

26 February 2024

Millennium bcp Earnings release as at 31 December 2023

A Bank prepared for the future

Profitability

- Net income of **856.0 million euros** in 2023.
- Group's core operating profit increase of **31.7%** to **2,434.8 million euros**, supported by the **increase of 23.1% on core income** and by the **strict management of operating costs**, which grew 8.3% compared with 2022.
- **Effects¹** related with **Bank Millennium: 779.7² million euros** of **costs related with CHF mortgage loan portfolio**, out of which 623.0³ million euros related with provisions, resulting from the application of more conservative assumptions to the provisioning model after the Court of Justice of the European Union ruling; **results benefited**, this year, of **139.1 million euros** related with the **sale of Millennium Financial Services stake (80%)** as a result of the strategic partnership in the bancassurance business.
- **Net income** of **724.9 million euros** in the **activity in Portugal** in 2023, corresponding to an increase of 381.4 million euros compared with 2022.

Business model

- **Substantial strengthening of capital ratios. CET1⁴ ratio** stood at **15.4%** and **total capital ratio⁴** at **19.9%** (an increase of 293 bp and 310 bp, respectively, compared with last year), reflecting the strong capacity to generate organic capital.
- **Liquidity indicators⁵, well above regulatory requirements:** LCR at 276%, NSFR at 167% and LtD at 71%.
- **On-Balance sheet customer funds grew 2.5%** year on year to **79.2 billion euros**.
- **Significant decrease of non-performing assets** compared with December 2022: 266 million euros in NPE, 83 million euros in foreclosed assets and 45 million euros in restructuring funds, a combined reduction of 14.0% from December 2022.
- **Growth of the customer base**, highlighting the increase in mobile Customers (10% from December 2022), which represent 68% of total Customers.
- **Investment grade** by the 4 rating agencies, after successive upward revisions.

¹ Before taxes and non-controlling interests ² Includes provisions for legal risk, costs with out-of-court settlements and legal advice ³ Does not include provisions for legal risk on CHF mortgages of Euro Bank (guaranteed by a third party) ⁴ Fully implemented ratio including unaudited net income of 2023 ⁵ Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Loans to Deposits Ratio (LtD).

BANCO COMERCIAL PORTUGUÊS, S.A.,
having its registered office at Praça D. João I, 28, Oporto,
registered at the Commercial Registry of Oporto, with the
single commercial and tax identification number 501 525 882
and the share capital of EUR 3,000,000,000.00.
LEI: JUU6SODG9YLT7N8ZV32

INVESTOR RELATIONS

Bernardo Collaço
Phone +351 211 131 084
investors@millenniumbcp.pt
bernardo.collaco@millenniumbcp.pt
alexandre.moita@millenniumbcp.pt

MEDIA CONTACTS

Erik T. Burns
Phone +351 211 131 242
Mobile +351 917 265 020
erik.burns@millenniumbcp.pt
cintia.barbas@millenniumbcp.pt

FINANCIAL HIGHLIGHTS (1)

	31 Dec. 23	31 Dec. 22 (restated)	Chg. 23/22	Million euros
BALANCE SHEET				
Total assets	94,380	89,877	5.0 %	
Equity	7,299	5,937	23.0 %	
Loans to customers (net)	55,218	56,198	(1.7 %)	
Total customer funds	95,295	92,808	2.7 %	
Balance sheet customer funds	79,215	77,250	2.5 %	
Deposits and other resources from customers	77,928	75,907	2.7 %	
Loans to customers (net) / Deposits and other resources from customers (2)	70.9 %	74.0 %		
Loans to customers (net) / Balance sheet customer funds	69.7 %	72.7 %		
RESULTS				
Net interest income	2,825.7	2,149.8	31.4 %	
Net operating revenues	3,769.7	2,857.4	31.9 %	
Operating costs	1,162.6	1,073.0	8.3 %	
Operating costs excluding specific items (3)	1,147.3	1,056.5	8.6 %	
Results on modification	(19.4)	(309.9)	93.7 %	
Loan impairment charges (net of recoveries)	240.0	300.6	(20.2 %)	
Other impairment and provisions	859.8	755.6	13.8 %	
Income taxes	537.4	304.3	76.6 %	
Net income	856.0	197.4	>200%	
PROFITABILITY AND EFFICIENCY				
Net operating revenues / Average net assets (2)	4.1 %	3.0 %		
Return on average assets (ROA)	1.0 %	0.1 %		
Income before tax and non-controlling interests / Average net assets (2)	1.6 %	0.4 %		
Return on average equity (ROE)	16.0 %	3.9 %		
Income before tax and non-controlling interests / Average equity (2)	23.8 %	7.2 %		
Net interest margin	3.36 %	2.46 %		
Cost to core income (2)(3)	31.9 %	36.2 %		
Cost to income (2)	30.8 %	37.6 %		
Cost to income (2)(3)	31.6 %	37.0 %		
Cost to income - Activity in Portugal (2)(3)	29.5 %	37.2 %		
Staff costs / Net operating revenues (2)(3)	17.0 %	19.7 %		
CREDIT QUALITY				
Cost of risk (net of recoveries, in b.p.)	42	52		
Non-Performing Exposures (loans to customers) / Loans to customers	3.4 %	3.8 %		
Total impairment (balance sheet) / NPE (loans to customers)	81.8 %	68.3 %		
Restructured loans / Loans to customers	3.0 %	3.2 %		
LIQUIDITY				
Liquidity Coverage Ratio (LCR)	276 %	212 %		
Net Stable Funding Ratio (NSFR)	167 %	154 %		
CAPITAL (4)				
Common equity tier I phased-in ratio	15.5 %	12.6 %		
Common equity tier I fully implemented ratio	15.4 %	12.5 %		
Total ratio fully implemented	19.9 %	16.8 %		
BRANCHES				
Activity in Portugal	399	408	(2.2 %)	
International activity	807	832	(3.0 %)	
EMPLOYEES				
Activity in Portugal	6,242	6,252	(0.2 %)	
International activity (5)	9,446	9,491	(0.5 %)	

