuneration Policy and in the applicable legislation, the amounts of variable remuneration attributed to the members of the Executive Committee and to the Employees considered as Key Function Holders are subject to reduction and reversal mechanisms, to be applied in case of verification of extremely significant events, duly identified, in which the people covered have had a direct participation.

For the members of the Executive Committee, a long-term variable remuneration system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2022 until 31 December 2025, provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 5 years for 50% of its value, being 50% of its value paid in the year following the assessment period to which it relates. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

All the shares attributed to the members of the Executive Committee and to the Key Function Holders, within the scope of the payment of variable remuneration, including long-term, are subject to a retention period of 1 year after their payment.

The total variable remuneration to be attributed, each year, to each member of the Executive Committee and to each Employee considered as Key Function Holders, regarding the proportion between its amount and the annual fixed remuneration, is limited to the limits provided in the respective Remuneration Policy.

S. Income taxes

The Group is subject to income tax in several jurisdictions. The Bank is subject, in individual terms, to the regime established by the Corporate Income Tax Code (CIRC), the Special Regime applicable to Deferred Tax Assets approved by Law no. 61/2014 of 26 August, to which it adhered, and individual legislation. Additionally, deferred taxes relating to tax losses and to temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that these taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets at fair value through other comprehensive income and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted by authorities at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for non-deductible goodwill for tax purposes, differences arising from initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

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

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

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to offset current tax assets and current tax liabilities; and, (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes released by the same Tax Authority on either the same taxable entity.

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

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of IRC taxation, with BCP being the dominant entity. In the financial years of 2023 and 2022, RETGS application was maintained. The group's taxable profit is calculated by the algebraic sum of taxable profits and individual tax losses of the companies that integrate it.

T. Segmental reporting

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

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

Portugal activity:

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

The Other segment (Portugal activity) includes activities that are not allocated to remaining segments, namely centralized management of financial investments, corporate activities, and insurance activity.

Foreign activity:

- Poland;
- Mozambique;
- Other.

The "Other" segment (foreign activity) includes the activity arising from the discontinued operations in Cayman Islands (operation liquidated in 2022) and the contribution of the participation in an associate in Angola. It should also be noted that, following the sale of the operation in Switzerland, which took place at the end of 2021, the capital gain generated with the completion of this operation was adjusted in 2022, with this record being reflected as income arising from discontinued operations, as provided for in IFRS 5.

U. Provisions, Contingent liabilities and Contingent assets

U1. Provisions

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

Additionally, when fundamental reorganizations occur that have a material effect on the nature and focus of the company's operations, and the criteria for recognition of provisions referred to above are met, provisions are recognized for restructuring costs.

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

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

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

U2. Contingent assets

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

U3. Contingent liabilities

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

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

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

V. Earnings per share

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

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

W. Insurance contracts

W1. Classification

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

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

W2. Recognition and measurement

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

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

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

W3. Premiums

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

W4. Provision for unearned premiums from direct insurance and reinsurance premiums ceded

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

W5. Liability adequacy test

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

X. Insurance or reinsurance intermediation services

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

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

Commissions received for insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions whose receipt occurs at a different time from the period to which they refer are recognised as an amount receivable under the item "Other assets". Commissions received for insurance mediation services are recognized in accordance with the policy described in note I. Recognition of income from services and commissions.

Y. Accounting estimates and judgments in applying accounting policies

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

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

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

Y1. Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assesses whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and if it can take possession of these results through the power it holds *(de facto control)*. The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimations and assumptions to determine at what extent the Group is exposed to the variable returns and its ability to use its power to affect these returns. Different estimations and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

Y2. Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's assets is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

Y3. Income taxes

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

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

Regarding the activity in Portugal, Regulatory Decrees no. 5/2016, of 18 November, no. 11/2017, of 28 December, and no. of impairment losses and other value corrections for specific credit risk deductible for the purposes of calculating taxable income based on IRC in the years 2016, 2017 and 2018, respectively. These Regulatory Decrees establish that Bank of Portugal Notice No. 3/95 (Notice that was relevant for the determination of loan provisions in the financial statements presented in NCA) must be considered for the purposes of calculating the maximum limits of impairment losses accepted for tax purposes in 2016, 2017 and 2018, respectively.

Law No. 98/2019, of September 4, established the tax regime for credit impairments and provisions for guarantees for tax periods beginning on or after January 1, 2019, providing for approximation between accounting rules and tax for the purposes of deductibility of expenses with the strengthening of credit impairments. The rules in force until 2018 could continue to be applied until the end of the 2023 financial year, unless the option to apply the new regime was exercised in advance.

In 2022, the Bank exercised the option to apply the new regime, under the terms of which the impairment losses for credit risk relating to exposures analysed on an individual basis or on a collective basis recognized in accordance with applicable accounting standards and regulations, maintaining the rules in force until 2018 for the balance of impairment losses and other value adjustments for specific credit risk recorded up to 31 December 2021.

Following the amendments provided for in Law No. 24-D/2022, of 30 December, within the scope of the State Budget for 2023, the time limit applicable to the carrying forward of tax losses in Portugal was eliminated. This amendment applies to tax losses calculated in tax periods beginning on or after 1 January 2023, as well as to tax losses calculated in tax periods prior to January 1, 2023 and whose deduction period is still in progress on that date. Thus, tax losses calculated in 2014 and subsequent years may be deducted from future taxable income. The deduction limit for tax losses increased from 70% to 65%, being increased by ten percentage points when the difference results from the deduction of tax losses calculated in the 2020 and 2021 tax periods, under the terms of the special regime provided for in Law n. 27-A/2020, of 24 July 24.

In the projections of future taxable income, namely for purposes of the analysis of the recoverability of deferred taxes assets carried out with reference to 31 December 2022, the approximation between the accounting and tax rules provided for in the aforementioned Law n.º 98/2019 was considered, of 4 September, taking into account the option for applying the new regime exercised in 2022, as well as the changes in terms of the elimination of the time limit on the use of tax losses provided for in said Law no. 24-D/2022, of 30 December.

The taxable profit or tax loss calculated by the Bank or its subsidiaries residing in Portugal can be corrected by the Portuguese tax administration within a period of four years, except in the case of any deduction or tax credit being used, in which the expiry period is the exercise of that right. The Bank recorded provisions or liabilities for deferred taxes in the amount it considers appropriate to cover tax corrections or tax losses incurred, as well as contingencies relating to years not yet reviewed by the tax authorities.

Y4. Non-current assets held for sale (real estate) valuation

The valuation of these assets, and consequently the impairment losses, is supported by evaluations carried out by external experts, which incorporate several assumptions, namely the selling price per square meter, discount rate, better use of the real estate and expectations regarding the development of real estate projects, as applicable, and also considers the Bank's historical experience in the commercialization of real estate, its perspectives on the evolution of the real estate market and the intentions of the management body regarding the commercialization of these assets. The assumptions used in the valuations of these assets have an impact on their valuation and consequently on the determination of impairment.

Y5. Pension and other employees' benefits

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

The discount rate used to update the Bank's pension fund liabilities, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis carried out on a set of available information, which includes, among other elements, the market references for this indicator published by internationally recognized specialized entities and which are based, as defined by IAS 19, on market yields of a universe of high quality bond issues (low risk), different maturities, called in Euros and relating to a diverse and representative range of issuers (non-sovereign).

Y6. Financial instruments – IFRS 9

Y6.1. Classification and measurement

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

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

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

Y6.2. Impairment losses on financial assets at amortised cost and debt instruments at fair value through other comprehensive income

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

Significant increase in credit risk:

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

In order to comply with the Supervisors' guidelines, namely regarding to the identification and measurement of credit risk in the context of of uncertainty associated with the current geopolitical crisis, the disruption in distribution chains, rising energy costs and inflationary pressures, the Bank proceeded to record additional impairments in relation to the current models of collective impairment calculation (overlays).

The exercise carried out was based on an analysis of migrations from customers identified as having the highest risk for Stage 2 and Stage 3, with the greatest impact on the corporate segment.

Definition of groups of assets with common credit risk characteristics:

When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of credit risk characteristics on a regular basis to assess whether it maintains its similarity. This procedure is necessary to ensure that, in the event of a change in the credit risk characteristics, the asset segmentation is reviewed. This review may result in the creation of new portfolios or in transferring assets to existing portfolios that better reflect their credit risk characteristics.

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

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

Probability of default:

The probability of default represents a determining factor in the measurement of expected credit losses and corresponds to an estimation of the probability of default in each period, which is calculated based on historical data, assumptions and expectations about future conditions.

Loss given default:

It corresponds to a loss estimation in a default scenario. It is based on the difference between the contractual cash flows and those that the Bank expects to receive, through the cash flows generated by the customers' business or credit collaterals. The estimation of loss given default is based on, among other aspects, the different recovery scenarios, historical information, the costs involved in the recovery process and the estimation of the valuation of collaterals associated with credit operations.

Y6.3. Fair value of derivative financial instruments

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

Due to market stress conditions, the Bank needed to reallocate the risk limits, especially in the sensitivity limit of the trading portfolio and to review the stress-test scenarios and their methodologies.

In the context of the uncertainty associated with the current macroeconomic framework, the calculation of fair value adjustments was revised considering liquidity discounts, the costs of closing positions (widening the buy and sell spread), credit risk, spreads of financing and increased volatility.

Y7. Provisions for risk associated with mortgage loans indexed to the Swiss franc

The Group creates provisions for legal contingencies related to mortgage loans indexed to the Swiss franc granted by Bank Millennium, S.A.

The assumptions used by the Bank are essentially based on historical observations and will have to be updated in subsequent periods, which may have a relevant impact on the provision's estimation. The methodology developed by the Bank is based on the following parameters: (i) the number of current (including class actions) and potential future court cases that will appear within a specified time horizon; (ii) the amount of the Bank's potential loss in the event of a specific court judgment (three negative judgment scenarios were taken into account); (iii) the probability of obtaining a specific court verdict calculated on the basis of statistics of judgments of the banking sector in Poland and legal opinions obtained; (iv) in the case of a loan agreement invalidity scenario, the Bank Millennium's loss is calculated taking into account the assignment of a minimum probability of receiving the settlement of a remuneration for the cost of use of capital; and (v) amicable settlement with clients in or out of court.

The evolution of responsibilities with legal contingencies related to mortgage loans indexed to the swiss franc and the amount of the Bank's actual losses depend, namely, on the number of ongoing and potential lawsuits, as well as on the final court decisions about each case and amicable settlement with clients.

Z. Subsequent events

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

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

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

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	22,021	(284)
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	18,887	7,479
Loans and advances to customers	739,781	418,160
Debt securities	101,164	41,267
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	10,538	(450)
Financial assets not held for trading mandatorily at fair value through profit or loss	791	1,657
Interest on financial assets at fair value through other comprehensive income	69,652	27,348
Interest on hedging derivatives	12,125	17,953
Interest on other assets	3,639	791
	978,598	513,921
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(7,766)	17,371
Resources from customers	(200,267)	(35,412)
Non subordinated debt securities issued	(15,249)	(6,469)
Subordinated debt	(20,428)	(14,688)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(6,204)	(3,153)
Financial liabilities at fair value through profit or loss		
Non subordinated debt securities issued	(98)	(110)
Interest on hedging derivatives	(61,132)	(4,361)
Interest on leasing	(2,872)	(1,333)
Interest on other liabilities	(31)	(665)
	(314,047)	(48,820)
	664,551	465,101

The balance Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand has accounted for a negative interest of Euros 2,991,000 (31 March 2022: Euros 3,056,000) associated with demand deposits with the Bank of Portugal (do not include overnight operations).

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 15,050,000 (31 March 2022: Euros 6,514,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3. The balance also includes the amount of Euros 18,052,000 (31 March 2022: Euros 12,620,000) related to interest income arising from customers classified in stage 3.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 713,000 and Euros 113,000, respectively (31 March 2022: Euros 600,000 and Euros 250,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions had recorded as at 31 March 2022 a negative cost of Euros 20,375,000 associated with the TLTRO III operation described in note 33.

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

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Dividends from financial assets through other comprehensive income	44	889
	44	889

The balance Dividends from financial assets at fair value through other comprehensive income includes dividends and income from investment fund units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Fees and commissions received		
Banking services provided	120,686	117,258
Management and maintenance of accounts	41,974	40,958
Bancassurance	32,927	30,968
Securities operations	15,643	17,047
Guarantees granted	13,551	11,408
Commitments to third parties	1,411	1,381
Management and intervention commissions	6,071	6,301
Fiduciary and trust activities	—	31
Other commissions	5,506	4,933
	237,769	230,285
Fees and commissions paid		
Banking services provided by third parties	(32,603)	(29,987)
Securities operations	(2,051)	(2,226)
Guarantees received	(2,096)	(168)
Other commissions	(5,614)	(5,060)
	(42,364)	(37,441)
	195,405	192,844

5. Gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Gains/(losses) on financial operations at fair value through profit or loss		
Gains/(losses) on financial assets held for trading	63,178	(51,098)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss	6,818	1,977
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	(57,508)	57,812
	12,488	8,691
Foreign exchange gains/(losses)	6,567	1,859
Hedge accounting gains/(losses)	668	(2,162)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	112,672	6,377
Gains/(losses) arising from derecognition of financial assets at fair value through other comprehensive income	(832)	28,619
	131,563	43,384

The balances Gains/(losses) on financial operations at fair value through profit or loss is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Gains/(losses) on financial assets held for trading		
Gains		
Debt securities portfolio	4,221	1,321
Equity instruments	700	54
Derivative financial instruments	119,420	154,724
Other operations	334	607
	124,675	156,706
Losses		
Debt securities portfolio	(2,918)	(3,659)
Equity instruments	(68)	(2,910)
Derivative financial instruments	(58,399)	(201,022)
Other operations	(112)	(213)
	(61,497)	(207,804)
	63,178	(51,098)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	1,032	3,017
Debt securities portfolio	23,245	5,680
Equity instruments	927	412
	25,204	9,109
Losses		
Loans and advances to customers	(1,599)	(2,567)
Debt securities portfolio	(16,787)	(4,565)
	(18,386)	(7,132)
	6,818	1,977

(continues)

(continuation)

(Thousands of euros)

	31 March 2023	31 March 2022
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	9,104	–
Debt securities issued		
Certificates and structured securities issued	23,450	47,094
Other debt securities issued	88	11,124
	32,642	58,218
Losses		
Debt securities issued		
Certificates and structured securities issued	(88,105)	–
Other debt securities issued	(2,045)	(406)
	(90,150)	(406)
	(57,508)	57,812

The balances Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss - Gains/(Losses) - Certificates and structured securities issued record the valuations and devaluations of certificates issued by the Group. These liabilities are covered by futures, which valuation and devaluation are recorded in Gains / (losses) on financial assets held for trading - Gains/(Losses) - Derivative financial instruments.

The balances Foreign exchange gains/(losses), Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss, are presented as follows:

(Thousands of euros)

	31 March 2023	31 March 2022
Foreign exchange gains/(losses)		
Gains	820,121	504,234
Losses	(813,554)	(502,375)
	6,567	1,859
Gains/(losses) on hedge accounting		
Gains		
Hedging derivatives	33,291	449,221
Hedged items	90,769	55,767
	124,060	504,988
Losses		
Hedging derivatives	(79,923)	(106,206)
Hedged items	(43,469)	(400,944)
	(123,392)	(507,150)
	668	(2,162)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss		
Gains		
Credit sales	343	6,341
Debt securities issued	364	286
Others	117,834	85
	118,541	6,712
Losses		
Credit sales	(5,570)	(45)
Debt securities issued	(216)	(136)
Others	(83)	(154)
	(5,869)	(335)
	112,672	6,377

The caption “Gains arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss - Others” includes the amount of Euros 117,741,000 corresponding to the gains recognized on the sale of of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland, within the scope of the Strategic Insurance Cooperation between Bank Millennium, S.A and the buyers, as described in note 47.

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

(Thousands of euros)

	31 March 2023	31 March 2022
Gains/(losses) arising from derecognition of financial assets at fair value through other comprehensive income		
Gains		
Debt securities portfolio	1,555	30,730
Losses		
Debt securities portfolio	(2,387)	(2,111)
	(832)	28,619

The balance Gains/(losses) arising from derecognition of financial assets at fair value through other comprehensive income Gains - Debt securities portfolio includes the amount of Euros 2,000 (31 March 2022: Euros 478,000) related to gains resulting from the sale of Portuguese Treasury bonds.

6. Other operating income/(losses)

The amount of this account is comprised of

(Thousands of euros)

	31 March 2023	31 March 2022
Operating income		
Gains on leasing operations	694	669
Income from services provided	8,588	7,751
Rents	438	1,100
Sales of cheques and others	2,317	2,454
Other operating income	14,394	15,058
	26,431	27,032
Operating costs		
Donations and contributions	(1,379)	(1,258)
Contributions to Resolution Funds	(17,737)	(10,493)
Contributions to the Deposit Guarantee Fund	(46)	(8,064)
Special tax on the Polish banking sector	—	(17,699)
Taxes	(4,725)	(3,770)
Losses on financial leasing operations	—	(27)
Other operating costs	(18,583)	(11,019)
	(42,470)	(52,330)
	(16,039)	(25,298)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Remunerations	120,253	110,631
Mandatory social security charges	20,537	23,437
Voluntary social security charges	3,679	2,557
Other staff costs	(132)	1,098
	144,337	137,723

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Water, electricity and fuel	4,327	4,343
Credit cards and mortgage	(3,021)	3,628
Communications	6,335	5,876
Maintenance and related services	4,208	4,028
Legal expenses	1,207	1,708
Travel, hotel and representation costs	1,892	867
Advisory services	9,849	5,742
Training costs	131	157
Information technology services	6,837	11,018
Consumables	1,887	1,650
Outsourcing and independent labour	25,857	18,455
Advertising	6,841	5,672
Rents and leases	6,327	4,787
Insurance	1,356	1,371
Transportation	2,807	2,412
Other specialised services	7,415	6,774
Other supplies and services	6,006	4,179
	90,261	82,667

The balance Rents and leases includes the amount of Euros 590,000 (31 March 2022: Euros 98,000) related to short-term lease contracts and the amount of Euros 2,402,000 (31 March 2022: Euros 586,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Amortisations of intangible assets (note 30):		
Software	8,839	8,680
Other intangible assets	1,127	1,332
	9,966	10,012
Depreciations of other tangible assets (note 29):		
Properties	3,568	3,709
Equipment		
Computers	4,227	4,058
Security equipment	220	207
Installations	750	729
Machinery	390	326
Furniture	647	670
Motor vehicles	1,203	1,154
Other equipment	370	368
Right-of-use		
Real estate	12,573	13,376
Vehicles and equipment	—	2
	23,948	24,599
	33,914	34,611

10. Results on modification

In the first quarter of 2023, the Group has accounted for in this balance the amount of Euros 5,949,000 relating to contractual modifications made in accordance with IFRS 9, namely those negotiated with customers holding foreign exchange mortgage loans (note 52).

11. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Loans and advances to credit institutions (note 21)		
Charge for the period	7	76
Reversals for the period	(648)	(50)
	(641)	26
Loans and advances to customers (note 22)		
Charge for the period	208,809	208,010
Reversals for the period	(123,080)	(113,533)
Recoveries of loans and interest charged-off	(6,136)	(4,361)
	79,593	90,116
Debt securities (note 23)		
Associated to credit operations		
Charge for the period	843	4
Reversals for the period	(14)	(263)
	829	(259)
Not associated to credit operations		
Charge for the period	1,445	1,381
Reversals for the period	–	(332)
	1,445	1,049
	2,274	790
	81,226	90,932

12. Impairment of financial assets at fair value through other comprehensive income

The detail of this balance is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Impairment of financial assets at fair value through other comprehensive income (note 24)		
Charge for the period	266	1,018
Reversals for the period	(511)	(1,416)
	(245)	(398)

13. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Impairment of non-current assets held for sale (note 27)		
Charge for the period	1,817	9,734
Reversals for the period	(1,948)	(19)
	(131)	9,715
Impairment of other assets (note 32)		
Charge for the period	4,662	4,021
Reversals for the period	(2,463)	(2,341)
	2,199	1,680
Impairment of real estate and other assets arising from recovered loans (note 32)		
Charge for the period	940	–
Reversals for the period	(219)	–
	721	–
	2,789	11,395

14. Other provisions

This balance is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Provision for guarantees and other commitments (note 39)		
Charge for the period	15,136	9,644
Reversals for the period	(12,807)	(7,456)
	2,329	2,188
Other provisions for liabilities and charges (note 39)		
Charge for the period	232,995	150,244
Reversals for the period	(925)	(393)
	232,070	149,851
	234,399	152,039

The balance Other provisions for liabilities and charges - Charge for the period refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 52.