Notes:

- (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 the impact of specific items: positive impact of 123.9 million euros in 2023 and negative impact in the amount of 16.5 million euros in 2022. In 2023, specific items include: income of 139.1 million euros recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. and costs of 15.3 million euros recognised as staff costs in the activity in Portugal [(i) costs related to the compensation for the temporary reduction in employee remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022; (ii) costs with employees terminations, namely early retirements; (iii) costs with mortgage financing to former employees and (iv) income recognised after an agreement related to liabilities with former directors of the Bank]. In 2022, specific items, recognised in staff costs in the activity in Portugal, include: (i) distribution of part of the Bank's results obtained in 2021 by the employees of the Bank; (ii) costs with mortgage financing to former employees; (iii) discretionary remuneration paid to employees as a measure to offset the impacts of inflation; and iv) the recognition of a provision for other structure adaptation measures.
- (4) The capital ratios as at 31 December 2023 are estimated, including the positive cumulative net income.
- (5) Of which, in Poland: 6,872 employees as at 31 December 2023 (corresponding to 6,747 FTE - Full-time equivalent) and 6,987 employees as at 31 December 2022 (corresponding to 6,860 FTE - Full-time equivalent).

RESULTS AND ACTIVITY IN 2023

The current world situation continues to be influenced by tensions that potentially may generate significant future impacts, which cannot be predicted or quantified at this stage. On the European continent, the war in Ukraine continues, resulting from the invasion of that country by the Russian Federation, at the end of February 2022, although the direct exposure of the Group to the economies of the two countries involved in the conflict is not material.

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), being accounted for under the equity method, as Investments in associated companies. On 1 January 2023, Mbcp Ageas adopted simultaneously IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts. Taking into account that the initial adoption of IFRS 17 and IFRS 9 requires comparative information, Mbcp Ageas made the transition exercise on 1 January 2022. The impacts resulting from this implementation by Mbcp Ageas led to the restatement of the 2022 accounts of the Group.

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 that company shares and Towarzystwo Ubezpieczeń Europa S.A. which acquires 8%. 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 29 March 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 triggering the commencement of the Strategic Insurance Cooperation between the Bank and the buyers, as described above. In the fourth quarter of the year, there was a revaluation of this gain, resulting from the observation of certain conditions.

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.

After successive upward revisions, reflecting the Bank's normalisation path, BCP has reached Investment Grade rating by the four main International Rating Agencies (DBRS, Moody's, S&P and Fitch).

PROFITABILITY ANALYSIS

NET INCOME

The consolidated net income of Millennium bcp amounted to 856.0 million euros in 2023, standing significantly above the 197.4¹ million euros achieved in the previous year.

The Executive Committee will submit to the Board of Directors a proposal for the appropriation of the results of the year to be submitted to the Annual General Meeting of Shareholders that includes the distribution of dividends corresponding to a payout ratio of 30% calculated on the consolidated net income for the 2023 financial year.

The evolution of consolidated net income reflects the favourable performance of both the activity in Portugal and the international activity, driving return on equity (ROE) of the Group to increase from 3.9% to 16.0% in the last year.

To this performance largely contributed the 23.1% increase recorded in core income, from 2,921.7 million euros in 2022 to 3,597.4 million euros in 2023. Both in the activity in Portugal, where the growth was more pronounced, and in the international activity, core income showed significant increases, resulting, in both cases, from the growth in net interest income, that in consolidated terms was 31.4% above the 2,149.8 million euros recorded in the previous year, rising to 2,825.7 million euros at the end of 2023. Net commissions, in turn, remained in line with the amount achieved in the previous year, totalling 771.7 million euros in 2023.

The extraordinary gain of 139.1² million euros resulting from the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o., within the scope of the strategic partnership in the bancassurance business, also had a positive impact on the performance of consolidated net income compared to the previous year.

The evolution of net income of the Group was also influenced by extraordinary effects associated with the Polish subsidiary that had a negative impact in the previous year. In this context, it should be noted, the upfront recognition of the costs arising from the moratoriums program (credit holidays) enacted in July 2022, which amounted to 282.8 million euros, recognised under the heading results on modification.