15. Share of profit of associates accounted for using the equity method

The main contributions of the investments accounted for using the equity method are analysed as follows:

(Thousands of euros)

	31 March 2023	31 March 2022
Banco Millennium Atlântico, S.A. (note 26)		
Appropriation relating to the current period	419	512
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (a)	—	(103)
	419	409
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	8,776	8,746
Unicre - Instituição Financeira de Crédito, S.A.	(516)	4,029
SIBS, S.G.P.S, S.A.	3,546	1,400
Banque BCP, S.A.S.	1,075	1,154
Fidelidade Moçambique - Companhia de Seguros S.A.	467	470
	13,348	15,799
	13,767	16,208

(a) Based on the requirements of IAS 29, Angola was considered as a high inflation economy until 31 December 2018, for the purposes of presentation of consolidated financial statements, as described in accounting policy 1 B6. This classification is no longer applied since 1 January 2019.

16. Gains/(losses) on disposal of subsidiaries and other assets

This balance is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Gains /(Losses) on disposal of investments	9,199	—
Gains /(Losses) on disposal of other assets	476	7,617
	9,675	7,617

Due to the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland, as described in note 47, and consequently loss of control over the company, the Group initially measured its remaining non-controlling stake (20%) at fair value, recording a gain of Euros 9,205,000 recorded as Gains /(Losses) on disposal of investments.

During the first quarter of 2023, the balance Gains /(Losses) on disposal of other assets includes essentially gains on disposal of assets held by the Group and classified as non-current assets held for sale corresponding to a gain of Euros 450,000 (31 March 2022: gain of Euros 7,693,000).

17. Net income from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2023	31 March 2022
Banque Privée BCP (Suisse) S.A.		
Gains on disposal of the investment held (price adjustment)	—	1,789
Fidelidade Moçambique - Companhia de Seguros S.A.		
Correction of gains on disposal of the investment held	—	(401)
	—	1,388

Under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact on results presented in a separate line of the income statement named "Net income from discontinued or discontinuing operations".

In 2022, the sale price and the corresponding gains on disposal were positively adjusted. The sale price received may also be adjusted positively or negatively in 2023, depending on the evolution of certain parameters, as is usual in this type of transaction, including those that may result from the variation of stocks and/or flows of assets under management, in pre-determined dates and specified portfolios.

By the end of 2021, the Group, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., sold 70% of the investment held in Seguradora Internacional de Moçambique, S.A. (now designated Fidelidade Moçambique - Companhia de Seguros S.A.), becoming to hold a minority stake of 22%. In accordance with the provisions of IFRS 5, this operation was considered as discontinued and the impact on results presented in a separate line of the income statement named "Net income from discontinued or discontinuing operations".

Possible contingencies are reflected in the sales price received, therefore, this could be adjusted positively or negatively in the future, according to typical adjustments in these kind of transactions, including the variation of the value and/or flows of assets under management, in pre-determined dates and for specified assets. By the end of 2022, the period during which price adjustments could be made ended.

18. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	31 March 2023	31 March 2022
Continuing operations		
Net income from continuing operations	250,090	106,305
Non-controlling interests	(35,131)	5,173
Appropriated net income from continuing operations	214,959	111,478
Interests on perpetual subordinated bonds (Additional Tier 1)	(9,250)	(9,250)
Adjusted net income from continuing operations	205,709	102,228
Discontinued or discontinuing operations (note 17)		
Appropriated net income from discontinued or discontinuing operations	—	1,388
Adjusted net income	205,709	103,616
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.055	0.027
Diluted earnings per share (Euros):		
from continuing operations	0.055	0.027

As at 31 March 2023, the Bank's share capital amounts to Euros 3,000,000,000 (31 March 2022: Euros 4,725,000,000) and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up. Pursuant to the resolutions adopted at the General Meeting held on 20 December 2022, the Bank registered its new share capital of 3,000,000,000 Euros, maintaining the number of nominatives, book-entry shares without nominal value and of the voting rights.

There were not identified another dilution effects of the earnings per share as at 31 March 2023 and 31 March 2022, so the diluted result is equivalent to the basic result.

19. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Cash	539,846	593,033
Central Banks		
Bank of Portugal	898,058	3,370,139
Central Banks abroad	1,597,372	2,058,829
	3,035,276	6,022,001

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

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

20. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Credit institutions in Portugal	2,814	2,338
Credit institutions abroad	119,166	112,443
Amounts due for collection	81,528	98,679
	203,508	213,460

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

21. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Loans and advances to Central Banks		
Central Banks abroad	57,503	382,038
	57,503	382,038
Loans and advances to credit institutions in Portugal		
Short-term applications	51,348	973
Loans	—	4,250
Other	699	1,068
	52,047	6,291
Loans and advances to credit institutions abroad		
Term deposits	394,395	425,152
Term deposits to collateralise CIRS and IRS operations (*)	98,492	124,746
Other	26,759	26,069
	519,646	575,967
	629,196	964,296
Impairment for loans and advances to credit institutions	(221)	(862)
	628,975	963,434

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

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

(Thousands of euros)

	31 March 2023	31 December 2022
Balance on 1 January	862	1,187
Impairment charge for the period (note 11)	7	349
Reversals for the period (note 11)	(648)	(673)
Exchange rate differences	—	(1)
Balance at the end of the period	221	862

22. Loans and advances to customers

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

(Thousands of euros)

	31 March 2023	31 December 2022
Mortgage loans	28,218,281	28,658,104
Loans	17,494,932	17,672,581
Finance leases	4,154,817	4,176,329
Factoring operations	2,963,505	3,022,248
Current account credits	900,702	822,473
Overdrafts	1,124,023	1,046,121
Discounted bills	166,843	201,081
	55,023,103	55,598,937
Overdue loans - less than 90 days	106,015	94,063
Overdue loans - Over 90 days	479,326	485,166
	55,608,444	56,178,166
Loans impairment	(1,532,968)	(1,502,373)
	54,075,476	54,675,793

The balance Loans and advances to customers, as at 31 March 2023, is analysed as follows:

(Thousands of euros)

	31 March 2023				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	612,170	—	612,170	(1,022)	611,148
Asset-backed loans	31,708,133	133,026	31,841,159	(540,661)	31,300,498
Other guaranteed loans	5,464,526	100,619	5,565,145	(215,628)	5,349,517
Unsecured loans	7,626,543	253,814	7,880,357	(531,907)	7,348,450
Foreign loans	2,493,409	1,990	2,495,399	(36,277)	2,459,122
Factoring operations	2,963,505	17,849	2,981,354	(45,922)	2,935,432
Finance leases	4,154,817	78,043	4,232,860	(161,551)	4,071,309
	55,023,103	585,341	55,608,444	(1,532,968)	54,075,476

The balance Loans and advances to customers, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	31 December 2022				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	583,999	—	583,999	(966)	583,033
Asset-backed loans	32,233,382	123,063	32,356,445	(555,500)	31,800,945
Other guaranteed loans	5,667,532	100,085	5,767,617	(222,449)	5,545,168
Unsecured loans	7,458,312	258,186	7,716,498	(476,885)	7,239,613
Foreign loans	2,457,135	2,451	2,459,586	(34,334)	2,425,252
Factoring operations	3,022,248	16,680	3,038,928	(49,411)	2,989,517
Finance leases	4,176,329	78,764	4,255,093	(162,828)	4,092,265
	55,598,937	579,229	56,178,166	(1,502,373)	54,675,793

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

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);
- Credit with other guarantees: First-demand guarantees issued by banks or other entities and personal guarantees.

The analysis of loans and advances to customers, as at 31 March 2023, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2023					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	452,762	6,727	459,489	(13,279)	446,210	0.83 %
Fisheries	25,464	3,226	28,690	(3,095)	25,595	0.05 %
Mining	65,275	1,421	66,696	(4,276)	62,420	0.12 %
Food, beverage and tobacco	798,706	11,767	810,473	(22,602)	787,871	1.46 %
Textiles	477,650	10,280	487,930	(15,091)	472,839	0.88 %
Wood and cork	245,929	3,133	249,062	(4,492)	244,570	0.45 %
Paper, printing and publishing	140,313	753	141,066	(3,956)	137,110	0.25 %
Chemicals	805,286	37,749	843,035	(64,823)	778,212	1.52 %
Machinery, equipment and basic metallurgical	1,516,211	24,629	1,540,840	(58,948)	1,481,892	2.77 %
Electricity and gas	217,254	468	217,722	(1,226)	216,496	0.39 %
Water	202,261	539	202,800	(8,293)	194,507	0.37 %
Construction	1,507,421	25,002	1,532,423	(140,394)	1,392,029	2.76 %
Retail business	1,706,707	20,405	1,727,112	(38,014)	1,689,098	3.11 %
Wholesale business	2,160,570	23,327	2,183,897	(65,091)	2,118,806	3.93 %
Restaurants and hotels	1,483,843	19,286	1,503,129	(69,030)	1,434,099	2.70 %
Transports	1,329,220	8,292	1,337,512	(22,016)	1,315,496	2.41 %
Post offices	20,145	193	20,338	(543)	19,795	0.04 %
Telecommunications	396,491	3,305	399,796	(9,354)	390,442	0.72 %
Services						
Financial intermediation	2,061,907	2,135	2,064,042	(27,056)	2,036,986	3.71 %
Real estate activities	1,967,344	12,338	1,979,682	(38,688)	1,940,994	3.56 %
Consulting, scientific and technical activities	974,229	10,514	984,743	(86,602)	898,141	1.77 %
Administrative and support services activities	530,005	4,984	534,989	(58,781)	476,208	0.96 %
Public sector	811,520	—	811,520	(2,680)	808,840	1.46 %
Education	138,191	697	138,888	(14,426)	124,462	0.25 %
Health and collective service activities	366,136	1,125	367,261	(6,267)	360,994	0.66 %
Artistic, sports and recreational activities	233,939	2,285	236,224	(30,854)	205,370	0.43 %
Other services	249,505	3,305	252,810	(154,544)	98,266	0.46 %
Consumer loans	5,832,218	231,037	6,063,255	(368,218)	5,695,037	10.90 %
Mortgage credit	27,619,260	113,442	27,732,702	(186,210)	27,546,492	49.87 %
Other domestic activities	1,403	278	1,681	(30)	1,651	0.00 %
Other international activities	685,938	2,699	688,637	(14,089)	674,548	1.24 %
	55,023,103	585,341	55,608,444	(1,532,968)	54,075,476	100 %

The analysis of loans and advances to customers, as at 31 December 2022, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2022					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	461,680	8,517	470,197	(13,879)	456,318	0.84 %
Fisheries	25,308	3,226	28,534	(2,563)	25,971	0.05 %
Mining	70,970	1,676	72,646	(5,249)	67,397	0.13 %
Food, beverage and tobacco	813,359	11,634	824,993	(26,201)	798,792	1.47 %
Textiles	497,338	8,989	506,327	(17,109)	489,218	0.90 %
Wood and cork	260,175	3,730	263,905	(5,364)	258,541	0.47 %
Paper, printing and publishing	148,937	742	149,679	(3,924)	145,755	0.27 %
Chemicals	862,826	38,334	901,160	(63,538)	837,622	1.60 %
Machinery, equipment and basic metallurgical	1,526,778	25,298	1,552,076	(56,649)	1,495,427	2.76 %
Electricity and gas	229,821	443	230,264	(1,285)	228,979	0.41 %
Water	204,736	452	205,188	(8,371)	196,817	0.37 %
Construction	1,497,114	21,639	1,518,753	(141,991)	1,376,762	2.70 %
Retail business	1,705,882	18,730	1,724,612	(36,848)	1,687,764	3.07 %
Wholesale business	2,225,903	26,755	2,252,658	(67,081)	2,185,577	4.01 %
Restaurants and hotels	1,505,963	15,721	1,521,684	(71,192)	1,450,492	2.71 %
Transports	1,320,236	7,464	1,327,700	(20,751)	1,306,949	2.36 %
Post offices	19,918	254	20,172	(412)	19,760	0.04 %
Telecommunications	411,885	1,508	413,393	(9,411)	403,982	0.74 %
Services						
Financial intermediation	2,047,265	2,149	2,049,414	(44,691)	2,004,723	3.65 %
Real estate activities	1,978,182	10,931	1,989,113	(35,469)	1,953,644	3.54 %
Consulting, scientific and technical activities	969,410	8,232	977,642	(86,718)	890,924	1.74 %
Administrative and support services activities	532,237	4,296	536,533	(57,220)	479,313	0.96 %
Public sector	823,904	—	823,904	(2,545)	821,359	1.47 %
Education	143,930	814	144,744	(14,627)	130,117	0.26 %
Health and collective service activities	378,423	1,029	379,452	(7,108)	372,344	0.68 %
Artistic, sports and recreational activities	236,543	2,128	238,671	(37,124)	201,547	0.43 %
Other services	234,399	2,971	237,370	(101,356)	136,014	0.42 %
Consumer loans	5,775,239	237,160	6,012,399	(369,220)	5,643,179	10.70 %
Mortgage credit	28,012,946	110,809	28,123,755	(181,551)	27,942,204	50.06 %
Other domestic activities	1,377	332	1,709	(38)	1,671	0.00 %
Other international activities	676,253	3,266	679,519	(12,888)	666,631	1.21 %
	55,598,937	579,229	56,178,166	(1,502,373)	54,675,793	100 %

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous and which arise to the marking of operations as being restructured due to financial difficulties of customers. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit as well as changes in the payment plan and/or in interest rate. The analysis of the restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2023			31 December 2022		
	Restructured loans	Impairment (*)	Net amount	Restructured loans	Impairment (*)	Net amount
Agriculture and forestry	14,253	(1,980)	12,273	15,009	(2,216)	12,793
Fisheries	2,786	(2,248)	538	2,772	(1,762)	1,010
Mining	1,322	(201)	1,121	1,305	(199)	1,106
Food, beverage and tobacco	26,875	(9,821)	17,054	28,393	(10,112)	18,281
Textiles	12,933	(4,254)	8,679	14,120	(4,981)	9,139
Wood and cork	5,622	(680)	4,942	6,088	(784)	5,304
Paper, printing and publishing	8,115	(1,857)	6,258	8,698	(1,701)	6,997
Chemicals	27,283	(11,532)	15,751	30,146	(11,809)	18,337
Machinery, equipment and basic metallurgical	70,618	(23,980)	46,638	74,637	(22,688)	51,949
Electricity and gas	1,131	(259)	872	1,133	(255)	878
Water	1,608	(728)	880	1,767	(734)	1,033
Construction	149,346	(93,628)	55,718	151,970	(94,787)	57,183
Retail business	38,539	(10,306)	28,233	38,861	(10,085)	28,776
Wholesale business	60,264	(10,460)	49,804	68,474	(13,627)	54,847
Restaurants and hotels	104,143	(23,738)	80,405	97,002	(16,126)	80,876
Transports	6,462	(1,801)	4,661	9,620	(1,767)	7,853
Post offices	119	(62)	57	125	(33)	92
Telecommunications	24,445	(3,955)	20,490	25,228	(4,066)	21,162
Services						
Financial intermediation	33,974	(1,331)	32,643	54,764	(19,879)	34,885
Real estate activities	64,792	(12,327)	52,465	45,785	(9,927)	35,858
Consulting, scientific and technical activities	189,592	(62,882)	126,710	190,444	(63,606)	126,838
Administrative and support services activities	67,902	(46,629)	21,273	67,941	(46,519)	21,422
Public sector	61,682	(423)	61,259	63,016	(427)	62,589
Education	16,756	(11,227)	5,529	17,310	(11,358)	5,952
Health and collective service activities	8,322	(1,281)	7,041	8,428	(1,206)	7,222
Artistic, sports and recreational activities	42,585	(24,139)	18,446	19,732	(8,865)	10,867
Other services	10,688	(1,457)	9,231	11,855	(1,601)	10,254
Consumer loans	276,072	(103,279)	172,793	274,500	(99,459)	175,041
Mortgage credit	563,357	(69,168)	494,189	535,948	(69,129)	466,819
Other international activities	933	(632)	301	977	(594)	383
	1,892,519	(536,265)	1,356,254	1,866,048	(530,302)	1,335,746

(*)The impairment presented in the table does not include the amounts of impairment calculated using the overlays methodology.

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Balance on 1 January	1,502,373	1,849,284
Charge for the period in net income interest	11,037	32,942
Transfers	1,088	(53,634)
Impairment charge for the period (note 11)	208,809	830,750
Reversals for the period (note 11)	(123,080)	(506,926)
Loans charged-off		
Write-offs	(46,511)	(458,405)
Credit assignments	(18,837)	(189,061)
Exchange rate differences	(1,911)	(2,577)
Balance at the end of the period	1,532,968	1,502,373

As at 31 December 2022 the balance Transfers included the amount of Euros 52,794,000 related to impairment for loans that were reclassified to Financial assets not held for trading mandatorily at fair value through profit or loss - Loans and advances to customers at fair value.

According to note 39, regarding the proceedings related to foreign currency-indexed mortgage loans of Bank Millennium the amount of Euros 1,131,278,000 has been writenn-off from the gross carrying amount of loans portfolio (31 December 2022: Euros 976,782,000).

The analysis of Write-offs, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Agriculture and forestry	3	271
Fisheries	—	1
Mining	—	46
Food, beverage and tobacco	125	1,696
Textiles	887	1,405
Wood and cork	26	2,083
Paper, printing and publishing	—	141
Chemicals	614	1,425
Machinery, equipment and basic metallurgical	86	2,613
Electricity and gas	2	615
Water	15	39
Construction	1,558	9,992
Retail business	259	10,324
Wholesale business	1,209	13,782
Restaurants and hotels	209	3,482
Transports	173	6,527
Post offices	23	128
Telecommunications	2	72
Services		
Financial intermediation	18,692	72,244
Real estate activities	126	306
Consulting, scientific and technical activities	905	1,119
Administrative and support services activities	57	2,839
Education	—	48
Health and collective service activities	18	179
Artistic, sports and recreational activities	14	6,492
Other services	17	240,544
Consumer loans	20,879	69,019
Mortgage credit	335	3,581
Other domestic activities	87	838
Other international activities	190	6,554
	46,511	458,405

According with the accounting policy described in note 1 C1.3, the Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. Loans written-off are recognised in off-balance sheet accounts.

The analysis of recovered loans and interest occurred during the first quarter 2023 and 2022, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2023	31 March 2022
Agriculture and forestry	—	4
Food, beverage and tobacco	6	8
Textiles	8	9
Wood and cork	7	1
Chemicals	7	12
Machinery, equipment and basic metallurgical	3	143
Construction	68	255
Retail business	921	440
Wholesale business	1,154	26
Restaurants and hotels	5	25
Transports	101	17
Services		
Financial intermediation	2	—
Consulting, scientific and technical activities	1	4
Administrative and support services activities	23	12
Health and collective service activities	1	—
Artistic, sports and recreational activities	19	—
Other services	598	1
Consumer loans	3,052	3,292
Mortgage credit	156	102
Other domestic activities	3	9
Other international activities	1	1
	6,136	4,361

23. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	185,402	183,260
Commercial paper	1,408,436	1,256,557
Foreign issuers		
Commercial paper	64,946	65,781
	1,658,784	1,505,598
Overdue securities - over 90 days	40	40
	1,658,824	1,505,638
Impairment	(5,504)	(4,676)
	1,653,320	1,500,962
Debt securities held not associated with credit operations		
Bonds issued by public entities (*)		
Portuguese issuers	3,595,285	3,517,560
Foreign issuers	9,116,970	7,317,443
Bonds issued by other entities		
Portuguese issuers	212,256	248,399
Foreign issuers	169,329	124,438
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	222,767	336,343
	13,316,607	11,544,183
Impairment	(10,932)	(9,563)
	13,305,675	11,534,620
	14,958,995	13,035,582

(*) Includes the negative amount of Euros 66,253,000 (31 December 2022: negative amount of Euros 417,311,000) related to adjustments resulting from the application of fair value hedge accounting.