On the other hand, the favourable evolution of net income of the Group in 2023, compared to the previous year, was also influenced by the fact that the result associated with the Polish subsidiary in 2022 had been penalised by the recognition of total impairment of the goodwill associated with the acquisition by the BCP Group of the percentage of control over Bank Millennium S.A. in the amount of 102.3 million euros as at 30 June 2022.

Also in the Polish subsidiary, the contribution to the Polish institutional protection fund (IPS - Institutional Protection Scheme), created in 2022 and non-existent in 2023, together with temporary exemptions in the current year for other contributions, resulted in a reduction of 107.7 million euros in the overall amount of contributions borne by the subsidiary, also contributing to the favourable evolution of consolidated net income.

The risk profile evolution of the credit portfolio, in turn, allowed a reduction in loans impairment charges (net of recoveries), both in the activity in Portugal and in the international activity, determining the favourable performance of this item, which in consolidated terms, totalled 240.0 million euros, standing 60.6 million euros (20.2%) below the amount recorded in 2022.

Conversely, the results of the Group continue to be strongly influenced by the increase in the costs associated with foreign exchange mortgage portfolio in the Polish subsidiary, that globally went from 525.6 million euros, in 2022, to 779.7 million euros, at the end of 2023 (both before taxes and non-controlling interests). The overall increase in these costs was mainly due to the additional provisions booked to face the legal risk implicit in this portfolio, following the unfavourable decision of the Court of Justice of the European Union, regarding remuneration for the use of capital on foreign exchange mortgage loans, since this provisions went from 393.8 million euros in 2022, to 623.0 million euros in 2023 (net of the amount related to loans originated by Euro Bank S.A., to be reimbursed by a third party).

On the other hand, despite the disciplined management of operating costs by the Group, the impact of inflation was felt in the three geographies in which the Bank operates (particularly in Poland and Mozambique), influencing the

¹ Following the adoption, on 1 January 2023, of IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts, by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcpc Ageas), an entity 49% owned by the Group, and complying with comparative information requirements, the accounts of the Group referring to 2022 were restated accordingly, corresponding to a negative impact of 10.1 million euros in the 2022 results.

² This amount includes the gain determined in the first quarter of the current year (127 million euros), as well as an additional gain of 12 million euros recognised in the fourth quarter.

evolution of operating costs that, in consolidated terms, increased 8.3%, from 1,073.0 million euros to 1,162.6 million euros. Both staff costs and other administrative costs were higher than a year earlier, both in the activity in Portugal and mainly in the international activity. Depreciations, in turn, decreased compared to the amount recorded in the previous year, although this impact was not significant within the evolution of operating costs.

Finally, despite the insignificant impact on the net income of the Group, it is worth mentioning the evolution of net income from discontinued operations, from 5.5 million euros in 2022, to a negative amount of 2.9 million euros in 2023. In the current year, net income from discontinued operations was mainly due to the final adjustment of the sale price of Banque Privée BCP (Suisse) S.A. ("Banque Privée"), under previously agreed conditions³, while in 2022, in addition to the adjustment of the sale price of Banque Privée, it also incorporates the correction of the gain, at the end of 2021, from the sale of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. ("SIM")(currently known as Fidelidade Moçambique - Companhia de Seguros S.A.).

In 2023, core operating profit of the Group amounted to 2,434.8 million euros, showing a significant growth of 31.7% from the 1,848.7 million euros achieved in the previous year.

The previous analysis does not exclude the specific items recognised in these years. In 2023, specific items had a positive impact of 123.9 million euros (before taxes and non-controlling interests), including income of 139.1 million euros recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (127.9 million euros recognised as net trading income and 11.2 million euros recognised as other net operating income) and costs of 15.3 million euros recognised as staff costs in the activity in Portugal. On the other hand, in 2022, the impact of specific items was negative in the amount of 16.5 million euros (before taxes), recognised in staff costs in the activity in Portugal.

In the activity in Portugal, net income amounted to 724.9 million euros in 2023, well above the 343.5 million euros achieved in the previous year, largely due to the increase of 54.2% (515.7 million euros) in net interest income, which stood at 1,466.6 million euros at the end of 2023.

The evolution of net income in the activity in Portugal also benefited, albeit to a lesser extent, from the reduction in impairments and provisions during last year, with other impairments and provisions showing a reduction of 21.7% (44.5 million euros) compared to the amount posted in the previous year, standing at 160.8 million euros at the end of 2023, while loans impairment stood 5.0% (10.8 million euros) below the amount recognised in 2022, totalling 207.6 million euros in 2023.

Other net operating income, largely influenced by the reduction in mandatory contributions, and equity accounted earnings also contributed to the favourable evolution of net income in the activity in Portugal, growing 14.8% (11.3 million euros) and 3.3% (1.9 million euros), respectively.

Conversely, net income in the activity in Portugal in 2023 was penalised by the strong reduction in net trading income which stood at 12.9 million euros, compared to 69.2 million euros posted in 2022.