Under the terms of IFRS 9, the balance Debt securities held not associated with credit operations - Bonds issued by public issuers, includes essentially a portfolio of securities to support Bank's ALM (Asset and Liability Management), whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 31 March 2023 amounts to Euros 9,721,047,000 (31 December 2022: Euros 9,248,707,000).

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

(Thousands of euros)

	31 March 2023	31 December 2022
Debt securities held associated with credit operations		
Agriculture and forestry	2,500	2,496
Mining	41,125	46,403
Food, beverage and tobacco	86,248	79,448
Textiles	64,038	58,555
Wood and cork	15,249	19,630
Paper, printing and publishing	7,862	8,104
Chemicals	205,642	179,516
Machinery, equipment and basic metallurgical	63,621	65,973
Electricity and gas	157,057	165,676
Water	5,524	5,475
Construction	14,220	13,397
Retail business	27,884	20,507
Wholesale business	39,206	56,698
Restaurants and hotels	8,844	8,789
Transports	34,928	36,591
Telecommunications	8,278	9,706
Services		
Financial intermediation	114,887	107,372
Real estate activities	51,984	50,845
Consulting, scientific and technical activities	600,219	473,231
Administrative and support services activities	18,136	12,269
Artistic, sports and recreational activities	12,363	10,406
Other services	3,586	4,095
Other international activities	64,950	65,780
	1,653,320	1,500,962
Debt securities held not associated with credit operations		
Electricity and Gas	99,289	88,873
Water	39,835	39,704
Services		
Financial intermediation	392,097	460,781
Consulting, scientific and technical activities	141,806	119,297
Other services	428,466	–
	1,101,493	708,655
Government and Public securities	12,204,182	10,825,965
	13,305,675	11,534,620
	14,958,995	13,035,582

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

(Thousands of euros)

	31 March 2023	31 December 2022
Debt securities held associated with credit operations		
Balance on 1 January	4,676	7,059
Charge for the period (note 11)	843	8
Reversals for the period (note 11)	(14)	(2,393)
Exchange rate differences	(1)	2
Balance at the end of the period	5,504	4,676
Debt securities held not associated with credit operations		
Balance on 1 January	9,563	8,743
Charge for the period (note 11)	1,445	3,329
Reversals for the period (note 11)	—	(2,779)
Exchange rate differences	(76)	270
Balance at the end of the period	10,932	9,563

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

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

(Thousands of euros)

	31 March 2023	31 December 2022
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,148,673	338,813
Equity instruments	51,757	51,540
Trading derivatives	380,675	376,244
	1,581,105	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	16,041	20,929
Debt instruments	510,584	504,200
Equity instruments	14,231	27,550
	540,856	552,679
Financial assets at fair value through other comprehensive income		
Debt instruments	7,871,729	7,434,152
Equity instruments	26,070	27,401
	7,897,799	7,461,553
	10,019,760	8,780,829

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 March 2023, is analysed as follows:

(Thousands of euros)

	31 March 2023			
	At fair value through profit or loss			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	22,367	–	2,649,368	2,671,735
Foreign issuers	45,482	–	2,568,963	2,614,445
Bonds issued by other entities				
Portuguese issuers	21,275	51	321,962	343,288
Foreign issuers	29,134	–	982,044	1,011,178
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	808,522	–	997	809,519
Foreign issuers	221,893	–	1,348,395	1,570,288
Shares of foreign companies (a)	–	20,543	–	20,543
Investment fund units (b)	–	489,990	–	489,990
	1,148,673	510,584	7,871,729	9,530,986
Equity instruments				
Shares				
Portuguese companies	–	–	17,657	17,657
Foreign companies	26	14,231	8,413	22,670
Other securities	51,731	–	–	51,731
	51,757	14,231	26,070	92,058
Trading derivatives	380,675	–	–	380,675
	1,581,105	524,815	7,897,799	10,003,719

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

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

As at 31 March 2023, the balances Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 4, referred in note 1 D, in the amount of Euros 72,000 (31 December 2022: Euros 74,000).

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	31 December 2022			
	At fair value through profit or loss			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	21,450	—	2,448,636	2,470,086
Foreign issuers	8,353	—	2,916,098	2,924,451
Bonds issued by other entities				
Portuguese issuers	—	51	542,765	542,816
Foreign issuers	74	—	897,146	897,220
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	308,936	—	993	309,929
Foreign issuers	—	—	628,514	628,514
Shares of foreign companies (a)	—	19,387	—	19,387
Investment fund units (b)	—	484,762	—	484,762
	338,813	504,200	7,434,152	8,277,165
Equity instruments				
Shares				
Portuguese companies	—	—	18,811	18,811
Foreign companies	24	27,550	8,590	36,164
Other securities	51,516	—	—	51,516
	51,540	27,550	27,401	106,491
Trading derivatives	376,244	—	—	376,244
	766,597	531,750	7,461,553	8,759,900

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

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

On balance sheet, the changes occurred during the periods, for impairment of financial assets at fair value through other comprehensive, are analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Balance on 1 January	1,067	1,092
Transfers to fair value changes (note 43)	245	5,024
Impairment through profit and loss (note 12)	266	545
Reversals through profit and loss (note 12)	(511)	(5,569)
Exchange rate differences	—	(25)
Balance at the end of the period	1,067	1,067

As at 31 March 2023, the accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 4,968,000 and is recognised against Fair value reserves (31 December 2022: Euros 5,270,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 31 March 2023, is analysed as follows:

(Thousands of euros)

	31 March 2023			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,871,596	(153,378)	(68,850)	2,649,368
Foreign issuers	2,630,798	317	(62,152)	2,568,963
Bonds issued by other entities				
Portuguese issuers	339,283	(17,011)	(310)	321,962
Foreign issuers	1,091,760	(73,292)	(36,424)	982,044
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	999	—	(2)	997
Foreign issuers	1,348,433	—	(38)	1,348,395
	8,282,869	(243,364)	(167,776)	7,871,729
Equity instruments				
Shares				
Portuguese companies	28,329	—	(10,672)	17,657
Foreign companies	19,734	—	(11,321)	8,413
	48,063	—	(21,993)	26,070
	8,330,932	(243,364)	(189,769)	7,897,799

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

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	31 December 2022			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,708,319	(169,699)	(89,984)	2,448,636
Foreign issuers	3,007,189	—	(91,091)	2,916,098
Bonds issued by other entities				
Portuguese issuers	566,480	(19,099)	(4,616)	542,765
Foreign issuers	1,023,516	(83,632)	(42,738)	897,146
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	994	—	(1)	993
Foreign issuers	628,509	—	5	628,514
	7,935,007	(272,430)	(228,425)	7,434,152
Equity instruments				
Shares				
Portuguese companies	33,448	—	(14,637)	18,811
Foreign companies	19,799	—	(11,209)	8,590
	53,247	—	(25,846)	27,401
	7,988,254	(272,430)	(254,271)	7,461,553

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

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Unsecured loans	13,005	17,217
Overdue loans - less than 90 days	476	554
Overdue loans - Over 90 days	2,560	3,158
	16,041	20,929

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 March 2023, is as follows:

(Thousands of euros)

	31 March 2023			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Mining	—	5	—	5
Paper, printing and publishing	46,051	—	—	46,051
Chemicals	—	3	—	3
Machinery, equipment and basic metallurgical	2,415	4	—	2,419
Electricity and gas	52,743	—	—	52,743
Water	9,646	—	—	9,646
Construction	—	2	—	2
Retail business	20,636	2	—	20,638
Wholesale business	6,581	255	—	6,836
Restaurants and hotels	—	1,373	—	1,373
Transports	38,042	—	—	38,042
Telecommunications	39,174	4,334	—	43,508
Services				
Financial intermediation	2,392,994	42,143	541,396	2,976,533
Consulting, scientific and technical activities	168,864	103	—	168,967
Administrative and support services activities	18,425	7,517	—	25,942
Public sector	—	—	325	325
Other services	17,957	5,110	—	23,067
Other international activities	—	19	—	19
	2,813,528	60,870	541,721	3,416,119
Government and Public securities	6,206,925	—	—	6,206,925
	9,020,453	60,870	541,721	9,623,044

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2022, is as follows:

(Thousands of euros)

	31 December 2022			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Mining	—	5	—	5
Paper, printing and publishing	45,562	2	—	45,564
Chemicals	—	2	—	2
Machinery, equipment and basic metallurgical	2,302	6	—	2,308
Electricity and gas	44,627	—	—	44,627
Water	9,460	—	—	9,460
Construction	4,934	2	—	4,936
Retail business	20,503	2	—	20,505
Wholesale business	6,456	260	—	6,716
Restaurants and hotels	—	1,401	—	1,401
Transports	29,491	—	—	29,491
Telecommunications	38,869	4,401	—	43,270
Services				
Financial intermediation	1,533,154	54,477	532,567	2,120,198
Consulting, scientific and technical activities	303,036	103	—	303,139
Administrative and support services activities	26,691	8,629	—	35,320
Public sector	—	—	325	325
Other services	3,465	5,054	3,386	11,905
Other international activities	—	18	—	18
	2,068,550	74,362	536,278	2,679,190
Government and Public securities	5,704,466	—	—	5,704,466
	7,773,016	74,362	536,278	8,383,656

25. Hedging derivatives

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

(Thousands of euros)

	31 March 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
Swaps	38,943	130,644	59,703	178,000

26. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Portuguese credit institutions	51,055	49,228
Foreign credit institutions	169,010	170,045
Other Portuguese companies	129,129	115,275
Other foreign companies	38,955	30,432
	388,149	364,980
Impairment	(65,335)	(66,263)
	322,814	298,717

The balance Investments in associated companies, as at 31 March 2023, is analysed as follows:

(Thousands of euros)

	31 March 2023		
	Global value of participation	Impairment of investments in associated companies	Book value of participation
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	68,542	—	68,542
Banco Millennium Atlântico, S.A.	117,177	(47,324)	69,853
Banque BCP, S.A.S.	51,833	—	51,833
SIBS, S.G.P.S, S.A.	60,587	—	60,587
Fidelidade Moçambique - Companhia de Seguros S.A.	11,645	—	11,645
Unicre - Instituição Financeira de Crédito, S.A.	51,055	—	51,055
Webspectator Corporation	18,011	(18,011)	—
Millennium Financial Services Sp. z o.o.	9,299	—	9,299
	388,149	(65,335)	322,814

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

The balance Investments in associated companies, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	31 December 2022		
	Global value of participation	Impairment of investments in associated companies	Book value of participation
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	59,766	—	59,766
Banco Millennium Atlântico, S.A.	119,180	(48,252)	70,928
Banque BCP, S.A.S.	50,865	—	50,865
SIBS, S.G.P.S, S.A.	55,509	—	55,509
Fidelidade Moçambique - Companhia de Seguros S.A.	12,421	—	12,421
Unicre - Instituição Financeira de Crédito, S.A.	49,228	—	49,228
Webspectator Corporation	18,011	(18,011)	—
	364,980	(66,263)	298,717

The Group's companies included in the consolidation perimeter are presented in note 53, as well as the main indicators of the most relevant ones.

The movements occurred in Impairment of investments in associated companies are analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Balance on 1 January	66,263	78,268
Transfers from Other provisions (Banco Millennium Atlântico, S.A.) (note 39)	—	5,000
Impairment charge for the period (note 13)	—	1,435
Impairment write-off (Banco Millennium Atlântico, S.A.)	—	(16,787)
Exchange rate differences	(928)	(1,653)
Balance at the end of the period	65,335	66,263

27. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023			31 December 2022		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	220,258	(67,940)	152,318	326,577	(90,699)	235,878
Assets belong to investments funds and real estate companies	90,886	(10,660)	80,226	266,544	(46,497)	220,047
Assets for own use (closed branches)	5,492	(405)	5,087	20,556	(6,626)	13,930
Equipment and other	20,242	(4,872)	15,370	22,117	(5,743)	16,374
Other assets	490	—	490	12,806	—	12,806
	337,368	(83,877)	253,491	648,600	(149,565)	499,035

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

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

The Group has a strategy for sale these assets, consistent with the characteristic of each asset as well as with the breakdown of underlying valuations. However, considering the formal constraints, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Group having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Group has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market. The Group requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

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

(Thousands of euros)

	31 March 2023	31 December 2022
Balance on 1 January	149,565	190,714
Transfers	(51,433)	—
Charge for the period (note 13)	1,817	78,318
Reversals for the period (note 13)	(1,948)	(1,116)
Amounts charged-off	(13,858)	(119,073)
Exchange rate differences	(266)	722
Balance at the end of the period	83,877	149,565

28. Investment property

As at 31 March 2023 and 31 December 2022, the balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N, based on independent assessments and compliance with legal requirements.

29. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Real estate	666,662	670,000
Equipment		
Computer equipment	334,101	334,864
Security equipment	67,560	67,687
Interior installations	149,626	149,986
Machinery	47,296	47,283
Furniture	84,410	84,516
Motor vehicles	33,815	32,529
Other equipment	28,318	28,224
Right of use		
Real estate	370,387	366,363
Vehicles and equipment	—	431
Work in progress	18,677	21,279
Other tangible assets	36	39
	1,800,888	1,803,201
Accumulated depreciation		
Relative to the current period (note 9)	(23,948)	(98,916)
Relative to the previous periods	(1,169,917)	(1,129,588)
	(1,193,865)	(1,228,504)
	607,023	574,697

The balance Real Estate includes the amount of Euros 109,553,000 (31 December 2022: Euros 108,616,000) related to real estate held by the Group's real estate investment funds.

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

The changes occurred in Other tangible assets during the first quarter of 2023 are analysed as follows:

(Thousands of euros)

	2023					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March 2023
Real estate	670,000	1,101	(3,093)	192	(1,538)	666,662
Equipment:						
Computer equipment	334,864	725	(2,777)	2,149	(860)	334,101
Security equipment	67,687	38	(21)	(27)	(117)	67,560
Interior installations	149,986	63	(52)	(64)	(307)	149,626
Machinery	47,283	4	(140)	201	(52)	47,296
Furniture	84,516	102	(374)	288	(122)	84,410
Motor vehicles	32,529	2,091	(807)	183	(181)	33,815
Other equipment	28,224	5	(144)	235	(2)	28,318
Right of use						
Real estate	366,363	112,311	(107,722)	—	(565)	370,387
Vehicles and equipment	431	—	(429)	—	(2)	—
Work in progress	21,279	1,611	(162)	(3,994)	(57)	18,677
Other tangible assets	39	—	—	—	(3)	36
	1,803,201	118,051	(115,721)	(837)	(3,806)	1,800,888
Accumulated depreciation						
Real estate	(406,065)	(3,568)	2,952	297	489	(405,895)
Equipment:						
Computer equipment	(286,978)	(4,227)	2,772	22	672	(287,739)
Security equipment	(63,350)	(220)	20	27	88	(63,435)
Interior installations	(133,154)	(750)	49	21	194	(133,640)
Machinery	(39,524)	(390)	123	37	38	(39,716)
Furniture	(79,007)	(647)	371	(71)	92	(79,262)
Motor vehicles	(18,457)	(1,203)	656	23	119	(18,862)
Other equipment	(22,660)	(370)	136	7	1	(22,886)
Right of use						
Real estate	(178,839)	(12,573)	48,732	—	286	(142,394)
Vehicles and equipment	(431)	—	429	—	2	—
Other tangible assets	(39)	—	—	—	3	(36)
	(1,228,504)	(23,948)	56,240	363	1,984	(1,193,865)
	574,697	94,103	(59,481)	(474)	(1,822)	607,023

The changes occurred in Other tangible assets during 2022 are analysed as follows:

(Thousands of euros)

	2022					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	708,803	2,442	(37,606)	(6,690)	3,051	670,000
Equipment:						
Computer equipment	337,457	15,238	(31,600)	12,186	1,583	334,864
Security equipment	67,542	844	(1,372)	382	291	67,687
Interior installations	148,532	1,339	(1,880)	1,198	797	149,986
Machinery	49,455	611	(2,068)	(380)	(335)	47,283
Furniture	84,923	440	(3,583)	2,371	365	84,516
Motor vehicles	29,703	7,033	(4,869)	306	356	32,529
Other equipment	30,711	180	(2,223)	107	(551)	28,224
Right of use						
Real estate	352,346	35,010	(20,114)	(8)	(871)	366,363
Vehicles and equipment	505	—	(65)	—	(9)	431
Work in progress	20,656	24,408	(1,133)	(22,808)	156	21,279
Other tangible assets	38	—	—	—	1	39
	1,830,671	87,545	(106,513)	(13,336)	4,834	1,803,201
Accumulated depreciation						
Real estate	(428,656)	(14,917)	31,982	5,702	(176)	(406,065)
Equipment:						
Computer equipment	(300,560)	(16,375)	31,432	(116)	(1,359)	(286,978)
Security equipment	(63,723)	(862)	1,337	152	(254)	(63,350)
Interior installations	(131,897)	(3,007)	1,828	446	(524)	(133,154)
Machinery	(41,681)	(1,535)	1,997	1,427	268	(39,524)
Furniture	(78,344)	(2,717)	3,543	(1,232)	(257)	(79,007)
Motor vehicles	(17,743)	(4,636)	4,189	(53)	(214)	(18,457)
Other equipment	(23,811)	(1,498)	2,222	12	415	(22,660)
Right of use						
Real estate	(142,996)	(53,365)	17,094	1	427	(178,839)
Vehicles and equipment	(501)	(4)	65	—	9	(431)
Other tangible assets	(38)	—	—	—	(1)	(39)
	(1,229,950)	(98,916)	95,689	6,339	(1,666)	(1,228,504)
	600,721	(11,371)	(10,824)	(6,997)	3,168	574,697

30. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	102,681	102,655
Euro Bank, S.A. (Poland)	41,049	41,038
Others	10,176	10,182
	153,906	153,875
Impairment		
Bank Millennium, S.A. (Poland)	(102,681)	(102,655)
Others	(9,880)	(9,880)
	(112,561)	(112,535)
	41,345	41,340
Intangible assets		
Software	234,250	277,205
Other intangible assets	75,502	73,607
	309,752	350,812
Accumulated amortisation		
Charge for the period	(9,966)	(40,334)
Charge for the previous periods	(163,742)	(169,131)
	(173,708)	(209,465)
	136,044	141,347
	177,389	182,687

The changes occurred in Goodwill and intangible assets, during the first quarter of 2023, are analysed as follows:

(Thousands of euros)

	2023					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March
Goodwill - Differences arising on consolidation	153,875	—	—	—	31	153,906
Impairment for goodwill	(112,535)	—	—	—	(26)	(112,561)
	41,340	—	—	—	5	41,345
Intangible assets						
Software	277,205	6,038	(46,515)	(1,869)	(609)	234,250
Other intangible assets	73,607	—	—	1,869	26	75,502
	350,812	6,038	(46,515)	—	(583)	309,752
Accumulated depreciation						
Software	(146,799)	(8,839)	45,362	123	381	(109,772)
Other intangible assets	(62,666)	(1,127)	—	(123)	(20)	(63,936)
	(209,465)	(9,966)	45,362	—	361	(173,708)
	141,347	(3,928)	(1,153)	—	(222)	136,044
	182,687	(3,928)	(1,153)	—	(217)	177,389

The changes occurred in Goodwill and intangible assets during 2022 are analysed as follows:

(Thousands of euros)

	2022					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising						
on consolidation	159,431	–	(2,512)	–	(3,044)	153,875
Impairment for goodwill	(11,931)	(102,770)	2,512	–	(346)	(112,535)
	147,500	(102,770)	–	–	(3,390)	41,340
Intangible assets						
Software	234,192	72,441	(25,315)	(3,664)	(449)	277,205
Other intangible assets	70,823	1,213	(1,037)	4,073	(1,465)	73,607
	305,015	73,654	(26,352)	409	(1,914)	350,812
Accumulated depreciation						
Software	(136,360)	(36,168)	24,859	419	451	(146,799)
Other intangible assets	(59,942)	(4,166)	1,027	(828)	1,243	(62,666)
	(196,302)	(40,334)	25,886	(409)	1,694	(209,465)
	108,713	33,320	(466)	–	(220)	141,347
	256,213	(69,450)	(466)	–	(3,610)	182,687

31. Income tax

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

(Thousands of euros)

	31 March 2023			31 December 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	980,023	–	980,023	982,465	–	982,465
Employee benefits	778,897	–	778,897	835,619	–	835,619
	1,758,920	–	1,758,920	1,818,084	–	1,818,084
Deferred taxes depending on the future profits						
Impairment losses (b)	431,126	(50,303)	380,823	438,430	(50,303)	388,127
Tax losses carried forward	188,963	–	188,963	188,693	–	188,693
Employee benefits	49,845	(137,427)	(87,582)	50,770	(136,019)	(85,249)
Financial assets at fair value through other comprehensive income	675,056	(123,045)	552,011	729,416	(134,154)	595,262
Derivatives	–	(5,487)	(5,487)	–	(5,482)	(5,482)
Intangible assets	1,080	–	1,080	1,143	–	1,143
Other tangible assets	8,938	(3,388)	5,550	8,693	(3,380)	5,313
Others	73,172	(84,207)	(11,035)	111,336	(89,949)	21,387
	1,428,180	(403,857)	1,024,323	1,528,481	(419,287)	1,109,194
Total deferred taxes	3,187,100	(403,857)	2,783,243	3,346,565	(419,287)	2,927,278
Offset between deferred tax assets and deferred tax liabilities	(396,012)	396,012	–	(407,579)	407,579	–
Net deferred taxes	2,791,088	(7,845)	2,783,243	2,938,986	(11,708)	2,927,278

(a) Special Regime applicable to deferred tax assets

(b) The amounts as at 31 March 2023 and 31 December 2022 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 31 March 2023, the balance deferred tax assets amounts to Euros 2,791,088,000, of which Euros 2,618,462,000 are related to the Bank's activity. The deferred taxes assets relating to the individual activity include a net amount of Euros 496,630,000 resulting from potential losses on derivatives of hedging cash flows from interest rate risk recognized in other comprehensive income, whose average maturity of operations is four years and Euros 362,943,000 which depends on the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:

- Euros 250,583,000 (net value) related to impairment losses; and

- Euros 162,400,000 resulting from tax losses carried forward from 2016 and 2020.

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank that took place on 15 October 2014 approved the Bank's accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from not deduction of expenses and negative equity variations with impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the period's taxation commencing on or after 1 January 2016, nor to deferred tax assets to these associates.

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

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, up to the limit of the taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted because of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,543,234,000 (31 December 2022: Euros 1,599,199,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter or included in the same group of entities for which are applied the Special Tax Regime for Groups of Companies) or reimbursed by the State.

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing entity shall deposit in favour of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders or exercised by the State.

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

The current tax rate for Banco Comercial Português, S.A. is analysed as follows:

	31 March 2023	31 December 2022
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000	9%	9%

The deferred tax rate related to the Bank's tax losses is 21%, in 2023 (31 December 2022: 21%).

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.3% (31 December 2022: 31.3%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique and 0% (exemption) in the Cayman Islands.

Following the amendments provided for in Law No. 24-D/2022, of 30 December, within the scope of the State Budget for 2023, the time limit applicable to the carrying forward of tax losses in Portugal was eliminated. This amendment applies to tax losses calculated in tax periods beginning on or after 1 January 2023, as well as to tax losses calculated in tax periods prior to 1 January 2023 and whose deduction period is still in progress on that date. Thus, tax losses calculated in 2014 and subsequent years may be deducted from future taxable income. The deduction limit for tax losses increased from 70% to 65%, being increased by ten percentage points when the difference results from the deduction of tax losses calculated in the 2020 and 2021 tax periods, under the terms of the special regime provided for in Law n. 27-A/2020, of 24 July.

The reporting period for tax losses carried forward in Poland and in Mozambique it is 5 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company. The remaining companies covered by the RETGS are Banco ActivoBank, S.A., Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. , BCP África, S.G.P.S. Lda., Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal Lda. and Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A. In 2023 and 2022, the application of RETGS was maintained.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

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

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

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

In 2022, Banco Comercial Português, S.A. and Banco ActivoBank, S.A. exercised the option to apply the regime introduced by Law No. 98/2019, of September 4, under which impairment losses for credit risk relating to exposures analysed on an individual basis or on a collective basis recognised under the terms of the applicable accounting and regulatory standards and the rules in force until 2018 for the balance of impairment losses and other value corrections for specific credit risk recorded until 31 December 2021 are maintained.

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

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Y.3 and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred taxes assets is based on the projection of results for the period between 2023 and 2032. The projected results before taxes for the years 2023, 2024 and 2025 are consistent with the budget approved by the Board of Directors of the Bank in December 2022, which incorporates the priorities arising from the Strategic Plan 2021-2024.

The abandonment of negative interest rates, which imposed a burden on banks, is favourably reflected in projected profitability and convergence towards medium/long-term metrics and trends consistent with commercial positioning and the coveted capture of efficiency gains, established in the review of the 2021-2024 Strategic Plan approved by the corporate bodies, highlighting:

- the improvement in net interest income, which mainly reflects the referred increase in market interest rates and also benefits from the preserving of the deposit base, the effort to grow credit and also the reinvestment of assets at the new interest rates;

- the increase in commission income based on efficient and judicious management of commissioning and pricing

- the reduction of the cost of risk for levels in line with the Bank's current activity, with a lesser impact from the historical portfolios of NPE, foreclosed assets and FRE (Corporate Restructuring Funds), consolidated the reduction of these exposures achieved over the last years;

- capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, after the staff reduction carried out in 2021.

To estimate taxable net income for the periods of 2023 to 2032, the following main assumptions were considered:

- The rules of the new tax regime of credit impairment were applied. In the application of these rules, the following assumptions were considered, in general terms:

a) the impairment losses for credit risk relating to exposures analysed on an individual or collective basis, recognised in accordance with the applicable accounting and regulatory standards, were considered deductible for tax purposes;

b) impairment reversals created until 31 December 2021 not accepted for tax purposes were estimated based on the Reduction Plan of Non-Performing Assets 2022-2024 submitted to the supervisory authority in March 2022, and also on the average reversal percentage observed in the last years of 2016 to 2022;

c) the referred average percentages were calculated separately, according to the presence or not of a mortgage security, the eligibility for the special regime applicable to deferred tax assets and according to the clients' rating as Non-Performing Exposures (NPE).

- The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- Reversals of impairment of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2022. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the based on the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2022, compared to the amounts of reinforcements net of impairment recorded in those years.

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

- The realization of changes in the fair value of real estate investment funds was projected based on the information available in the management agreements of the funds in question for the period expected for the respective liquidation.

According to the estimate of future taxable income, the deferred taxes assets recorded on 31 December 2022 are adequate in view of the requirements of IAS 12. This analysis has not been updated with reference to 31 March 2023.

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

(Thousands of euros)

Tax losses carried forward	31 March 2023	31 December 2022
2014	161,895	161,895
2015	2	2
2016	286,419	286,419
2017	3,226	3,226
2018	118,295	118,295
2019	23,986	24,265
2020	2,230	2,307
2021	204,847	207,294
2022	20,491	21,080
2023	3,153	—
	824,544	824,783

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 March 2023, is analysed as follows:

(Thousands of euros)

	31 March 2023		
	Net income for the period	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(2,442)	—	—
Employee benefits	(56,722)		—
	(59,164)	—	—
Deferred taxes depending on the future profits			
Impairment losses	(5,817)	(1,531)	44
Tax losses carried forward (a)	561	—	(291)
Employee benefits	(2,507)	174	—
Financial assets at fair value through other comprehensive income	—	(58,933)	15,682
Derivatives	—	—	(5)
Intangible assets	(63)	—	—
Other tangible assets	237	—	—
Others	(13,194)	(3,600)	(15,628)
	(20,783)	(63,890)	(198)
	(79,947)	(63,890)	(198)
Current taxes			
Current period	(76,309)	—	—
Correction of previous periods	10	—	—
	(76,299)	—	—
	(156,246)	(63,890)	(198)

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 March 2022, is analysed as follows:

(Thousands of euros)

	31 March 2022		
	Net income for the period	Reserves	Exchange differences
Deferred taxes depending on the future profits			
Impairment losses	(49,319)	—	(1,374)
Tax losses carried forward (a)	(610)	—	199
Employee benefits	(72)	292	(47)
Financial assets at fair value through other comprehensive income	—	245,616	(3,723)
Derivatives	—	—	(156)
Intangible assets	(139)	—	(18)
Other tangible assets	217	—	7
Others	(17,570)	17	2,688
	(67,493)	245,925	(2,424)
Current taxes			
Current period	(17,978)	—	—
	(85,471)	245,925	(2,424)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity changes recorded in reserves that contribute to the calculation of taxable income.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	31 March 2023	31 March 2022
Net income / (loss) before income taxes	406,336	191,776
Current tax rate (%)	31.5%	31.5%
Expected tax	(127,996)	(60,409)
Non-deductible impairment and provisions (a)	(49,364)	(23,895)
Mandatory contributions to the banking sector (b)	(3,370)	(6,905)
Results of companies accounted by the equity method	4,339	5,108
Interests on other equity instruments (c)	2,914	2,914
Effect of the tax rate difference (d)	18,312	3,748
Effect of recognition/derecognition net of deferred taxes	(111)	(7,362)
Non-deductible costs and other corrections	(951)	791
Correction of previous periods	169	818
Autonomous tax	(188)	(279)
Total	(156,246)	(85,471)
Effective rate (%)	38.5%	44.6%

(a) In 2023 includes the negative amount of Euros 34,767,000 (2022: negative Euros 22,723,000) related to the impact of the non-deductibility for tax purposes of the provisions related to legal risks associated with the mortgage loans portfolio granted in foreign currency by Bank Millennium and the negative amount of Euros 13,388,000 (2022: negative Euros 2,689,000) relating to the impact of the non-deductibility for tax purposes of the net increase in provisions for risks and charges recorded at Banco Comercial Português.

(b) Refers to mandatory contributions to the banking sector in Portugal and in Poland.

(c) Relates to the impact of the deduction for taxable income purposes of interest paid in respect of perpetual bonds representing subordinated debt issued in 2019.

(d) In 2023 this balance includes the amount of Euros 2,656,000 (2022: Euros 4,772,000) related with the effect of the taxation of 20% tax on interests of Mozambique's public debt securities and the amount of Euros 14,179,000 (2022: 256,000) related to the non-recognition of deferred taxes on temporary differences.

32. Other assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Deposit account applications	52,583	51,371
Capital supplies	181,037	178,725
Obligations with post-employment benefits	600,275	593,494
Debtors for futures and options transactions	131,764	191,290
Real estate and other assets arising from recovered loans	264,127	—
Debtors		
Residents		
Receivables from real estate, transfers of assets and other securities	161,563	111,693
Prosecution cases / agreements with the Bank	12,050	12,163
SIBS	3,709	3,521
Others	20,131	66,744
Non-residents	34,816	30,584
Amounts due for collection	86,896	80,024
Interest and other amounts receivable	76,792	69,613
Amounts receivable on trading activity	166,335	3,234
Amounts due from customers	66,375	51,229
Artistic patrimony	28,796	28,796
Prepaid expenses	22,162	23,654
Subsidies receivables	11,381	10,764
Other recoverable tax	9,365	9,082
Gold and other precious metals	3,621	3,640
Capital supplementary contributions	165	165
Associated companies	145	145
Sundry assets	322,971	254,276
	2,257,059	1,774,207
Impairment for other assets	(245,618)	(191,752)
	2,011,441	1,582,455

As at 31 March 2023, the detail of the item Real estate and other assets arising from recovered loans is analysed as follows:

(Thousands of euros)

	31 March 2023		
	Gross value	Impairment	Net value
Real State	250,196	(50,855)	199,341
Equipment	6	(6)	—
Other assets	13,925	(941)	12,984
	264,127	(51,802)	212,325

The changes occurred in Impairment of other assets, with the exception of impairment for Real Estate and other assets arising from recovered loans are analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Balance on 1 January	191,752	260,199
Transfers resulting from changes in the Group's structure	—	(1,038)
Other transfers	(41)	908
Charge for the period (note 12)	4,662	17,699
Reversals for the period (note 12)	(2,463)	(7,047)
Amounts charged-off	(94)	(78,835)
Exchange rate differences	—	(134)
Balance at the end of the period	193,816	191,752

The changes occurred in impairment for Real Estate and other assets arising from recovered loans, are analysed as follow:

(Thousands of euros)

	31 March 2023	31 December 2022
Balance on 1 January	—	—
Transfers	51,332	—
Charge for the period (note 12)	940	—
Reversals for the period (note 12)	(219)	—
Amounts charged-off	(251)	—
Balance at the end of the period	51,802	—

33. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Resources and other financing from Central Banks		
Bank of Portugal	—	592,740
Central Banks abroad	23,486	14,736
	23,486	607,476
Resources from credit institutions in Portugal		
Sight deposits	101,480	92,493
Term Deposits	147,091	151,244
	248,571	243,737
Resources from credit institutions abroad		
Repayable on demand	71,714	74,890
Term deposits	110,054	152,385
Loans obtained	280,628	293,387
CIRS and IRS operations collateralised by deposits (*)	74,882	92,299
Sales operations with repurchase agreement	273,710	—
Other resources	12,110	4,186
	823,098	617,147
	1,095,155	1,468,360

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

As at 31 December 2022, the item Resources and others financing from Central Banks - of Portugal included a total amount associated with the TLTRO III program of Euros 600,000,000. Considering the financing characteristics and the nature of the respective lender, the Bank accounted for the TLTRO III operation under IFRS9. The Bank considered that the operation constitutes a variable rate financing, indexed to the Deposit Facility Rate of the European Central Bank (ECB), having fulfilled the necessary criteria for it. Specifically for the period between 24 June 2020 and 23 June 2022, the Bank complied with the conditions required for the application, to each of the two tranches of the financing, of a maximum interest rate of -1%. Consequently, it recognised in the financial statements, for the referred interest counting period, the rate of -1%. For the period between June 24 and December 31, 2022, the rate resulting from the provisions of the regulation applied for the calculation in the different subperiods.

34. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Deposits from customers		
Repayable on demand	46,831,286	48,673,569
Term deposits	20,454,811	19,816,079
Saving accounts	5,909,910	6,315,759
Cheques and orders to pay	657,464	564,369
Other	60,300	60,367
	73,913,771	75,430,143

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

35. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Bonds	51,812	53,799
Medium term notes (MTN)	1,348,081	1,347,967
Securitisations	136,476	142,062
	1,536,369	1,543,828
Corrections to the value of liabilities subject to hedging operations	(61,236)	(66,860)
Deferred cost expenses	(12,180)	(12,523)
Interests to pay	25,666	17,641
	1,488,619	1,482,086

36. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Bonds		
Non-Perpetual	1,376,939	1,376,856
Corrections to the value of liabilities subject to hedging operations	(65,104)	(72,040)
Deferred cost expenses	(2,442)	(2,436)
Interests to pay	22,033	30,676
	1,331,426	1,333,056

As at 31 March 2023, the subordinated debt issues are analysed as follows:

(Thousands of euros)

	31 March 2023					
Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	166,300	167,968	155,860
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	418,491	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	279,531	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	131,258	133,700
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	9.7%	149,560	154,091	104,654
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	9.29%	177,335	180,043	124,090
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,331,426	1,268,304

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

As at 31 December 2022, the subordinated debt issues are analysed as follows:

(Thousands of euros)

	31 December 2022					
Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	166,300	164,044	164,175
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	428,740	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	274,350	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	130,932	133,700
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	9.7%	149,521	150,475	98,956
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	9.6%	177,290	184,471	117,334
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,333,056	1,264,165

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

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

(ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5-year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

(iii) Interest rate of 4%, per annum, during the first 5 years and 6 months (corresponding to a spread of 4.065% over the average of the mid-swap rates of 5 and 6 years). At the end of the first 5 years and 6 months the interest rate will be reset to maturity based on the 5-year mid swaps rate prevailing at that time plus the Spread.

(iv) Fixed annual interest rate of 8.75% during the first 5.25 years. The annual interest rate from year 5.25 onwards was set at the 5-year mid-swap rate plus a 6.051%.

37. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Short selling securities	658	1,022
Trading derivatives (note 24)		
Swaps	161,918	170,157
Options	72,327	7,414
Embedded derivatives	—	53,495
Forwards	11,708	9,418
	245,953	240,484
	246,611	241,506

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

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Deposits from customers (*)	1,101,385	476,671
Certificates	910,329	850,681
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	490,510	490,326
	2,502,224	1,817,678

(*) Deposits from customers whose remuneration is indexed to a set of shares and/or indices.

39. Provisions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Provision for guarantees and other commitments	111,054	110,754
Other provisions for liabilities and charges	489,300	451,032
	600,354	561,786

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

(Thousands of euros)

	31 March 2023	31 December 2022
Balance on 1 January	110,754	110,649
Transfers	(1,989)	(708)
Charge for the period (note 13)	15,136	27,864
Reversals for the period (note 13)	(12,807)	(26,939)
Exchange rate differences	(40)	(112)
Balance at the end of the period	111,054	110,754

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

(Thousands of euros)

	31 March 2023	31 December 2022
Balance on 1 January	451,032	348,095
Other transfers	514	(5,504)
Charge of the period for restructuring costs (note 7)	—	4,414
Charge for the period (note 13)	232,995	569,226
Reversals for the period (note 13)	(925)	(1,854)
Amounts charged-off	(1,687)	(116,874)
Allocation to loan's portfolio (note 22)	(193,408)	(344,052)
Exchange rate differences	779	(2,419)
Balance at the end of the period	489,300	451,032

Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

In 2021, Bank Millennium changed the accounting policy regarding the recognition of provisions for future claims related to active CHF mortgage loans in the balance sheet. As a result of changes in market conditions, such as the growing number of unfavourable court judgments declaring the entire agreement or certain provisions of these credits to be invalid, the Bank does not expect that all contractual cash flows related to these loans will be recovered. As a result, Bank Millennium allocates provisions for future claims and recognizes them as a reduction of the gross carrying amount of loans for which a decrease in future cash flows is expected, in accordance with paragraph B5.4.6 of IFRS 9 "Financial Instruments" (previously provisions for future claims used to be recognized in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"). As a result of the above change, the approach applied in accordance with IAS 37 will be continued only regarding claims relating to already repaid (or almost fully repaid) receivables not recognised in Bank Millennium's balance sheet.

As at 31 March 2023, the Loans and advances to customers portfolio in CHF has a gross amount of Euros 2,347,913,000 (31 December 2022: Euros 2,477,851,000).

As at 31 March 2023, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 1,298,115,000 (PLN 6,075,969,000), of which Euros 1,131,278,000 (PLN 5,294,834,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 22) and Euros 166,837,000 (PLN 780,862,000) are presented under Provisions.

With reference to 31 December 2022, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amounted to Euros 1,152,457,000 (PLN 5,395,344,000), of which Euros 976,782,000 (PLN 4,572,901,000) were presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 22) and Euros 175,676,000 (PLN 822,443,000) were presented under Provisions.

The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

40. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Interests and other amounts payable	177,702	163,843
Operations to be settled - foreign, transfers and deposits	177,992	212,208
Credit insurance received and to accrued	61,091	62,740
Holidays, subsidies and other remuneration payable	46,024	55,132
Transactions on securities to be settled	110,613	4,514
Public sector	39,479	43,628
Creditors		
Rents to pay	225,712	185,163
Deposit account and other applications	98,254	89,386
Suppliers	42,017	35,649
From factoring operations	29,464	41,618
For futures and options transactions	10,133	73,394
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	10,569	10,819
Associated companies	—	21
Other creditors		
Residents	28,962	66,158
Non-residents	88,803	70,590
Deferred income	10,657	10,155
Other administrative costs payable	6,752	4,763
Other liabilities	307,459	262,192
	1,471,683	1,391,973

41. Share capital, Share premium and Other equity instruments

As at 31 March 2023, the Bank's share capital amounts to Euros 3,000,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

As at 31 March 2023, the Share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 March 2023, the Other equity instruments in the amount of Euros 400,000,000 corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1E. This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

42. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. As at 31 March 2023 the Legal Reserves amount to Euros 268,534,000 (31 December 2022: Euros 268,534,000).