The performance of net income in the activity in Portugal was also influenced, albeit to a lesser extent, by the increase of 2.5% (14.9 million euros) recorded in operating costs. This evolution was mainly due to the increase in staff costs, although there was also an increase in other administrative costs, with these impacts being partially offset by the reduction in depreciations.

It is also worth mentioning the reduction in dividends from equity instruments, corresponding to a 8.2 million euros drop compared to the previous year, while net commissions, in turn, had no impact on the evolution of net income in the activity in Portugal, remaining stable compared to 2022.

Despite the fact that commissions remained in line with the amount recorded in 2022, the increase recorded in the net interest income was reflected in a significant growth in core income, which largely offset the higher operating costs, leading core operating profit in the activity in Portugal to grow 55.0%, from 909.8 million euros in 2022, to 1,410.3 million euros in 2023.

³ Following the sale of the entire share capital of Banque Privée BCP (Suisse S.A.) in the fourth quarter of 2021, the purchase price was subject to subsequent adjustments, according to typical provisions 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.

Excluding the specific items mentioned above (negative impacts of 15.3 million euros in 2023 and 16.5 million euros in 2022, both recognised in staff costs), core operating profit in the activity in Portugal increased by 53.9% from 926.3 million euros to 1,425.5 million euros.

In the international activity, net income stood at 131.2 million euros in 2023, improving significantly compared to the negative amount of 146.1 million euros recorded in the previous year, due to the contribution associated with the Polish subsidiary, that presented, in the last quarter of the year, the fifth quarter in a row with positive results. The main drivers of the evolution of the contribution associated with the Polish subsidiary are described above.

Millennium bim in Mozambique, in turn, showed a net income in line with the amount recorded in the previous year (-0.9%). It should be noted however that 2022 result incorporates, under the item results from discontinued operations, the positive impact of the correction of the gain resulted from the sale of 70% of the stake that the Group held in "SIM", as mentioned above. Income from continuing operations increased 3.2%.

Despite its smaller relative weight within the scope of this analysis, the contribution of the Angolan operation stands out, due, on the one hand, to the appropriation of the results of Banco Millennium Atlântico recognised in equity accounted earnings, and on the other, to the fact that the previous year's contribution was affected by impairments charges, including goodwill impairment, which did not exist this year.

Benefiting from the increase in core income and despite the impact of inflation levels on operating costs, core operating profit of the international activity grew by 9.1%, from 938.9 million euros in 2022, to 1,024.6 million euros in 2023.

NET INTEREST INCOME

In 2023, net interest income of the Group reached 2,825.7 million euros, showing a growth of 31.4% compared to the 2,149.8 million euros posted in the previous year. The favourable evolution of net interest income was observed both in the activity in Portugal, where there was a growth of more than 50%, and in the international activity.

In fact, net interest income, in the activity in Portugal, showed a growth of 54.2% from the 951.0 million euros recorded in 2022, rising to 1,466.6 million euros, at the end of 2023, reflecting above all, the favourable evolution of the commercial business, but also incorporating, on the one hand, the positive impact resulting from the management of the securities portfolio, and on the other, the increase in costs incurred with issued debt and subordinated debt.

Thus, despite the decrease of the average balance of the customers credit portfolio, in relation to the previous year, in the activity in Portugal, there was an increase in the income generated by this portfolio, resulting from the increases recorded in interest rates. On the other hand, this impact was partially offset by the increase in the remuneration of the deposit portfolio, reflecting not only the evolution of interest rates, but also the increase in the average balance of interest-bearing deposits compared to the previous year.

Regarding securities portfolio, although the other securities also generated higher income compared to 2022, the increased contribution of the income generated by the sovereign debt portfolio stands out, benefiting on the one hand, from the evolution of interest rates and on the other, from the portfolio turnover.

The evolution of net interest income in the activity in Portugal was negatively impacted by an increase, compared to 2022, of the costs incurred with issued debt and subordinated debt, arising not only from the increase in interest rates, but also from the impact of two issues of senior preferred debt securities, in the amount of 350 million euros and 500 million euros, launched in October 2022 and September 2023, respectively. These issues, under the Bank's Euro Note Programme, increase the capacity to meet the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities).

Following the full early repayment of Targeted Longer-Term Refinancing Operations (TLTRO) in December 2022 and a residual portion in January 2023, these refinancing operations no longer had a material impact in 2023, contrasting to the previous year, when net interest income reflected the income resulting from the negative interest rate applied. Conversely, reference should be made to the increase in net interest income resulting from liquidity deposited at the Bank of Portugal. Finally, it is worth mentioning the impact of the increase in the cost of resources from other credit

institutions, net of interest income earned on liquidity surpluses placed with these institutions, reflecting the evolution of interest rates in the last year.

In the international activity, net interest income amounted to 1,359.1 million euros at the end of 2023, showing a growth of 13.4% from the 1,198.8 million euros accounted in 2022.

This evolution was mainly due to the performance of the Polish subsidiary, driven by successive increases in the reference interest rates that have taken place between the last quarter of 2021 and the third quarter of 2022. In the subsidiary in Mozambique, despite being influenced by the significant increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank, net interest income remained stable compared to the amount recorded in the previous year.