In accordance with the current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20% of their net annual profits depending on the nature of their economic activity and are recognised in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	(167,776)	(228,425)
Equity instruments	(21,993)	(25,846)
Of associated companies and other changes	(73,626)	(67,758)
Cash-flow hedge	(1,617,675)	(1,744,727)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	9,013	182
	(1,872,057)	(2,066,574)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	43,858	58,780
Equity instruments	1,552	1,550
Cash-flow hedge	502,520	540,755
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(2,821)	(57)
	545,109	601,028
	(1,326,948)	(1,465,546)
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(92,314)	(92,629)
BIM - Banco Internacional de Moçambique, S.A.	(146,823)	(139,373)
Banco Millennium Atlântico, S.A.	(145,654)	(143,989)
Others	2,023	2,073
	(382,768)	(373,918)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	42,700	42,316
Others	(3,965)	(3,965)
	38,735	38,351
Other reserves and retained earnings	3,251,826	3,047,062
	1,580,845	1,245,949

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

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 C.

The variation in the fair value of cash flow hedges reflects the economic impact on these hedges of the pronounced increase in market interest rates, an effect that is more than offset by the economic impact on the fair value of liabilities that are more sensitive to such an increase and that are accounted for at amortized cost.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Fair value changes		
Debt instruments	(67,662)	(98,139)
Equity instruments	2,342	2,380
Cash-flow hedge	(30,875)	(43,281)
Other	(8)	7
	(96,203)	(139,033)
Deferred taxes		
Debt instruments	12,743	18,531
Equity instruments	(467)	(467)
Cash-flow hedge	5,866	8,223
	18,142	26,287
	(78,061)	(112,746)
Exchange differences arising on consolidation	(190,720)	(187,306)
Actuarial losses (net of taxes)	1,742	1,742
Other reserves and retained earnings	1,091,828	1,080,424
	824,789	782,114

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	31 March 2023	31 December 2022	31 March 2023	31 March 2022
Bank Millennium Group	647,402	585,618	26,747	(13,179)
BIM - Banco Internacional de Moçambique Group	154,977	174,041	8,429	8,108
Other subsidiaries	22,410	22,455	(45)	(102)
	824,789	782,114	35,131	(5,173)

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	31 March 2023	31 December 2022
Guarantees granted		
Guarantees	3,839,975	4,144,220
Stand-by letter of credit	59,984	57,084
Open documentary credits	282,779	258,591
Bails and indemnities	135,506	135,718
	4,318,244	4,595,613
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	2,962	1,621
Irrevocable credit lines	4,868,634	4,880,858
Securities subscription	40,953	41,285
Other irrevocable commitments	153,316	153,982
Revocable commitments		
Revocable credit lines	5,710,353	5,834,056
Bank overdraft facilities	896,192	998,886
Other revocable commitments	117,378	128,025
	11,789,788	12,038,713
Guarantees received	28,942,238	29,552,693
Commitments from third parties	12,848,909	13,453,876
Securities and other items held for safekeeping	79,090,162	75,348,414
Securities and other items held under custody by the Securities Depository Authority	85,428,992	82,314,713
Other off balance sheet accounts	152,005,799	131,084,605

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 39).

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

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

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

46. Transfers of assets

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

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

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

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

The value of the junior securities is equivalent to the difference between the fair value that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;

- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During the first quarter of 2023 and the 2022 financial year, no credits were sold to corporate restructuring funds.

The amounts accumulated as at 31 March 2023 related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Reestruturação Empresarial FCR (a)	84,112	82,566	83,212	646
Fundo Recuperação FCR (a)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (b)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (b)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (c)	113,665	113,653	109,599	(4,054)
	885,066	716,159	695,900	(20,259)

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

At the end of December 2022, the sale process called Project Crow was completed, which included the sale of 3 hotel assets of the Fundo Recuperação and the sale of all the investments held in the FLIT-PTREL and Fundo Recuperação Turismo.

As at 31 March 2023 ,the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 March 2023		
	Senior securities	Junior securities	
	Participation units (note 24)	Capital supplies (note 32)	Total
Fundo Reestruturação Empresarial FCR			
Gross value	60,963	–	60,963
Impairment and other fair value adjustments	(39,894)	–	(39,894)
	21,069	–	21,069
Fundo Recuperação FCR			
Gross value	169,033	86,136	255,169
Impairment and other fair value adjustments	(134,767)	(86,136)	(220,903)
	34,266	–	34,266
Fundo Aquarius FCR			
Gross value	119,631	–	119,631
Impairment and other fair value adjustments	(11,945)	–	(11,945)
	107,686	–	107,686
Discovery Real Estate Fund			
Gross value	157,716	–	157,716
Impairment and other fair value adjustments	5,829	–	5,829
	163,545	–	163,545
Fundo Vega FCR			
Gross value	49,115	87,570	136,685
Impairment and other fair value adjustments	(9,971)	(87,570)	(97,541)
	39,144	–	39,144
Total Gross value	556,458	173,706	730,164
Total impairment and other fair value adjustments	(190,748)	(173,706)	(364,454)
	365,710	–	365,710

As at 31 March 2023, the book value of these assets considers the last Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

As at 31 December 2022, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2022			
	Senior securities	Junior securities		
	Participation units (note 24)	Capital supplies (note 32)	Capital supplementary contributions	Total
Fundo Reestruturação Empresarial FCR				
Gross value	60,963	—	—	60,963
Impairment and other fair value adjustments	(37,966)	—	—	(37,966)
	22,997	—	—	22,997
Fundo Recuperação FCR				
Gross value	169,033	85,018	—	254,051
Impairment and other fair value adjustments	(134,767)	(85,018)	—	(219,785)
	34,266	—	—	34,266
Fundo Aquarius FCR				
Gross value	119,631	—	—	119,631
Impairment and other fair value adjustments	(11,527)	—	—	(11,527)
	108,104	—	—	108,104
Discovery Real Estate Fund				
Gross value	157,716	—	—	157,716
Impairment and other fair value adjustments	(1,801)	—	—	(1,801)
	155,915	—	—	155,915
Fundo Vega FCR				
Gross value	48,762	86,379	—	135,141
Impairment and other fair value adjustments	(9,899)	(86,379)	—	(96,278)
	38,863	—	—	38,863
Total Gross value	556,105	171,397	—	727,502
Total impairment and other fair value adjustments	(195,960)	(171,397)	—	(367,357)
	360,145	—	—	360,145

The book value of these assets resulted from the last communication by the respective Management Company relating the Global Net Asset Value (NAV) of the Fund which, as at 31 December 2022.

Project Crow

At the end of December 2022, the designated sale process for the Crow Project was completed, which included the sale to a related company of Davidson Kempner Capital Management LP (Purchaser) of 3 hotel assets belonging to the Fundo Recuperação and the sale of all shares/units of participation of the FLIT-PTREL and Fundo Recuperação Turismo funds, together with the assets directly and indirectly held by these two funds, with the exception of a set of assets that were transferred to the sellers and which, in the case of Banco Comercial Português, S.A. include the investment held in a Venture capital fund, in 2 real estate funds and in a company, as detailed in the table below.

(Thousands of euros)

	31 March 2023	31 December 2022
Financial assets not held for trading mandatorily at fair value through profit or loss (note 24)		
Fundo Turismo Algarve, FCR	50,413	50,426
Lusofundo - Fundo de Investimento Imobiliário Fechado	26,400	26,429
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	12,047	12,091
	88,860	88,946
Non-current assets held for sale (note 27)		
FLITPTREL Tires, S.A.	17,919	17,919
	17,919	17,919
	106,779	106,865

47. Relevant events occurred during the first quarter of 2023

Approval of the application of article 352 (2) of the CRR

On 24 March 2023, BCP was notified of the favourable decision of the supervisory authority on the request for the application of article 352 (2) of the CRR for the exclusion of the calculation of weighted assets for market risk of certain structural exchange positions for hedging of regulatory ratios against changes in exchange rates. The change has an estimated impact on the fully implemented CET1 ratio of around 50 basis points and of around 70 basis points in the total capital ratio.

Signing of conditional agreement concerning the sale of Millennium Financial Services sp.zo.o. and strategic insurance cooperation

The Management Board of Bank Millennium S.A. informed that following necessary corporate approvals, on 13 February 2023, Bank Millennium executed the agreement (the "Agreement") for the sale of 80% of the shares (the “Shares”) in Millennium Financial Services sp. z o.o. (the “Company”) to Towarzystwo Ubezpieczeń na Życie Europa S.A. which acquires 72% of the Company’s shares and Towarzystwo Ubezpieczeń Europa S.A. which acquires 8% of the Company’s shares (collectively the "Buyers").

Bank Millennium concluded also with the Buyers and the Company certain agreements concerning exclusive insurance distribution model, including a cooperation agreement, distribution agreements and agency agreements (the "Strategic Insurance Cooperation"). The Strategic Insurance Cooperation provides for long term (10 years) bancassurance liaison in relation specified insurance products linked to loans offered by Bank Millennium.

On 29 March 2023, 80% of the shares (the "Shares") of Millennium Financial Services sp. z o.o. (the "Company") from the Bank to Towarzystwo Ubezpieczeń in Życie Europa S.A. which acquired 72% of the Company's shares and to Towarzystwo Ubezpieczeń Europa S.A. which acquired 8% of the Company's shares, as well as the payment of the price for the Shares to Bank Millennium S.A.

The sale of the Shares by Bank Millennium S.A. to the Buyers constitutes the conclusion of the Transaction, resulting in the recognition of the corresponding positive financial result and triggers the commencement of the Strategic Insurance Cooperation between the Bank and the Buyers, as described above.

48. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies and Corporate; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target "Mass Market" customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;

- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and

- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies and Corporate segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;

- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;

- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment, in order to defend the value and managing credit risk, in a sustainable medium and long term perspective;

- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);

The Private Banking segment, for the purposes of geographical segments, comprises:

- Private Banking Division in Portugal, which ensures the monitoring of clients with high net worth, based on a commitment to excellence and a personalized relationship with clients;

- Wealth Management Division, which provides advisory customer services and portfolio management for clients in the Private Banking network and the affluent segment.

For the purposes of business segments also includes Millennium bcp Bank & Trust in Cayman Islands (entity liquidated in 2022) that is considered Foreign Business on geographical segmentation.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;

- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and

- Other, which includes the contribution of the associate in Angola and the contribution of the discontinued operation in Cayman Islands.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Millennium bcp Bank & Trust in the Cayman Islands which, in this context, is considered in Private Banking segment.

Business segments activity

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit in Portugal were calculated considering the allocation process, based on the regulatory solvency criteria.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 31 March 2023, 31 December 2022 and 31 March 2022 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

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

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 March 2023. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical) or relevant changes in the dynamics of allocation of indirect revenues and costs, as described in the previous paragraph, ensuring the comparability of the information provided in the reported periods.

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

As at 31 March 2023, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	31 March 2023						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Net interest income	195,026	324,693	519,719	43,099	8,120	93,613	664,551
Net fees and commissions income	109,889	53,709	163,598	31,190	7,930	(7,313)	195,405
Other net income	3,023	(8,029)	(5,006)	12,750	(40)	(14,068)	(6,364)
Net gains arising from trading activity (2)	319	121,384	121,703	4	7	9,849	131,563
Dividends from equity instruments	—	44	44	—	—	—	44
Share of profit of associates under the equity method	—	886	886	—	—	12,881	13,767
Net operating revenue	308,257	492,687	800,944	87,043	16,017	94,962	998,966
Operating expenses	82,160	122,062	204,222	13,865	3,614	46,811	268,512
Results on modification (3)	—	(5,949)	(5,949)	—	—	—	(5,949)
Impairment for credit and financial assets (4)	(1,671)	(27,832)	(29,503)	(50,728)	(5)	(1,385)	(81,621)
Other impairments and provisions (5)	(98)	(188,110)	(188,208)	—	—	(48,340)	(236,548)
Net income before income tax	224,328	148,734	373,062	22,450	12,398	(1,574)	406,336
Income tax	(70,215)	(69,411)	(139,626)	(7,027)	(3,880)	(5,713)	(156,246)
Net income after income tax from continuing operations	154,113	79,323	233,436	15,423	8,518	(7,287)	250,090
Income arising from discontinued operations	—	—	—	—	—	—	—
Net income for the period	154,113	79,323	233,436	15,423	8,518	(7,287)	250,090
Non-controlling interests	—	(35,176)	(35,176)	—	—	45	(35,131)
Net income for the period attributable to Bank's Shareholders	154,113	44,147	198,260	15,423	8,518	(7,242)	214,959

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

3) Includes the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency, hitherto accounted for in other impairments and provisions.

4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 March 2023, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	31 March 2023						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	14,003,763	2,271,007	16,274,770	1,652,424	2,346,231	(16,405,666)	3,867,759
Loans and advances to customers (1)	26,233,845	16,758,285	42,992,130	11,537,224	344,342	871,141	55,744,837
Financial assets (2)	—	7,055,630	7,055,630	—	—	16,292,707	23,348,337
Other assets	—	966,851	966,851	—	—	5,229,022	6,195,873
Total Assets	40,237,608	27,051,773	67,289,381	13,189,648	2,690,573	5,987,204	89,156,806
Resources from credit institutions (3)	213,129	103,442	316,571	1,136,995	—	(358,411)	1,095,155
Resources from customers (4)	37,982,525	23,608,519	61,591,044	10,526,871	2,524,970	372,271	75,015,156
Debt securities issued (5)	1,252,013	54,756	1,306,769	—	148,826	1,433,863	2,889,458
Other financial liabilities (6)	—	511,075	511,075	—	—	1,197,606	1,708,681
Other liabilities (7)	—	942,857	942,857	—	—	1,199,901	2,142,758
Total Liabilities	39,447,667	25,220,649	64,668,316	11,663,866	2,673,796	3,845,230	82,851,208
Total Equity	789,941	1,831,124	2,621,065	1,525,782	16,777	2,141,974	6,305,598
Total Liabilities and Equity	40,237,608	27,051,773	67,289,381	13,189,648	2,690,573	5,987,204	89,156,806
Number of employees	3,495	9,472	12,967	443	137	2,198	15,745

1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income, assets with repurchase agreement and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 March 2022, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	31 March 2022						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Net interest income	145,461	252,603	398,064	54,595	4,381	8,061	465,101
Net fees and commissions income	101,757	56,355	158,112	37,160	8,289	(10,717)	192,844
Other net income	5,788	(28,431)	(22,643)	21,868	(77)	(16,829)	(17,681)
Net gains arising from trading activity (2)	882	(5,937)	(5,055)	30	83	48,326	43,384
Dividends from equity instruments	—	64	64	—	—	825	889
Share of profit of associates under the equity method	—	880	880	—	—	15,328	16,208
Net operating revenue	253,888	275,534	529,422	113,653	12,676	44,994	700,745
Operating expenses	79,897	111,533	191,430	13,966	3,592	46,013	255,001
Impairment for credit and financial assets (3)	(4,179)	(21,043)	(25,222)	(65,573)	(85)	372	(90,508)
Other impairments and provisions (4)	(97)	(108,207)	(108,304)	—	—	(55,156)	(163,460)
Net income before income tax	169,715	34,751	204,466	34,114	8,999	(55,803)	191,776
Income tax	(53,121)	(36,414)	(89,535)	(10,678)	(2,667)	17,409	(85,471)
Net income after income tax from continuing operations	116,594	(1,663)	114,931	23,436	6,332	(38,394)	106,305
Income arising from discontinued operations	—	(401)	(401)	—	1,789	—	1,388
Net income for the period	116,594	(2,064)	114,530	23,436	8,121	(38,394)	107,693
Non-controlling interests	—	5,071	5,071	—	—	102	5,173
Net income for the period attributable to Bank's Shareholders	116,594	3,007	119,601	23,436	8,121	(38,292)	112,866

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

3) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

4) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2022, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	31 December 2022						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	13,202,529	3,208,230	16,410,759	2,049,107	2,336,011	(13,596,982)	7,198,895
Loans and advances to customers (1)	26,110,904	16,983,242	43,094,146	12,166,559	346,853	590,126	56,197,684
Financial assets (2)	—	5,458,513	5,458,513	—	—	14,895,710	20,354,223
Other assets	—	942,640	942,640	—	—	5,167,099	6,109,739
Total Assets	39,313,433	26,592,625	65,906,058	14,215,666	2,682,864	7,055,953	89,860,541
Resources from credit institutions (3)	259,996	158,808	418,804	2,209,963	—	(1,160,407)	1,468,360
Resources from customers (4)	37,053,686	23,173,054	60,226,740	10,430,254	2,524,083	2,725,737	75,906,814
Debt securities issued (5)	1,201,403	52,066	1,253,469	—	141,613	1,428,011	2,823,093
Other financial liabilities (6)	—	535,648	535,648	—	—	1,216,914	1,752,562
Other liabilities (7)	—	907,471	907,471	—	—	1,081,676	1,989,147
Total Liabilities	38,515,085	24,827,047	63,342,132	12,640,217	2,665,696	5,291,931	83,939,976
Total Equity	798,348	1,765,578	2,563,926	1,575,449	17,168	1,764,022	5,920,565
Total Liabilities and Equity	39,313,433	26,592,625	65,906,058	14,215,666	2,682,864	7,055,953	89,860,541
Number of employees	3,519	9,491	13,010	444	140	2,149	15,743

1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income, assets with repurchase agreement and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 March 2023, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	31 March 2023								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Net interest income	195,026	43,099	8,120	93,613	339,858	268,307	56,386	–	664,551
Net fees and commissions income	109,889	31,190	7,930	(7,313)	141,696	42,715	10,994	–	195,405
Other net income	3,023	12,750	(40)	(14,068)	1,665	(9,040)	1,011	–	(6,364)
Net gains arising from trading activity [2]	319	4	7	9,849	10,179	116,359	5,025	–	131,563
Dividends from equity instruments	–	–	–	–	–	44	–	–	44
Share of profit of associates under the equity method	–	–	–	12,881	12,881	–	467	419	13,767
Net operating revenue	308,257	87,043	16,017	94,962	506,279	418,385	73,883	419	998,966
Operating expenses	82,160	13,865	3,614	46,811	146,450	91,665	30,397	–	268,512
Results on modification [3]	–	–	–	–	–	(5,949)	–	–	(5,949)
Impairment for credit and financial assets [4]	(1,671)	(50,728)	(5)	(1,385)	(53,789)	(23,826)	(4,006)	–	(81,621)
Other impairments and provisions [5]	(98)	–	–	(48,340)	(48,438)	(183,510)	(4,600)	–	(236,548)
Net income before income tax	224,328	22,450	12,398	(1,574)	257,602	113,435	34,880	419	406,336
Income tax	(70,215)	(7,027)	(3,880)	(5,713)	(86,835)	(59,833)	(9,578)	–	(156,246)
Net income after income tax from continuing operations	154,113	15,423	8,518	(7,287)	170,767	53,602	25,302	419	250,090
Income arising from discontinued operations	–	–	–	–	–	–	–	–	–
Net income for the period	154,113	15,423	8,518	(7,287)	170,767	53,602	25,302	419	250,090
Non-controlling interests	–	–	–	45	45	(26,747)	(8,429)	–	(35,131)
Net income for the period attributable to Bank's Shareholders	154,113	15,423	8,518	(7,242)	170,812	26,855	16,873	419	214,959

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

3) Results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency, hitherto accounted for in other impairments and provisions.

4) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 March 2023, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	31 March 2023								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	14,003,763	1,652,424	2,346,231	(16,405,666)	1,596,752	1,289,980	981,027	—	3,867,759
Loans and advances to customers (1)	26,233,845	11,537,224	344,342	871,141	38,986,552	16,105,519	652,766	—	55,744,837
Financial assets (2)	—	—	—	16,292,707	16,292,707	6,248,701	806,963	(34)	23,348,337
Other assets	—	—	—	5,229,022	5,229,022	675,939	221,182	69,730	6,195,873
Total Assets	40,237,608	13,189,648	2,690,573	5,987,204	62,105,033	24,320,139	2,661,938	69,696	89,156,806
Resources from other credit institutions (3)	213,129	1,136,995	—	(358,411)	991,713	98,792	4,650	—	1,095,155
Resources from customers (4)	37,982,525	10,526,871	2,524,970	372,271	51,406,637	21,552,825	2,055,694	—	75,015,156
Debt securities issued (5)	1,252,013	—	148,826	1,433,863	2,834,702	54,756	—	—	2,889,458
Other financial liabilities (6)	—	—	—	1,197,606	1,197,606	511,075	—	—	1,708,681
Other liabilities (7)	—	—	—	1,199,901	1,199,901	805,258	137,599	—	2,142,758
Total Liabilities	39,447,667	11,663,866	2,673,796	3,845,230	57,630,559	23,022,706	2,197,943	—	82,851,208
Total Equity	789,941	1,525,782	16,777	2,141,974	4,474,474	1,297,432	463,995	69,697	6,305,598
Total Liabilities and Equity	40,237,608	13,189,648	2,690,573	5,987,204	62,105,033	24,320,138	2,661,938	69,697	89,156,806
Number of employees	3,495	443	137	2,198	6,273	6,945	2,527	—	15,745

1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income , assets with repurchase agreement and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 March 2022, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	31 March 2022								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Net interest income	145,461	54,595	3,635	8,061	211,752	207,472	45,131	746	465,101
Net fees and commissions income	101,757	37,160	8,259	(10,717)	136,459	47,670	8,685	30	192,844
Other net income	5,788	21,868	(43)	(16,829)	10,784	(29,547)	1,116	(34)	(17,681)
Net gains arising from trading activity [2]	882	30	81	48,326	49,319	(12,616)	6,679	2	43,384
Dividends from equity instruments	—	—	—	825	825	64	—	—	889
Share of profit of associates under the equity method	—	—	—	15,328	15,328	—	471	409	16,208
Net operating revenue	253,888	113,653	11,932	44,994	424,467	213,043	62,082	1,153	700,745
Operating expenses	79,897	13,966	3,325	46,013	143,201	85,504	26,029	267	255,001
Impairment for credit and financial assets [3]	(4,179)	(65,573)	(86)	372	(69,466)	(18,114)	(2,928)	—	(90,508)
Other impairments and provisions [4]	(97)	—	—	(55,156)	(55,253)	(107,389)	(819)	1	(163,460)
Net income before income tax	169,715	34,114	8,521	(55,803)	156,547	2,036	32,306	887	191,776
Income tax	(53,121)	(10,678)	(2,667)	17,409	(49,057)	(28,447)	(7,967)	—	(85,471)
Net income after income tax from continuing operations	116,594	23,436	5,854	(38,394)	107,490	(26,411)	24,339	887	106,305
Income arising from discontinued operations	—	—	—	—	—	—	(401)	1,789	1,388
Net income for the period	116,594	23,436	5,854	(38,394)	107,490	(26,411)	23,938	2,676	107,693
Non-controlling interests	—	—	—	102	102	13,179	(8,108)	—	5,173
Net income for the period attributable to Bank's Shareholders	116,594	23,436	5,854	(38,292)	107,592	(13,232)	15,830	2,676	112,866

1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations, results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income.

3) Includes impairment of financial assets at amortised cost, for loans and advances of credit institutions, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

4) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2022, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	31 December 2022								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	13,202,529	2,049,107	2,336,011	(13,596,982)	3,990,665	2,193,520	1,014,710	—	7,198,895
Loans and advances to customers (1)	26,110,904	12,166,559	346,853	590,126	39,214,442	16,355,525	627,717	—	56,197,684
Financial assets (2)	—	—	—	14,895,710	14,895,710	4,506,830	951,716	(33)	20,354,223
Other assets	—	—	—	5,167,099	5,167,099	641,572	230,266	70,802	6,109,739
Total Assets	39,313,433	14,215,666	2,682,864	7,055,953	63,267,916	23,697,447	2,824,409	70,769	89,860,541
Resources from other credit institutions (3)	259,996	2,209,963	—	(1,160,407)	1,309,552	155,411	3,397	—	1,468,360
Resources from customers (4)	37,053,686	10,430,254	2,524,083	2,725,737	52,733,760	20,941,241	2,231,813	—	75,906,814
Debt securities issued (5)	1,201,403	—	141,613	1,428,011	2,771,027	52,066	—	—	2,823,093
Other financial liabilities (6)	—	—	—	1,216,914	1,216,914	535,648	—	—	1,752,562
Other liabilities (7)	—	—	—	1,081,676	1,081,676	839,464	68,007	—	1,989,147
Total Liabilities	38,515,085	12,640,217	2,665,696	5,291,931	59,112,929	22,523,830	2,303,217	—	83,939,976
Total Equity	798,348	1,575,449	17,168	1,764,022	4,154,987	1,173,617	521,192	70,769	5,920,565
Total Liabilities and Equity	39,313,433	14,215,666	2,682,864	7,055,953	63,267,916	23,697,447	2,824,409	70,769	89,860,541
Number of employees	3,519	444	140	2,149	6,252	6,987	2,504	—	15,743

1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and balance sheet amount of loans to customers at fair value through profit or loss.

2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income , assets with repurchase agreement and hedging derivatives.

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

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

(Thousands of euros)

	31 March 2023	31 March 2022
Net contribution		
Retail banking in Portugal	154,113	116,594
Companies and Corporate	15,423	23,436
Private Banking	8,518	5,854
Foreign business (continuing operations)	79,323	(1,185)
Non-controlling interests (1)	(35,176)	5,071
	222,201	149,770
Income arising from discontinued or discontinuing operations	—	1,388
	222,201	151,158
Amounts not allocated to segments		
Net interest income of the bond portfolio	60,668	10,287
Net interest income - TLTRO	(774)	20,375
Foreign exchange activity	2,997	7,838
Gains / (losses) arising from sales of subsidiaries and other assets	(21)	7,060
Equity accounted earnings	12,881	15,329
Impairment and other provisions (2)	(49,725)	(54,784)
Operational costs (3)	(46,811)	(46,013)
Gains on sale of Portuguese public debt	238	4,060
Gains on sale of foreign public debt	149	19,633
Mandatory contributions	(19)	(22)
Loans sale	(5,227)	6,296
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (3)	5,563	(360)
Taxes (4)	(5,713)	17,408
Non-controlling interests	45	103
Others (5)	18,507	(45,502)
Total not allocated to segments	(7,242)	(38,292)
Consolidated net income	214,959	112,866

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland and in Mozambique.

(2) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.

(3) Includes gains/(losses) from corporate restructuring funds.

(4) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items.

(5) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments.

49. Solvency

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

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

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, goodwill and other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value, adjustments related to minimum commitment with collective investments undertakings, insufficient coverage for non-performing exposures and with the amount of securitisation positions, eligible for deduction as an alternative to a 1 250 % risk weight. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The non-controlling interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Single Resolution Fund, the fair value of the collateral for irrevocable commitments from the Deposits Guarantee Fund and the additional coverage for non-performing exposures, are also deducted, due to a SREP (Supervisory Review and Evaluation Process) recommendation.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and non-controlling interests related to minimum level 1 additional capital requirements, of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the non-controlling interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax assets already recorded on the balance sheet of 1 January 2014, according to the new regulation, which period ends in 2023.

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

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2023 Minimum Capital Requirements

		of which:				of which:		
BCP Consolidated	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	9.41%	4.50%	1.41%	3.25%	9.41%	4.50%	1.41%	3.50%
T1	11.38%	6.00%	1.88%	3.25%	11.38%	6.00%	1.88%	3.50%
Total	14.00%	8.00%	2.50%	3.25%	14.00%	8.00%	2.50%	3.50%

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

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

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

(Thousands of euros)

	31 March 2023	31 December 2022
Common equity tier 1 (CET1)		
Share capital	3,000,000	3,000,000
Share Premium	16,471	16,471
Reserves and retained earnings	2,015,365	1,715,797
Non-controlling interests eligible to CET1	509,398	433,767
Regulatory adjustments to CET1	53,915	276,422
	5,595,149	5,442,457
Tier 1		
Capital Instruments	400,000	400,000
Non-controlling interests eligible to AT1	95,287	96,341
	6,090,436	5,938,798
Tier 2		
Subordinated debt	1,039,560	1,047,875
Non-controlling interests eligible to Tier 2	271,461	271,800
Other	13,991	20,240
	1,325,012	1,339,915
Total own funds	7,415,448	7,278,713
RWA - Risk weighted assets		
Credit risk	36,065,242	36,265,788
Market risk	967,185	2,611,404
Operational risk	4,178,551	4,178,551
CVA	67,106	47,016
	41,278,084	43,102,759
Capital ratios		
CET1	13.6%	12.6%
Tier 1	14.8%	13.8%
Tier 2	3.2%	3.1%
Total own funds	18.0%	16.9%

The presented amounts include the accumulated net income.

50. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of Metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 19 October 2020, the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

In the context of the liquidation of Proindicus and MAM, the Liquidator published, on 3 May 2022, an announcement in the Jornal de Notícias de Moçambique, through which the creditors of those companies are notified to submit, within thirty days counted from the said publication, the supporting documents of their credits. Following the publication of the said announcement, BIM and BCP submitted, on 1 June 2022, their credit claims on Proindicus and MAM, respectively.

An action brought on 27 February 2019 and amended on 30 April 2020, by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requests, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the Banco Internacional de Moçambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus is, in a court of law declared null and void. Considering the dependency of this claim in relation with the lawsuit brought by the Republic of Mozambique above mentioned, it is expected that the judgment sessions of the claim brought by BIM will only take place simultaneously or after the judgment sessions scheduled for the beginning of October 2023, relating to the lawsuit filed by the Republic of Mozambique.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Commercial Court. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Commercial Court, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique. In July 2021, London Commercial Court decided that the various lawsuits brought by several creditors of MAM (including BCP) against the Republic of Mozambique, as guarantor, and MAM, as debtor, as well as the lawsuit brought by the Republic of Mozambique within the scope of the loan to Proindicus, must be judged through a unitary trial and scheduled the start of the respective trial sessions for 3 October 2023 and several interim sessions related to the process of collecting and disclosure of evidence (DRD - Disclosure Review Documents), which is still ongoing.

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements as at 31 December 2022, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary Banco Internacional de Moçambique (BIM).

As at 31 March 2023, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 309,417,000 (31 December 2022: Euros 347,559,000), with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 146,823,000 (31 December 2022: negative amount of Euros 139,373,000). BIM's contribution to consolidated net income for the first quarter of 2023, attributable to the shareholders of the Bank, amounts to Euros 19,171,000 (31 March 2022: Euros 16,231,000).

As at 31 March 2023, the subsidiary BIM's exposure to the State of Mozambique and to the Central Bank includes public debt securities denominated in Metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of MZN 51,666,098,000 corresponding to Euros 741,690,000 (31 December 2022: MZN 57,909,918,000 corresponding to Euros 849,306,000) and Financial assets at fair value through other comprehensive income in the gross amount of MZN 4,691,235,000 corresponding to Euros 67,345,000 (31 December 2022: MZN 7,172,774,000 corresponding to Euros 105,196,000).

Additionally, the Group has also registered as at 31 March 2023, in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 18,550,951,000 corresponding to Euros 266,308,000 (31 December 2022: MZN 19,081,523,000 corresponding to Euros 279,849,000) and in the balance Guarantees granted revocable and irrevocable commitments, an amount of MZN 4,271,739,000 corresponding to Euros 61,433,000 (31 December 2022: MZN 4,818,871,000 corresponding to Euros 70,704,000).

51. Contingent liabilities and other commitments

In accordance with accounting policy 1.U3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between Portuguese banks.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other fourteen banks related to retail credit products, namely housing, consumer and small and medium enterprises credit products.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the Authority – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defense was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017 (although without the presence of BCP's legal representatives).

In May 2018, the PCA refused the BCP's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to deny the application for confidential treatment of some of the information included in the Bank's defence; subsequently, in January 2019, it requested BCP to provide summaries for the co-defendants' confidential information. The Bank filed an appeal before the Competition Court, which ruled in favor of BCP, as it considered that the elaboration by the Bank of summaries for its co-defendants' confidential information an illegitimate burden.

In April 2019, at the PCA's request, BCP declared to be in favor of the re-examination of its witnesses, requested in its defense and previously held. The witnesses were re-inquired on 16-17 April 2019 with the presence of the Bank's legal representatives.

The PCA denied the request of BCP to be allowed to conduct cross-examination of the witnesses appointed by its co-defendants. The Bank appealed to the Competition Court, which denied the appeal, through a decision which was latter upheld by the Lisbon Court of Appeal. BCP then lodged an appeal before the Portuguese Constitutional Court for breach of the constitutional right of defence. The Constitutional Court dismissed the appeal on 29 April 2021, on the grounds that the requested cross-examination was not required by the Portuguese Constitution, at that stage of the proceedings. On 12 August 2020, the Bank lodged a complaint before the European Court of Human Rights on this matter.

On 2 July 2019, the Bank submitted its observations to the PCA's report on complementary evidence measures.

On 3 June 2019, BCP was notified of the partial dismissal of the complementary evidence measures it had requested in its reply to the SO, which it judicially contested. By judgment of September 2019, the Competition Court declared the nullity of the PCA's decision, for breach of the right of the parties to be heard on the PCA's draft decision. The Bank appealed to the Lisbon Court of Appeal in what concerned the limitation by the Competition Court of the effects of the nullity declaration of the PCA's decision. Although this appeal was ultimately admitted by the panel of judges of the Lisbon Court of Appeal, it ends up being denied.

In order to give compliance to BCP's right to be heard, the PCA notified the BCP of its intention to reject the above-mentioned complementary evidence measures. Following BCP's observations in November 2019, the PCA adopted its final decision rejecting the measures, which was judicially contested by the BCP in December 2019. In March 2020, the Competition Court rejected the appeal. This judgment was upheld by the Lisbon Court of Appeal in October 2020.

On 9 September 2019, the PCA adopted its final decision in this proceeding, fining the Bank in a Euros 60 million fine for its alleged participation in an information exchange system with its competitors in the housing, consumer and SME credit segments. The BCP considers that the Decision contains serious factual and legal errors, having, on 21 October 2019, filed an appeal before the Competition Court requesting the annulation of the Decision and the suspensory effect of the appeal. On 8 May 2020, BCP's appeal was admitted. On 8 June 2020, the BCP submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee). On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between the PCA and the defendant banks, including BCP, as to the dosimetry (i.e., 50% of the amount of the fine) and the forms of the guarantee to be provided, in order for the appeal of the PCA's decision to have suspensory effect. On 21 December 2020, BCP submitted a bank guarantee issued by the BCP, which was accepted by the Competition Court. On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 9 July 2020, the BCP requested the Court to declare the nullity of the fining decision of the PCA for failure to assess the economic and legal context, as determined by the recent case-law of the Court of Justice of the European Union. The Competition Court clarified that this and other prior questions would not be assessed before the hearing phase.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus – Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the "rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages". On the same date, BCP was notified by the Competition Court of its decision authorizing the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

On 8 July 2021, BCP presented its reply to the notification of 28 June 2021, having also requested confirmation in relation to the scheduling of the judgement hearing, namely confirmation of whether it was actually scheduled for 6 September 2021 the preparatory hearing and the start of the judgement hearing sessions.

Several representatives of the banks raised the question of the possible unconstitutionality of the seizure proceedings of e-mail messages used as evidence in the PCA's decision, which objection appeal will now take place. This issue was raised bearing in mind the recent Decision of the Constitutional Court no. 687/2021 on the administrative offence case no. 225/15.4YUSTR-W. A petition on this matter was filed with the Court on 10 October 2021, requesting the Court to take a position on the matter before the beginning of the trial. The Court issued an order rejecting the banks' request to rule on those nullities raised by them, having refused to prohibit the use during the judgment of electronic messages seized, allowing witnesses to be confronted with their content. The requesting banks lodged an appeal against this order, which was admitted by the Lisbon Court of Appeal.

On 28 April 2022, TCRS ("*Tribunal da Concorrência, Regulação e Supervisão*") handed down a decision under the scope of Proc. 225/15.4YUSTR-W, regarding the appeal to challenge the decision of the Portuguese Competition Authority of September 2019 (PRC/2012/09), which imposed fines on a number of banking institutions for alleged violation of competition rules in virtue of participating in a process of exchanging information on mortgage loans, consumer credit and credit to SMEs.

In this extensive decision, TCRS lists the facts given as proven, bearing in mind the testimonial evidence produced and the documents attached to the case file, both in the administrative phase and in the trial, however, at this stage, the TCRS does not yet conclude by the legal framework of the facts as proven, nor, consequently, by the imposition of fines, having the TCRS instead chosen to make the reference for a preliminary ruling to the Court of Justice of the European Union (CJEU) in order to answer two preliminary questions that it sets out, requesting that this reference follows further terms in the form of an accelerated procedure, taking into account the risk of prescription. It should be noted that it is not up to the CJEU to adjudicate on the case, but only to interpret the rules of community law by answering in abstract to the questions submitted to it by the referring court.

CJEU rejected TCRS's request for an accelerated procedure and for priority to be given in the assessment of this case, hence CJEU's assessment must be given within the normal deadline for these prejudicial proceedings, after which the judgment of this Court will then be concluded.

The Bank has been notified by the CJEU to, if it wishes, submit its written observations, and must do so by 2 September 2022.

The Bank forwarded its observations to the CJEU on 1 September 2022.

The Bank does not anticipate that this lawsuit may result in any responsibility that could have impact on the respective financial statements.

2. On 7 June 2022, the Bank was notified by the Court to contest a lawsuit brought by Fundação José Berardo and José Manuel Rodrigues Berardo against Banco Comercial Português, S.A., Caixa Geral de Depósitos, S.A., Novo Banco, S.A. and Banco Espírito Santo, S.A., in liquidation.

In this lawsuit, the Plaintiffs allege that they incurred in a mistake regarding the endogenous situation of the defendant banks and the financial system, without which they would have sold the pledged shares and paid their loans. If this is not the case, the plaintiffs request the defendant banks to be ordered to pay compensation to Fundação José Berardo for damages caused by breach of contract, since the moment when they should have been sold in execution of the pledge due to failure to verify coverage ratios until the moment when they were sold, that is, the difference between the price at which the pledged shares would have been sold on the dates of coverage ratios default and the price at which they were actually sold, plus interest and all other loan charges since those dates, in any case the global amount of compensation not being less than Euros 800,000,000. In any case, the plaintiffs ask the defendant banks to be jointly condemned to pay José Manuel Rodrigues Berardo compensation for moral damages, in the already calculated amount of Euros 100,000,000 and also in the amount that is settled as soon as the full extent of the damages is known.

In the meantime, through Order No. 8765/2022 of Mr. Secretary of State for the Presidency of the Council of Ministers, published in Republic Diary, Series 2, part C, of 19 July 2022, the Plaintiff of this lawsuit, Fundação José Berardo, was declared extinct.

The lawsuit was contested on 27 September 2022 and is awaiting subsequent terms.

The Bank does not anticipate that this lawsuit may result in any responsibility that could have impact on the respective financial statements.

3. On 3 January 2018, Bank Millennium received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC), in which the OPCC Chairman found infringement by Bank Millennium of the rights of consumers. In the opinion of the OPCC Chairman the essence of the violation is that Bank Millennium informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates does not apply to them. According to the position of the OPCC Chairman the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contract from the beginning. As a result of the decision, Bank Millennium was obliged to:

1) send information on the UOKiK's decision to the said 78 clients;

2) place the information on decision and the decision itself on the website and on Twitter;

3) to pay a fine amounting to PLN 20.7 million (Euros 4.4 million).

Bank Millennium lodged an appeal within the statutory time limit.

On 7 January 2020, the first instance court dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by OPCC, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.

In Bank Millennium's assessment, the Court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the OPCC Chairman was published), the more penalties for these behaviours should not be imposed using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the Court of second instance.