In consolidated terms, net interest margin increased significantly, from 2.46% in 2022 to 3.36% in 2023, mainly reflecting the performance of the activity in Portugal.

In fact, in the activity in Portugal, net interest margin evolved from 1.53% in 2022, to 2.59% in 2023, mainly influenced by the increase in interest rates underlying the credit and sovereign debt portfolios.

Net interest margin in the international activity, in turn, recorded a more modest increase, from 4.77% in 2022, to 4.93% in 2023, limited by the impact of the reversal of the monetary policy of the central bank of Poland, which after a period of successive increases between the last quarter of 2021 and the third quarter of 2022, made the first interest rate cuts in September and October 2023.

EQUITY ACCOUNTED EARNINGS AND DIVIDENDS FROM EQUITY INSTRUMENTS

Equity accounted earnings together with dividends from equity instruments, which comprise dividends and equity income received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, evolved from 68.7 million euros in 2022, to 66.0 million euros at the end of 2023.

Although this change was not very significant, it should be noted that it was due to offsetting performances in each of the headings that compose it. In fact, while equity accounted earnings increased by 9.6% (5.7 million euros) in the last year, totalling 64.3 million euros at the end of 2023, dividends from equity instruments recorded a significant drop, from 10.1 million euros to 1.8 million euros, in the same period.

In the activity in Portugal, equity accounted earnings together with dividends from equity instruments reached 60.6 million euros in the 2023, which compares to 67.0 million euros in the previous year. Dividends from equity instruments decreased significantly, from 9.3 million euros in 2022, to 1.0 million euros at the end of the current year, while equity accounted earnings grew, from 57.7 million euros to 59.6 million euros, driven by the higher contribution associated with the participation in Millenniumbcp Ageas. It should be noted that following the adoption on 1 January 2023, of IFRS 9 - Financial Instruments and IFRS17 - Insurance Contracts, by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), an entity 49% owned by the Group, the amount of equity accounted earnings for 2022 has been restated, complying with the requirement for comparative information. This restatement resulted in an adjustment of 10.1 million euros, from 39.8 million euros to 29.7 million euros, in the equity accounted earnings arising from Mbcp Ageas in 2022. The impact of the results from Mbcp Ageas on the evolution of this item was offset by the lower income generated by the participations in SIBS and mainly in Unicre, compared to the amounts recorded in the previous year.

In the international activity, equity accounted earnings together with the income of dividends from equity instruments totalled 5.4 million euros in 2023, evolving favourably from the 1.7 million euros in the previous year, mainly due to the appropriation of the results generated by Banco Millennium Atlântico in Angola that went from a negative amount of 0.9 million euros in 2022 to a positive amount of 2.7 million euros in 2023. The appropriation of the results generated by Seguradora Internacional de Moçambique, S.A. ("SIM"), currently known as Fidelidade Moçambique - Companhia de Seguros S.A., in turn, did not change materially compared to the previous year.

NET COMMISSIONS

In 2023, net commissions totalled 771.7 million euros, remaining in line with the amount recorded in the previous year, reflecting the performance of both the activity in Portugal and the international activity.

In consolidated terms, both banking commissions and commissions related to financial markets remained at a similar level to that seen in 2022, with the slight changes recorded in each of the aggregates offsetting each other.

In fact, banking commissions amounted to 663.2 million euros at the end of the current year, standing 1.4 million euros (0.2%) below the amount recorded in 2022, while commissions related to financial markets totalled 108.5 million euros, 1.2 million euros (1.1%) above the amount recorded a year earlier.

In the activity in Portugal, net commissions, in 2023, amounted to 560.3 million euros, remaining in line with the amount recorded a year earlier.

Both banking commissions, which amounted to 471.4 million euros, and commissions related to markets, which totalled 88.9 million euros, were at a similar level to that achieved in 2022, only changing -0.3% e 1.4%, respectively. This evolution resulted, however, from different dynamics with regard to the several types of commissions that make up these two aggregates.

Thus, regarding banking commissions, in the activity in Portugal, the growth in commissions related to cards and transfers and on the other hand the reduction in commissions associated with credit and guarantees stand out. Commissions related to cards and transfers include 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 demonstrating the increase in transaction levels in the last year, while the evolution of commissions associated with credit and guarantees reflects the lower credit production in the current context and the legal restrictions imposed in the meantime.

As previously mentioned, net commissions, in the international activity, remained in line with the amount recorded in 2022, standing at 211.4 million euros. Neither the Polish subsidiary nor the subsidiary in Mozambique showed significant changes in the overall amount of net commissions. Likewise, both commissions related to banking business and commissions related to markets in the international activity remained at identical levels to the previous year, totalling 191.8 million euros and 19.6 million euros, respectively at the end of 2023.

NET COMMISSIONS (1)

Million euros

	2023	2022	Chg. 23/22
BANKING COMMISSIONS	663.2	664.6	(0.2 %)
Cards and transfers	248.0	228.4	8.6 %
Credit and guarantees	128.8	140.7	(8.5 %)
Bancassurance	118.6	119.4	(0.6 %)
Management and maintenance of accounts	159.1	165.5	(3.9 %)
Other commissions	8.7	10.6	(17.7 %)
MARKET RELATED COMMISSIONS	108.5	107.3	1.1 %
Securities	36.3	39.3	(7.7 %)
Asset management and distribution	72.2	68.0	6.2 %
	771.7	771.9	0.0 %
Of which:			
Activity in Portugal	560.3	560.6	0.0 %
International activity	211.4	211.4	0.0 %

(1) In 2023, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to 2022 of such items are presented considering these reclassifications with the purpose of ensuring their comparability. The overall amount of net commissions disclosed in previous periods remains unchanged compared to that published in previous periods.

NET TRADING INCOME

In 2023, net trading income amounted to 144.8 million euros, showing a very significant growth compared to the 50.0 million euros achieved in the previous year. This performance was determined by the recognition, in 2023, of the gains obtained by the Polish subsidiary with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the scope of the strategic partnership in the bancassurance business, which totalled 127.9 million euros under this heading. In consolidated terms, this impact was partially offset by the reduction in net trading income in the activity in Portugal, compared to the amount recorded in 2022.

In fact, in the activity in Portugal, net trading income stood well below the 69.2 million euros posted in 2022, amounting to 12.9 million euros at the end of 2023.

In this performance, reference should be made to the contribution associated with the securities portfolio, reflecting on the one hand the gains recognised in the previous year with the sale of foreign sovereign debt securities, which did not occur in the current year, and on the other the favourable evolution of net trading income associated with Portuguese sovereign debt securities, as the losses recorded were significantly lower than those recorded a year earlier. The evolution of net trading income in the activity in Portugal was also influenced by the costs recognised in 2023 with the sale of credits, in contrast to the gains recorded in the previous year.

In the international activity, net trading income showed a significant increase, from a negative amount of 19.3 million euros in 2022 to an income of 131.9 million euros at the end of the current year.

This performance was determined by the already mentioned gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., that under this heading totalled 127.9 million euros in 2023, considered as specific items. It is important to note that this amount includes an additional gain of 10.1 million euros compared to the 117.8 million euros considered in the first quarter of the year, the recognition of which was subject to certain conditions. In addition, the reduction in costs incurred by the Polish subsidiary in converting mortgage loans granted in Swiss francs, following the agreements with customers holding these loans, that in 2023 penalised net trading income in 60.3 million euros compared to 82.0 million euros recognised in 2022, also contributed to the favourable evolution of this item.

OTHER NET OPERATING INCOME

Other net operating income 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 2023, other net operating income totalled a negative amount of 38.6 million euros, showing a significant improvement compared to the also negative amount of 182.9 million euros recorded in the previous year. This evolution was mainly driven by the international activity, namely by the reduction of mandatory contributions to which the Polish subsidiary was subject.

In the activity in Portugal, other net operating income went from a negative amount of 76.3 million euros in 2022, to an also negative amount of 65.0 million euros at the end of 2023. Similar to what happened in the international activity, it was also the reduction in costs with mandatory contributions that contributed mainly to this evolution, although this impact was offset by the lower gains recognised with the sale of non-current assets held for sale compared to the amount recorded in the previous year.

In fact, last year, the overall amount of mandatory contributions decreased from 88.5 million euros to 72.6 million euros, mainly reflecting the reduction in contributions for the National Resolution Fund (NRF) and the Single Resolution Fund (SRF). The contribution to the NRF decreased by around 50%, from 18.7 million euros in 2022, to 9.5 million euros in 2023, mainly due to the reduction in the contribution rate, from 0.057% to 0.029%. The cost of the contribution to the SRF, in turn, went from 25.8 million euros in 2022, to 17.7 million euros in the current year, reflecting on the one hand the lower reinforcement needs of the fund determined by the Single Resolution Board (SRB) and on the other the increase, from 15.0% to 22.5%, of the share of this contribution that can be delivered as irrevocable payment commitments, thus reducing the impact on the profit and loss account of the institutions.

Conversely, the cost incurred with the contribution on the banking sector increased from 36.8 million euros to 37.9 million euros in the same period, influenced by the growth of the Bank's balance sheet with the corresponding increase on average liabilities comprised in the calculation of the amount of this contribution. It should be noted that the balance sheet reduction at the end of 2022 will only have an higher impact on contributions for 2024, since the calculation of the amount payable considers the average values of the balance sheet of the previous year to which the contribution relates, taking into account the month-end observations. The additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to address the crisis caused by the COVID-19 pandemic, and the contribution to the deposit guarantee fund remained in line with the value calculated in the previous year.

It should be noted that, in the activity in Portugal, of the total amount of costs recognised with mandatory contributions in the current year, 54.3 million euros refer to contributions for national entities (62.2 million euros in 2022).