The second instance court, in its judgment of 24 February 2022, completely revoked the decision of the OPCC Chairman. On 31 August 2022, the OPCC Chairman lodged a cassation appeal to the Supreme Court. Bank Millennium believes that the prognosis regarding the litigation chances of winning the case before the Supreme Court is positive.

Bank Millennium (along with other banks) is also a party to the dispute with OPCC, in which the OPCC Chairman recognized the practice of participating banks, including Bank Millennium, in an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards as restrictive of competition, and by decision of 29 December 2006 imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.6 million). Bank Millennium, along with other banks, appealed the decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance - the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the amount equal to the imposed penalty.

4. On 22 September 2020, Bank Millennium received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman) recognising clauses stipulating principles of currency exchange applied in the so-called anti-spread annex as abusive and prohibited the use thereof.

Penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.24 million). Penalty amount takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of provisions in question.

Bank Millennium was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, to the effect that the said clauses were deemed to be abusive and therefore not binding upon them (without need to obtain court's decision confirming this circumstance) and publish the decision of the case on Bank Millennium's website.

In the decision justification delivered in writing the OPCC Chairman stated that FX rates determined by Bank Millennium were determined at Bank Millennium's discretion (on the basis of a concept, not specified in any regulations, of average inter-bank market rate). Moreover, client had no precise knowledge on where to look for said rates since provision referred to Reuters, without precisely defining the relevant site.

Provisions relating to FX rates in Bank Millennium's tables were challenged since Bank Millennium failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC Chairman also indicated that in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC Chairman deemed to be insufficient.

The decision is not final and binding. Bank Millennium appealed against the said decision within statutory term.

On 31 March 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On 23 May 2022, the Chairman of the OPCC filed an appeal. On 26 October 2022, the Court of Appeals changed the judgment of the court of first instance and shared the position of the Chairman of the OPCC as to the abusiveness of the provisions regarding the determination of exchange rates in the annexes concluded with foreign currency borrowers. On 21 November 2022, the Court of Appeal, at the request of Bank Millennium, suspended the execution of the judgment until the end of the cassation proceedings. On 30 January, 2023 Bank Millennium filled a cassation appeal to the Supreme Court.

5. As at 31 March 2023, the most important proceedings, in the group of the court cases where the Group's companies were defendant, were following:

- Bank Millennium is a defendant in three court proceedings in which the subject of the dispute is the amount of the interchange fee. In two of the abovementioned cases, Bank Millennium was sued jointly and severally with another bank, and in one with another bank and card organizations. The total value of claims submitted in these cases is PLN 729.6 million (Euros 155.88 million). The proceedings with the highest value of the submitted claim are brought by PKN Orlen SA, in which the plaintiff demands payment of PLN 635.7 million (Euros 135.82 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In the other two cases, the charges are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated for the years 2008-2014. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision. In addition, we point out that Bank Millennium participates as a side intervener in four other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.

- A lawsuit brought up by Europejska Fundacja Współpracy Polsko-Belgijskiej/European Foundation for Polish-Belgian Cooperation (EFWP-B) against Bank Millennium S.A., worth of the dispute PLN 521.9 million (Euros 111.5 million) with statutory interest from 5 April 2016 until the day of payment. The plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw; the suit was served to Bank Millennium on 4 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by Bank Millennium and consisting in the wrong interpretation of the Agreement for working capital loan concluded between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand. In the case brought by EFWP-B, the plaintiff moved for securing the claim in the amount of PLN 250 million (Euros 53.4 million). The petition was dismissed on 5 September 2016 with legal validity by the Appellate Court. Bank Millennium is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of Bank Millennium, Bank Millennium's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to Bank Millennium, issued in the same legal state in the action brought by PCZ SA against Bank Millennium. At present, the Court of first instance is conducting evidence proceedings.

As at 31 March 2023, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 4,336 million (Euros 926.4 million) (excluding the class actions described below and in note 52). In this group the most important category are cases related with FX loans mortgage portfolio and cases related to forward transactions (option cases).

6. On 3 December 2015 a class action was served on Bank Millennium. A group of Bank Millennium's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.75 million), claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on 4 April 2018, therefore the claims increased from PLN 3.5 million (Euros 0.75 million) to over PLN 5 million (Euros 1.07 million).

Actual status:

On 1 October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,574,888.46).

By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing and called on the parties to submit questions to the witnesses. Bank Millennium submitted a pleading with questions to witnesses in July 2020. Currently, the court is collecting written testimony from witnesses.

As at 31 March 2023, there were also 184 individual court cases regarding LTV (loans-to-value) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

7. On 13 August 2020, Bank Millennium received lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands that Bank Millennium and the Insurer (TU Europa) be ordered to discontinue performing unfair market practices involving, as follows:

- presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects Bank Millennium's interests;

- use of clauses linking the value of insurance benefit with the amount of borrower's debt;

- use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);

- use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to be ordered to publish, on its website, information on use of unfair market practices.

The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

8. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit requesting that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis that are proven and that must be proven.

The expertise was carried out and the expert report was submitted. There is a deadline for completing and concluding the expert report, in its final version, since the Bank presented a complaint about various aspects of the expert's report, in its first version.

9. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Decree-law no. 298/92, of 31 December 1992, as amended (the "Banking Law"), which entailed, *inter alia*, the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder. Further, in accordance with information published on the Resolution Fund's website, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the Portuguese State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 20 of the Resolution Fund's annual report of 2021, *"Legal actions related to the application of resolution measures have no legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (…) The Resolution Fund, supported by legal advice of the attorneys for these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure"*.

According to note 22 of the Resolution Fund's annual report of 2021, *"In addition to the Portuguese courts, it is important to take into account the litigation of Novo Banco, S.A., in other jurisdictions, being noteworthy, for its materiality and respective procedural stage, the litigation in the Spanish jurisdiction. (...) Regarding litigation in the Spanish jurisdiction, during the years 2018 to 2021, ten (decisions) have become final and unappealable condemning Novo Banco, Spanish branch, as well as three sentences in relation to which due compensation has been requested from the Resolution Fund"*.

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: *"Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital"*.

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the Portuguese State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion[(1)] that revealed significant uncertainties regarding adequacy in provisioning[(2)]:

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions[(1)(2)(3)];

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the CCA is subject to the cap of Euros 3.89 billion[(2)];

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the Portuguese State will provide additional capital in certain conditions and through different instruments(2). According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the risk of triggering the additional capital mechanism (capital backstop), up to Euros 1.6 billion, provided for in the commitments made by the Portuguese State to ensure the viability of NB, exists"*.

According to Novo Banco's earnings presentation of December 2022, Novo Banco still has Euros 485 million under the MCC in addition to the Euros 209 million included in the capital call for 2021. The mechanism is in place until December 2025, date that can be extended, under certain conditions, by one additional year.

According to a statement issued by the Resolution Fund on 13 February 2023, *"the Ministry of Finance has disclosed that the European Commission intends to consider the restructuring process of Novo Banco as completed. The information disclosed today confirms the successful restructuring of Novo Banco, resulting from the combined execution of the restructuring plan agreed in 2017, under the sale transaction conducted by Banco de Portugal, and the sale agreements, namely the CCA, under which the Resolution Fund transferred to Novo Banco Euros 485 million, less than the maximum amount set in the contract (Euros 3,890 million). The completion of the restructuring of Novo Banco (…) is also another indicator that Novo Banco should not need to request any further payment to the Resolution Fund under the CCA, without prejudice to the ongoing litigation or that still may occur regarding the amounts already requested by Novo Banco in relation to past years and that the Resolution Fund considers that are not due"*. On the same day, Banco de Portugal issued the following statement *"The conclusion of the Novo Banco restructuring process also results in the end of the backstop mechanism, which provided for the possibility, which was always considered remote, of the Portuguese State providing extraordinary support to Novo Banco in extreme scenarios. This mechanism protected Novo Banco and the national financial system from more adverse scenarios, which did not materialize. With the end of the backstop, the financial risk for the Portuguese State is eliminated"*.

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the CCA or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2021 Resolution Fund's annual report, the Resolution Fund follows the work carried out by the Verification Agent, while specific analyses are being requested.

[(1)] Exact value not disclosed by the European Commission for confidentiality reasons

[(2)] As referred to in the respective European Commission Decision

[(3)] According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the CCA was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as at 31 December 2021, amounted to Euros 1.8 billion (book value, net of impairments), according to Novo Banco's First Half 2022 report.

According to a notice issued by the Resolution Fund on 4 June 2020, the *"Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the CCA, of the effects of Novo Banco's decision to waive the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the CCA, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the CCA. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million"*.

According to Resolution Fund's annual report of 2021 (Box 1), *"the award of the Arbitration Court, constituted under the aegis of the International Chamber of Commerce, was known at the end of October 2021, and was favorable to the Resolution Fund. The Arbitration Court considered that (...) the financial impact on Novo Banco's own funds could not be covered by the CCM. The value of the dispute at the date of the award amounted to Euros 169 million, an amount that the Resolution Fund would have had to pay to Novo Banco if the Arbitration Court's award had not been favorable"*.

Additionally, regarding the intervention of the Resolution Fund concerning the transitional regime of the implementation of the dynamic component of IFRS 9, Novo Banco estimates a positive impact on its own funds in the amount of Euros 171 million (which implies a reduction in the capital requirements that Novo Banco intended to pass on to the CCM in the amount of Euros 161.6 million). Accordingly, the Resolution Fund initiated a second arbitration proceeding, also under the aegis of the International Chamber of Commerce, with a view to settling the difference between the parties. This process is in progress, and it is estimated that an award will be rendered during 2023.

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. Information was presented by the independent entity that carried out the special audit, showing that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco's internal procedures more robust. Regarding the exercise of the powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

According to Resolution Fund’s annual report of 2021, the procedure relating to the payment to Novo Banco regarding 2020 accounts has been concluded, concluding that a payment of Euros 112 million was due to Novo Banco from the Resolution Fund which had remained pending further verification. Therefore, that amount was paid to Novo Banco, in December 2021, after the conclusion of the supplementary analysis promoted by the Resolution Fund. This amount, according to a statement issued by the Resolution Fund on 23 December 2021, was already provisioned, included in the total amount of the provision (Euros 429,012,629).

According to Resolution Fund’s annual report of 2021, Novo Banco submitted to the International Chamber of Commerce a request for arbitration to have recognized the right to receive an aggregate amount of Euros 165,441.9 thousand (divestment of Novo Banco's activity in Spain in the amount of Euros 147,441.9 thousand and valuation differences regarding a set of assets held by Novo Banco in the amount of Euros 18,000 thousand) which the Resolution Fund considered, and considers, not to merit the coverage of the CCM.

In its 2021 annual report, the Resolution Fund states that *“eventual new requests regarding future periods, with significant uncertainty regarding the relevant parameters for the calculation of eventual responsibilities, under the terms of the CCA, are recorded as contingent liabilities”*.

On 3 May 2021, following the request of the Portuguese parliament in October 2020 to review the operations and management of Novo Banco that led to the need to transfer funds from the Resolution Fund to Novo Banco, the Resolution Fund announced that the audit report conducted by Tribunal de Contas (“Court of Auditors”) was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank’s liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES’s resolution process, initiated in August 2014.

According to Novo Banco’s 2022 annual report (note 30), Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which, the deferred tax assets recorded until 31 December 2015 can be converted into tax credits when the taxable entity reports an annual net loss, in accordance to the proportion of the amount of the said net loss to total equity at the individual company level, A special reserve was established with an amount identical to the tax credit approved, increased by 10%. The conversion rights are securities that entitle the State to require Novo Banco to increase its share capital by incorporating the amount of the special reserve and consequently issuing and delivering free of charge ordinary shares. The shareholders have the right to acquire the conversion rights attributed to the Portuguese State.

According to the Resolution Fund’s 2021 annual report, under the terms of the sale of Novo Banco, the 75% of the share capital of Novo Banco held by Nani Holdings is not affected by the dilution associated with the Special Regime applicable to deferred tax assets (REIAD).

On 17 December 2021, Novo Banco, carried out a capital increase in the amount of Euros 154,907.3 thousand, through the conversion of the rights that had been attributed to the State due to the conversion of the deferred tax assets of Novo Banco, into tax credits, with reference to the 2015 tax period, under the REIAD. As of that date, the State became a shareholder of Novo Banco, having been attributed a participation corresponding to 1.56% of the share capital. As a result, the participation of the Resolution Fund was diluted from 25% to 23.44%.

According to Novo Banco’s 2022 annual report, in November 2022, a capital increase of Euro 249,753 thousand was carried out through the conversion of the conversion rights resulting from the REIAD for the exercises 2016 and 2017, which gave the State an additional 4.13% stake in Novo Banco. As of 31 December 2022, Nani Holdings’ share in Novo Banco’s capital stood at 75%, Resolution Fund 19.31% and the State 5.69%.

According to Novo Banco’s statement on 22 March 2023, the final amount of conversion rights under the REIAD for the 2018 and 2019’s exercises, attributed to the State, represents an additional 6.27% stake in the share capital of Novo Banco, which would hold 11.96% of Novo Banco’s share capital.

According to the Resolution Fund’s 2021 annual report, it is estimated that the aggregate effect of the application of the REAID will result in the reduction of the participation of the Resolution Fund to 9.05%.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif *"was failing or likely to fail"* and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved State aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a loan granted by the State.

On 4 July 2022, Oitante - 100% owned by the Resolution Fund - completed the process of repayment of the bonds issued in connection with the resolution of BANIF. Oitante's debt, which initially amounted to Euros 746 million, was thus fully repaid. With the repayment of the debt, the Resolution Fund's responsibility as guarantor also ceases, as well as the Portuguese State's responsibility as provider of a counter-guarantee.

On 16 January 2023, the Liquidation Committee of Banif announced a list of all the acknowledged and a list of the non-acknowledged creditors. According to the Resolution Fund's 2021 annual report, the Resolution Fund holds a claim on Banif of Euros 489 million, which has a higher claim ranking provided for in article 166-A of the RGICSF. Under the judicial liquidation process of Banif, which was initiated following the resolution, the independent evaluator estimates that the level of recovery of the financial support made available by the Resolution Fund, as having a higher ranking at the end of the liquidation, is expected to be 7.6%.

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Banco de Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal's measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif, the Resolution Fund incurred on loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2021, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the CCA (Euros 430 million plus Euros 850 million of additional funding requested in 2019 and Euros 850 million made available in 2020);

- Other funding granted:

  - in 2014 by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;
  - in 2021 by seven domestic credit institutions, including BCP, to finance payments due under the CCA up to a maximum of Euros 429 million;

- The underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to secure the bonds issued by Oitante, totally reimbursed, as described above.

- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13%;

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to Resolution Fund's annual report of 2021, contingent liabilities from the CCA are limited to a maximum aggregate amount of Euros 3,890 million and that the aggregate amount of this contingent liability, which corresponds to the difference between that maximum amount and the amounts already paid by the Resolution Fund, amounts to Euros 485 million.

The expectation of the Resolution Fund is that, except for what may eventually result from the pending arbitration disputes with Novo Banco, no further payments will occur under the CCA. On the other hand, the value of payments already made may be compensated, under the terms of the contracts, by the eventual recovery of credits that may occur, to which the value of the shareholding of the Resolution Fund in Novo Banco must be added.

According to note 20 of the Resolution Fund's 2021 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- *"The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks*";

- *"Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan's terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions*".

According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the repayment of the Euros 2,130 million loans granted by the Portuguese State to the Resolution Fund will not end in 2046, as expected, rather in 2056 (without payments under the CCA after 2021) or in 2059 (with the use of the CCA cap). (...) In other, more pessimistic scenarios, these loans will still be being repaid in 2062".*

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The above-mentioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund's capacity to satisfy said obligations in due time.

On 31 December 2021, the Resolution Fund's own resources had a negative equity of Euros 7,207.6 million, as opposed to Euros 7,314.7 million at the end of 2020, according to the latest 2021 annual report of the Resolution Fund.

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the Banking Law, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction ("instrução"), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 19/2022, published on 15 December 2022, set the base rate for 2023 for the determination of periodic contributions to the Resolution Fund at 0.029% (0.057% in 2022).

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely"*.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015. The total amount of the contribution attributable to the Group in the financial year of 2022 was Euros 30,400 thousand, of which the Group delivered Euros 25,847 thousand and the remaining was constituted as irrevocable payment commitment.

During the financial year of 2022, the Group made regular contributions to the Portuguese Resolution Fund in the amount of Euros 18,668 thousand. The amount related to the contribution on the banking sector in Portugal, registered in the financial year of 2022, was Euros 43,484 thousand. These contributions were recognized as a cost in the financial year of 2022, in accordance with IFRIC no. 21 – Levies.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco which need to be neutralized by the Resolution Fund; and, (iv) legal proceedings against the Resolution Fund.

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund's 2021 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the Banking Act, although no such contributions are expected, in particular after a review of the financing conditions of the Resolution Fund"*, as described in the 2016 Annual Report. The Resolution Fund may also, exceptionally, obtain financial support from the State, namely through loans or guarantees, as set out in article 153-J of the same regime.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the CCA of Novo Banco.

According to Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers, a number of national financial institutions offered to finance the Resolution Fund, under conditions considered as appropriate by it, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a Portuguese State loan to the Resolution Fund. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector. The payment obligations arising from this loan benefit from a *pari passu* treatment with the payment obligations of the loans entered into with the Portuguese State on 7 August 2014 and 31 December 2015 and with the Portuguese credit institutions on 28 August 2014.

The budgetary amendment necessary to make the payment by the Resolution Fund was authorised by Order of the Minister of State and Finance dated 31 May 2021.

According to the Resolution Fund's 2021 annual report, the payment to Novo Banco was fully funded with resources from a loan from seven domestic credit institutions, including BCP, to finance payments that are due under the aforementioned contingent capitalization mechanism, up to a maximum amount of Euros 475 million. Of this amount, the Resolution Fund used Euros 429 million, which corresponds to the payment made to Novo Banco in 2021. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years.

10. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified. The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

In addition to opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent party invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to obtain adequate knowledge thereof. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of the right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation in order to request the claimants to identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision. BCP added legal opinions to the records (Professors Mário Aroso de Almeida and Manuel Fontaine de Campos).

11. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented a process of salary adjustment for a temporary period. Additionally, it was agreed between the Bank and the Unions that, in the years after the State intervention and if there are distributable profits, the Board of Directors and the Executive Committee would submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement, effective between 2014 and 2017.

For the General Meeting to be held on 24 May 2023, following the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2022 was approved, which included an extraordinary distribution to each employee up to Euros 9,972,000, and the concrete determination of the amount to be attributed to each employee must be fixed by the Executive Committee to employees who, having not already been fully compensated with the results distributed in 2019 and 2020 and 2022, remain in office on the date of payment of the remuneration corresponding to June 2023. This extraordinary distribution of results, together with those of 2019, 2020 and 2022 will allow the distribution to the employees in office in June 2023 of an accumulated amount equal to the total amount not received during the period of temporary salary adjustment indicated in the previous paragraph.

12. The Bank was subject to tax inspections for the years up to 2019. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred regarding IRC, including in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction *pro rata* used for the purpose of determining the amount of deductible VAT and at the Stamp Duty level. Most of additional liquidations/corrections made by the tax administration were the object of contestation by administrative and/or judicial means.

The Bank recorded provisions or deferred tax liabilities at the amount considered sufficient to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

52. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Court claims and current provisions for legal risk

On 31 March 2023, Bank Millennium had 17,353 loan agreements and additionally 1,404 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (74% loans agreements before the courts of first instance and 26% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 3,124.2 million (Euros 667.5 million) and CHF 221.3 million (Euros 222.95 million) [(Bank Millennium portfolio: PLN 2,870.5 million (Euros 613.3 million) and CHF 216 million (Euros 217.6 million) and former Euro Bank portfolio: PLN 253.7 million (Euros 54.2 million) and CHF 5.3 million (Euros 5.3 million)].