In the international activity, other net operating income improved considerably from a negative amount of 106.7 million euros recognised in 2022, to an income of 26.4 million euros at the end of 2023. This performance of other net operating income resulted from the reduction of about 90% of the costs with mandatory contributions, from 121.2 million euros in 2022, to 13.3 million euros in 2023, mainly reflecting the evolution recorded in the Polish subsidiary.

Although the costs of all mandatory contributions borne by the Polish subsidiary were lower than those recognised in 2022, the evolution of the overall amount of these contributions in the last year was mainly due to the contribution, charged in 2022, associated with the then created Polish institutional protection fund (IPS - Institutional Protection Scheme) with the aim of ensuring the stability of the local financial system, which amounted to 59.0 million euros, non-existent in 2023. On the other hand, following the contribution to the IPS, the contribution of Bank Millennium to the deposit guarantee fund has been suspended since the first quarter of 2022. As such, Bank Millennium only recorded costs of the deposit guarantee fund for the first quarter of 2022 (which amounted to 8.0 million euros), also contributing to the favourable evolution of the global amount of mandatory contributions compared to 2022. The evolution of mandatory contributions in the Polish subsidiary also benefited from the suspension of the payment of the special tax on the Polish banking sector, following the activation, at the beginning of the second half of 2022, of the Bank Millennium Recovery Plan (in 2022 this tax amounted to 36.1 million euros). Charges for the resolution fund recognised in 2023, in turn, totalled 13.2 million euros, below the 17.8 million euros recognised last year.

In addition to the reduction of mandatory contributions in the Polish subsidiary, the evolution of other net operating income in the international activity also benefited, albeit to a lesser extent, from a gain of 11.2 million euros, considered a specific item, associated with the revaluation of the minority stake (20%) which Bank Millennium in Poland held following the sale of 80% of the shares of Millennium Financial Services sp. z o.o. The mentioned amount includes an additional gain of 2.0 million euros in relation to the 9.2 million euros determined in the first quarter of the year.

Conversely, other net operating income was negatively influenced by the impacts related to foreign exchange mortgage loan portfolio that under this item went from an income of 21.5 million euros in 2022 to an income of 15.8 million euros in 2023. This performance reflects both the increase arising from court costs related to the counterclaims filed by Bank Millennium and the costs arising from negotiation with customers. On the other hand, the 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., evolved from 37.0 million euros in the last year to 52.3 million euros this year.

OPERATING COSTS

In 2023, operating costs continued to be strongly influenced by the inflation rates in the three geographies in which the Bank operates. In fact, despite the disciplined management of costs followed by the Group, operating costs as a whole increased by 8.3% compared to the 1,073.0 million euros recorded in 2022, totalling 1,162.6 million euros, at the end of the current year.

The amounts presented do not exclude the specific items⁴ considered in each period in staff costs in the activity in Portugal. Excluding specific items (negative impacts of 15.3 million euros in 2023 and 16.5 million euros in 2022), operating costs of the Group amounted to 1,147.3 million euros, standing 8.6% above the 1,056.5 million euros accounted in the previous year.

This performance was determined by the increase in both staff costs (9.3%, 52.2 million euros) and other administrative costs (11.4%, 40.3 million euros), in both cases more significant in the international activity, although activity in Portugal also showed an increase compared to the amount recorded in the previous year. Depreciations, in turn, were slightly below (1.3%, 1.8 million euros) the amount recorded in 2022, as the reduction recorded in the activity in Portugal was almost entirely offset by the increase in the international activity.

Although operating costs were higher than in 2022, the increase shown in both net operating revenues and core income allowed a significant improvement in cost to income and cost to core income ratios. In fact, excluding the specific items mentioned above and also excluding the positive impact of 139.1 million euros, recognised in 2023, in the international activity, associated with the sale of 80% of the shares in Millennium Financial Services sp. z o.o. also considered specific items, cost to income evolved from 37.0% to 31.6% and cost to core income from 36.2% to 31.9% in the last year.

Cost to income and cost to core income stated ratios evolved, respectively, from 37.6% to 30.8% and from 36.7% to 32.3%.

In the activity in Portugal, operating costs totalled 616.7 million euros in 2023, standing 2.5% above the 601.7 million euros posted in 2022. Excluding the specific items mentioned above, operating costs increased 2.8%, from 585.3 million euros to 601.4 million euros.

This evolution of operating costs in the activity in Portugal, not considering the effect of specific items, reflects the increases of 5.4% (17.4 million euros) and 2.6% (4.7 million euros) recorded in staff costs and other administrative costs, respectively. Depreciations, in turn, contributed favourably to the evolution of operating costs in the activity in Portugal, standing 7.6% (6.0 million euros) below the amount recorded in 2022.

Despite the increase in operating costs, cost to income and cost to core income ratios showed a favourable evolution last year, reflecting the increase recorded in net operating revenues and in core income, respectively.

In fact, excluding the impact of specific items, cost to income ratio in the activity in Portugal stood at 29.5%, comparing favourably with the 37.2% recorded in 2022, while cost to core income ratio improved from 38.7% to 29.7%. Cost to income and cost to core income stated ratios stood at 30.3% and 30.4% in 2023, levels that compare respectively with 38.3% and 39.8% in the previous year.