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of paid principal and interest instalments as undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, Bank Millennium is a party to the group proceedings (class action) subject matter of which is to determine Bank Millennium"s liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3,273. On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. Both parties requested a written justification of the judgment. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,985 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,156 (422), in 2022 the number increased by 5,754 (408), while in the first quarter of 2023 the number increased by 1,706 (156).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved in favour of banks until 2019 year. However, after the Court of Justice of the European Union (CJEU) judgment issued on 3 October 2019 (Case C-260/18) the proportion have adversely changed and vast majority of court cases have been lost by banks. As far as Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the first quarter of 2023, 1,586 cases were finally resolved (1,518 in claims submitted by clients against Bank Millennium and 68 in claims submitted by Bank Millennium against clients i.e. debt collection cases) out of which 431 were settlements, 39 were remissions, 55 rulings were favourable for Bank Millennium and 1,061 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium files appeals against negative judgements of the courts of 1st instance as well as submits cassation appeals to the Supreme Court against unfavourable for Bank Millennium legally binding verdicts. Currently, the statistics of first and second instance court decisions are much more unfavourable and its number is also increasing.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium (incl. former Euro Bank portfolio) on 31 March 2023 was PLN 5,726 million (Euros 1,223.4 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 864 million (Euros 184.6 million)].

If all Bank Millennium’s originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 5,742 million (Euros 1,226.8 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

During first quarter of 2023 Bank Millennium created PLN 821 million (Euros 174.5 million) provisions for Bank Millennium originated portfolio and PLN 43 million (Euros 9.1 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for Bank Millennium's portfolio at the end of March 2023 was at the level of PLN 5,630 million (Euros 1,202.89 million), and PLN 445 million (Euros 95 million) for former Euro Bank originated portfolio.

The methodology developed by Bank Millennium of calculating provisions for legal risk involved with indexed loans is based on the following main parameters:

(1) the number of current cases (including class actions) and potential future lawsuits that arise within a specified (three-year) time horizon;

(2) the amount of Bank Millennium's potential loss in the event of a specific court judgment;

(3) the probability of obtaining a specific court judgment calculated on the basis of statistics of judgments in cases where Bank Millennium is a party and legal opinions obtained;

(4) in the case of the scenario of cancellation of the loan agreement, the element taken into account, with a view to legal assessments, is the calculation of Bank Millennium's loss, taking into account the assignment of a minimum probability of obtaining remuneration for the use of capital with the impact of this element in the methodology amounted to PLN 97 million (Euros 20.7 million);

(5) estimates involved with amicable settlements with clients, concluded in court or out of court:

a. negotiations are conducted on a case-by-case basis and can be stopped at any time by Bank Millennium;

b. as the negotiations efforts have already been material in the past, the probability of success may be lower in the future and at the same time, gradually most of the client base has had contact with Bank Millennium regarding potential negotiation of the conversion of the loans to PLN, so Bank Millennium is taking a conservative approach when calculating the potential future impact for the time being.

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Societe Generale.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation. The most relevant parameter is the number of lawsuits. Each additional 1,000 lawsuits filed by clients against Bank Millennium versus the number assumed in the methodology would generate an additional provision / loss of PLN 162 million (Euros 34.4 million).

Bank Millennium is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 8,450 in 2021, 7,943 in 2022 and 806 in the first quarter of 2023. As of the end of the first quarter of 2023, Bank Millennium had 36,782 active FX mortgage loans. Costs incurred in conjunctions with these negotiations totalled PLN 364.6 million (Euros 77.5 million) in 2021, PLN 515.2 million (Euros 109.5 million) in 2022 and PLN 79.7 million (Euros 16.9 million) in the first quarter of 2023 presented mainly in ‘Result on exchange differences’ and also in ‘Result on modification’ in income statement.

Finally, it should also be mentioned, that Bank Millennium, as at 31 March 2023, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.95 p.p. (1.94 p.p. at the Group level), part of which is allocated to operational/legal risk.

CJEU and Supreme Court rulings relevant to risk assessment

Jurisprudence of Court of Justice of the European Union

On 3 October 2019, the Court of Justice of the European Union ('the CJEU') issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, as regards the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13. In the light of the subject matter judgment the said provision must be interpreted in such a way that:

(i) the national court may invalidate a credit agreement if the removal of unfair terms detected in this agreement would alter the nature of the main subject-matter of the contract;

(ii) the effects for the consumer's situation resulting from the cancellation of the contract must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and the will of the consumer is decisive as to whether he wishes to maintain the contract;

(iii) Article 6 of the Directive precludes the filling-in of gaps in the contract caused by the removal of unfair terms from the contract solely on the basis of national legislation of a general nature or established customs;

(iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract if the consumer has not consented to the maintenance of such terms. It can be noticed the CJEU found doubtful the possibility of a credit agreement being performed further in PLN while keeping interest calculated according to LIBOR.

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., CJEU said that:

(i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

(ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13 is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance;

(iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

(iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 18 November 2021, the Court of Justice of the European Union (CJEU) issued a judgment in case C-212/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Raiffeisen Bank International AG. The CJEU stated that:

(i) The content of the clause of the loan agreement concluded between the entrepreneur and the consumer fixing the purchase and sale price of the foreign currency to which the loan is indexed should, on the basis of clear and comprehensible criteria, enable the consumer who is reasonably well informed and sufficiently observant and rational to understand how the exchange rate of the foreign currency used to calculate the amount of the loan instalments is determined, so that the consumer is able to determine himself at any time the exchange rate used by the entrepreneur;

(ii) A national court which has found that a term of the agreement concluded between an entrepreneur and a consumer is unfair cannot interpret that term in order to mitigate its unfairness, even if such an interpretation would correspond to the common will of the parties.

On 10 June 2021, the Court of Justice of the European Union (CJEU) issued an order in case C-198/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Santander Bank Polska SA. The CJEU stated that the protection provided for in Council Directive 93/13/EEC is granted to all consumers, not just those who can be considered to be 'duly informed and reasonably observant and circumspect average consumers'.

On 8 September 2022, the Court of Justice of the European Union (CJEU) issued a judgment in joined cases C-80/21, C-81/21, C-82/21 in connection with questions submitted by the District Court for Warsaw Śródmieście in Warsaw in cases against Deutsche Bank SA and mBank SA. The CJEU stated that:

(i) A national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify;

(ii) A national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law;

(iii) A national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them;

(iv) The ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period – in this case thirty years – well in excess of the ten-year statutory limitation period.

On 16 March 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-6/22, following preliminary questions submitted by the District Court for Warsaw-Wola in a case against the former Getin Bank S.A. In the judgment, the CJEU ruled that:

i) in the event that a contract concluded between a consumer and a seller or supplier is declared invalid because one of its terms is unfair, it is for the Member States, by means of their national law, to make provision for the effects of that invalidation, in compliance with the protection granted to the consumer by that directive, in particular, by ensuring the restoration of the legal and factual situation that he or she would have been in if that unfair term had not existed.

ii) a national court is not allowed, first, to examine of its own motion, without any prerogative conferred on it by national law in that regard, the financial situation of a consumer who has sought the invalidation of the contract between him or her and a seller or supplier on account of the presence of an unfair term without which the contract cannot legally continue to exist, even if that invalidation is liable to expose the consumer to particularly unfavourable consequences and, second, to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavourable financial consequences which it may have for him or her.

iii) a national court is not allowed, after it has found that a term in a contract concluded between a seller or supplier and a consumer is unfair, to fill gaps resulting from the removal of the unfair term contained therein by the application of a provision of national law which cannot be characterised as a supplementary provision. However, it is for the national court, taking account of its domestic law as a whole, to take all the measures necessary to protect the consumer from the particularly unfavourable consequences which annulment of the contract might entail for him or her.

Jurisprudence of the Supreme Court

On 7 May 2021, the Supreme Court composed of 7 judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

1. An abusive contractual clause (art. 385(1) § 1 of the Polish Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively.

2. If without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Polish Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

On 28 April 2022 the Supreme Court issued a resolution (III CZP 40/22) in which it indicated that in disputes with consumers, the provision of Article 358(1) of the Polish Civil Code is a special provision to Article 353(1) of the Polish Civil Code, which means that if the prerequisites for the application of both provisions exist, the court should apply the special provision and declare the contractual provision permanently ineffective, rather than invalid. This decision of the Supreme Court should be perceived as significantly limiting the risk of Bank Millennium's claims for return of capital being time-barred.

The effect of the Supreme Court's resolution of 7 May 2021 is that Bank Millennium is entitled to a refund of the cash benefit provided by Bank Millennium in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, Bank Millennium, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. Bank Millennium's demand consists of: a claim for return of the capital made available to the borrower under the contract and a claim for reimbursement of the equivalent of the benefit obtained by the borrower in connection with the use of the capital made available (equivalent to the financial service). By 31 March 2023 Bank Millennium filed 3,769 lawsuits against the borrowers. Due to the ongoing proceedings on questions referred for a preliminary ruling (C-520/21, C-756/22) concerning the scope of claims of the parties to an invalid contract, no final decision has yet been issued in Bank Millennium's cases containing a substantive assessment of Bank Millennium's claims for reimbursement of benefits related to the use of capital.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters. Further request for clarification and ruling addressed to the European Court of Justice and Polish Supreme Court have already been filed and may still be filed with potential impact on the outcome of the court cases.

In this context, taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, and if such trend continues, Bank Millennium will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

2. Events that may impact foreign currency-indexed mortgage loans legal risk and related provision

On 29 January 2021 a set of questions addressed by the First President of the Supreme Court to the full Civil Chamber of the Polish Supreme Court was published. This 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 has been requested for answering the questions concerning key matters related to FX mortgage agreements: (i) is it permissible to replace - with the law provisions or with a custom - 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 credit agreement - is it permissible to keep the agreement still valid in its remaining scope; as well as (iii) if in case of invalidity of the CHF credit there would be applicable the theory of balance (i.e. does 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 has also been requested for answering the question on (iv) from which point in time there shall be starting the limitation period in case of bank's claim for repayment of amounts paid as a loan and (v) whether banks and consumers may receive remuneration for using their pecuniary means by another party.

On 11 May 2021, the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions including the National Bank of Poland (NBP), the Polish Financial Supervision Authority (UKNF), the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of: the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favourable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers *vis-à-vis* PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Polish Supreme Court.

In the next meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known.

On 12 August 2021, in the case for payment brought by a consumer against Bank Millennium, the CJEU was asked for a preliminary ruling (C-520/21) whether, in the event that a loan agreement concluded by a bank and a consumer is deemed invalid from the beginning due to unfair contract terms, the parties, in addition to the reimbursement of the money paid in contracts (bank - loan capital, consumer - instalments, fees, commissions and insurance premiums) and statutory interest for delay from the moment of calling for payment, may also claim any other benefits, including receivables in particular, remuneration, compensation, reimbursement of costs or valorization of the performance. The hearing was held on 12 October 2022. The hearing was attended by representatives of Bank Millennium, the consumer's representative, representatives of the European Commission, the Polish government, the Financial Ombudsman, the Commissioner for Human Rights, the Polish Financial Supervision Authority and the prosecutor. In its position, the European Commission opposed granting banks the right to an additional financial benefit for the consumer's use of the capital provided. At the same time, the Commission concluded that granting consumers the right to an additional financial benefit will not be contrary to the EU law. The representatives of the Polish government, the Financial Ombudsman, the Commissioner for Human Rights and the prosecutor also objected to granting banks the right to an additional benefit. The Chairman of the Polish Financial Supervision Authority pointed out that the essence of the problem is not the abusiveness of contractual clauses, but the appreciation of the Swiss Franc (CHF) against the zloty (PLN). In the opinion of the Chairman of the Polish Financial Supervision Authority, banks are entitled to economic compensation for allowing another entity to use the capital.

On 16 February 2023, the Advocate General issued an opinion in the case, in which he suggested that the CJEU answer the questions as follows:

1) Provisions of Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law under which, where a loan agreement concluded between a consumer and a bank is found to be void from the outset on the ground that it contains unfair terms, the consumer, in addition to reimbursement of the sums paid under that agreement and to payment of default interest at the statutory rate from the date of the request for reimbursement, may pursue additional claims against the bank as a consequence of that finding.

It is a matter for the national court to determine, by reference to national law, whether consumers have the right to assert such claims and, if so, to rule on their merits.

2) Provisions of Directive 93/13 must be interpreted as precluding a judicial interpretation of national law under which, where a loan agreement concluded between a consumer and a bank is found to be void from the outset on the ground that it contains unfair terms, the bank, in addition to reimbursement of the sums paid under that agreement and to payment of default interest at the statutory rate from the date of the request for reimbursement, may pursue additional claims against the consumer as a consequence of that finding.

The Advocate General's opinion is not binding on the CJEU judges ruling in case C-520/21.

On 9 December 2022, in the case brought by Bank Millennium against the borrower for payment – return of the capital made available to the borrower on the basis of an invalid capital contract and the equivalent value of the benefit related to the borrower's use of capital, the court referred a question to the CJEU for a preliminary ruling whether, if it is found that the loan contract concluded by the bank and the consumer is invalid from the beginning due to the conclusion of unfair contractual terms, in addition to the return of money paid in the performance of this contract (loan principal) and statutory late payment interest from the moment of the request for payment, the bank may also demand any other benefits, including receivables, in particular remuneration, compensation, reimbursement of costs or valorisation of the benefit. The case was registered under the reference number C-756/22. Referring the question, the court asked the CJEU to join the case with the above-mentioned ongoing proceedings under reference number C-520/21. The Court has decided not to join the cases and decided to suspend the proceedings until the case C-520/21 is resolved.

With the scope of settlements between Bank Millennium and borrower following the fall of the loan agreement is also connected the legal issue directed to the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

The Supreme Court was also presented with the issue of whether the loan agreement is a mutual agreement in the light of the regulations concerning retention right (III CZP 89/22).

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (‘PFSA’) proposed a ‘sector’ solution to address the sector risks related to FX mortgages. The solution would consist in offering by banks to their clients a voluntary possibility of concluding arrangements based on which a client would conclude with the bank a settlement as if his/her loan from the very beginning had been a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loan.

Following that public announcement, the idea was subject of consultations between banks under the auspices of the PFSA and Polish Banking Association. Banks in general have assessed the conditions under which such solution could be implemented and consequent impacts.

As expressed in previous financial reports, when that assessment was done, in the view of the Management Board of Bank Millennium, important aspects to take into consideration when deciding on potential implementation of such program were: a) favourable opinion or at least non-objection from important public institutions; b) support from National Bank of Poland to 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 mortgage loans.

Based on current information some of the above-mentioned aspects are not likely to be fully clarified and/or achieved.

Any decision regarding implementation of such program would require the Management Board to submit it to the Supervisory Board and General Shareholders meeting of Bank Millennium taking into consideration the relevance of such decision and its implications.

Despite the fact that not all of those aspects have been possible to clarify, Bank Millennium, in practice, has been using elements of such solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the complexity and uncertainty regarding the outcome of court cases, including counter-claims, as well as from potential implementation of KNF Chairman solution or other negotiation solutions or from potential Supreme Court decisions or European Court of Justice decisions, it is difficult to reliably estimate final impacts from different potential outcomes as at the date of publication of the financial statements.

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

As at 31 March 2023, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Sector of activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	127,600,000	EUR	Banking	100 %	100 %	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %	50.1 %	50.1 %
Millennium Bank Hipoteczny S.A.	Warsaw	57,000,000	PLN	Banking	100 %	50.1 %	—
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100 %	100 %	100 %
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7 %	66.7 %	—
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100 %	100 %	—
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %	100 %	100 %
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	71,772,159	BRL	Financial Services	100 %	100 %	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %	100 %	100 %
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100 %	100 %	100 %
Monumental Residence - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	Oeiras	32,859,181	EUR	Real-estate management	100 %	100 %	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	98.6 %	97.7 %	93.2 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %	100 %	100 %
Flitptrel Tires, S.A.	Lisbon	50,000	EUR	Real-estate company	100 %	100 %	100 %
Bichorro - Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate company	100 %	100 %	—
Finalgarve - Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100 %	100 %	—
Fiparso - Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100 %	100 %	—
Millennium Consulting S.A.	Warsaw	4,339,500	PLN	Consulting services	100 %	50.1 %	—
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Web portals	100 %	50.1 %	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100 %	50.1 %	—
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100 %	50.1 %	—
Piast Expert Sp. z o.o (em liquidação)	Tychy	100,000	PLN	Marketing services	100 %	50.1 %	—
Millennium Telecommunication Services Sp. z o.o.	Warsaw	100,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100 %	50.1 %	—

As at 31 March 2023, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B, were as follows:

					Group		Bank
Investment funds	Head office	Participation units	Currency	Activity	% economic interests	% effective held	% direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	63,550,218	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo de Investimento Imobiliário Imorenda	Oeiras	81,129,598	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	310,307,200	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	17,678,733,800	EUR	Real-estate investment fund	100 %	100 %	100 %
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,879,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundial - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	19,164,700	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundipar - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	6,875,000	EUR	Real-estate investment fund	100 %	100 %	100 %
Domus Capital- Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,799,969	EUR	Real-estate investment fund	95.8 %	95.8 %	95.8 %
Predicapital - Fundo Especial de Investimento Imobiliário Fechado (*)	Oeiras	85,053,991	EUR	Real-estate investment fund	60 %	60 %	60 %

(*) - Company classified as non-current assets held for sale.

The Group holds a securitization transaction regarding mortgage loans which was set through specifically created SPE. As referred in accounting policy 1 B, when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE is fully consolidated, following the application of IFRS 10.

As at 31 March 2023, the Special Purpose Entity included in the consolidated accounts under the full consolidation method is as follows:

					Group		Bank
Special Purpose Entities	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %	82.4 %	82.4 %

As at 31 March 2023, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7 %	22.5 %	—
Banque BCP, S.A.S.	Paris	198,295,587	EUR	Banking	19.0 %	19.0 %	19.0 %
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50 %	25.1 %	—
Millennium Financial Services, Sp.z o.o.	Warsaw	100,000	PLN	Services	20.0 %	10.0 %	—
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.33 %	21.9 %	—
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0 %	32.0 %	0.5 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %	25.1 %	25.1 %

As described in note 47,the Group sold 80% of shares of Millennium Financial Services sp. z o.o. so now holds a minority stake of 20%

As at 31 March 2023, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Lisbon	50,002,375	EUR	Holding company	49 %	49 %	49 %
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Lisbon	22,375,000	EUR	Life insurance	49 %	49 %	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	1,200,000	EUR	Pension fund management	49 %	49 %	—
Fidelidade Moçambique - Companhia de Seguros S.A.	Maputo	295,000,000	MZN	Insurance	22 %	14.7 %	—

The indicators of Banco Comercial Portugês, S.A. and its main subsidiaries and associated companies are analysed as follows:

	31 March 2023			31 March 2022		
Subsidiaries and associated companies	Total Assets	Total Equity	Net income for the period	Total Assets	Total Equity	Net income for the period
Banco Comercial Português, S.A.	61,719,427	5,507,573	150,533	70,962,446	5,452,250	89,215
Banco ActivoBank, S.A.	3,101,764	225,842	8,431	2,938,911	197,893	3,390
Bank Millennium, S.A. (1)	24,320,138	1,297,432	53,602	23,673,692	1,336,800	(26,411)
BIM - Banco Internacional de Moçambique, S.A. (1)	2,661,938	463,995	28,749	2,636,243	422,734	24,339
BCP International B.V.	524,763	524,671	44	976,441	976,173	(20)
BCP Finance Bank, Ltd.	520,073	519,765	(211)	522,115	521,809	2,123
BCP África, S.G.P.S., Lda.	561,396	560,159	(110)	494,779	493,533	(5,761)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	179,218	178,075	(222)	177,185	177,175	(70)
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	10,503	8,587	485	9,977	8,355	633
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1) (2)	8,876,759	419,628	17,911	10,305,777	744,458	16,143
Banco Millennium Atlântico, S.A. (3)	2,879,174	294,377	2,076	3,046,318	298,672	2,269
Banque BCP, S.A.S.	5,018,345	273,204	5,670	4,674,490	245,327	6,079

1) Consolidated accounts.

2) Includes VOBA annual amortisation. The value of the acquired business (VOBA) corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition and it is recognised in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortised over the period of recognition of the income associated with the policies acquired.

3) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.

54. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 Z), there were no facts or events subsequent to 31 March 2023 and until the approval of the financial statements that require additional judgments, disclosures or records.

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Banco Comercial Português, S.A.

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