In the international activity, operating costs totalled 545.9 million euros at the end of 2023, standing 15.8% above the 471.3 million euros accounted in the previous year. This evolution was mainly due to the performance of the Polish subsidiary, although in the subsidiary in Mozambique operating costs were also higher than those recorded in 2022. In both cases, the inflation recorded in these geographies was decisive to this evolution.

The evolution of operating costs in the international activity was thus due to the increases of 14.4% (34.8 million euros) in staff costs, of 21.0% (35.6 million euros) in other administrative costs and of 7.0% (4.2 million euros) in depreciations.

Despite higher operating costs, the evolution of net operating revenues also allowed an improvement in the cost to income ratio of the international activity, that evolved from 36.6% to 31.5% over the last year. Excluding the positive impact, in the amount of 139.1 million euros recognised in 2023, associated to the sale of 80% of the shares of Millennium Financial Services sp. z o.o., considered as specific items, cost to income ratio of the international activity was 34.2%.

Cost to core income ratio in the international activity, in turn, evolved from 33.4% to 34.8%.

⁴ In 2023, specific items had a negative impact of 15.3 million euros, including costs related to the compensation for the temporary reduction in employee remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022, costs with employees terminations, namely early retirements, costs with mortgage financing to former employees and income recognised after an agreement related to liabilities with former directors of the Bank. In 2022, the impact was also negative in the amount of 16.5 million euros including the distribution of part of the Bank's results obtained in 2021 by the employees of the Bank, costs with mortgage financing to former employees, discretionary remuneration paid to employees as a measure to offset the impacts of inflation and the recognition of a provision for other structure adaptation measures.

STAFF COSTS

In 2023, staff costs totalled 631.8 million euros, standing 8.8% above the 580.8 million euros accounted in the previous year.

Excluding specific items, staff costs of the Group amounted to 616.6 million euros, increasing 9.3% from the 564.3 million euros accounted for in the previous year, mainly influenced by the international activity.

In the activity in Portugal, staff costs amounted to 354.8 million euros at the end of 2023, standing 4.8% above the 338.7 million euros recorded in the previous year. Not considering the impact of the specific items, staff costs in the activity in Portugal totalled 339.6 million euros in 2023, corresponding to an increase of 5.4% compared to the 322.2 million euros recorded a year before.

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 stable, standing at 6,242 employees at the end of 2023, ten less than on 31 December 2022. It should be noted, however, that the Bank continued to acquire the required capabilities to meet current needs namely by hiring new employees with specific skills, namely on digital, new technologies and internal control areas.

In the international activity, staff costs amounted to 277.0 million euros at the end of 2023, standing 14.4% above the 242.1 million euros recorded in 2022. The Polish subsidiary was mainly responsible for this evolution, although the subsidiary in Mozambique also contributed to the increase in staff costs compared to the previous year, albeit to a lesser extent.

In the Polish subsidiary, the evolution of staff costs continued to be determined by the strong pressure on basic wages, resulting both from rising levels of inflation and from the characteristics of the Polish labour market, in particular from the very low unemployment rates in the country, that reinforce the need to retain employees. Conversely it is worth mentioning the positive impact on the evolution of staff costs of the reduction in the total number of employees, which in the last year went from 6,987 employees (6,860 FTE - full-time equivalent) at the end of 2022, to 6,872 employees (6,747 FTE - full-time equivalent) on 31 December 2023.

The operation in Mozambique, in turn, increased its headcount, from 2,504 employees on 31 December 2022 to 2,574 employees at the end of 2023, which together with the salary update and the increase in bonuses paid, contributed to the growth in staff costs in the last year.

As of 31 December 2023, the headcount of the international activity consisted of 9,446 employees, which compares to 9,491 employees at the end of 2022.

OTHER ADMINISTRATIVE COSTS

In 2023, the evolution of other administrative costs continued to be strongly influenced by inflation in the three geographies in which the Bank operates, especially in operations abroad. Thus, notwithstanding the disciplined management of costs followed by the Group, other administrative costs, in consolidated terms, were 11.4% above the 353.0 million euros recorded in the previous year, totalling 393.2 million euros at the end of the current year.

In the activity in Portugal, other administrative costs amounted to 188.7 million euros, standing 2.6% above the 184.0 million euros recorded in 2022.

To a large extent, the increase in costs associated with outsourcing, related to banking operations, contributed to this performance. Influenced by the effect of inflation, others supplies and services and rents and leases were also higher compared to the amount recorded in the previous year. On the other hand, the investment in technology and cybersecurity inevitably led to an increase in the respective costs, particularly maintenance of hardware and software, with an impact on the headings information technology services and maintenance and related services. On the other hand, the increasingly digital servicing model, with the increasing transfer of transactions to machines, resulted in the growth of the number of deposit machines installed in branches, which, along with the inclusion of a greater number of branches in the deposit centralisation service was reflected in the increase in costs associated with the transport of

values (reflected under transportation item), despite the fact that the cost per transaction has decreased. Costs associated with advertising, travel, hotel and representations, legal expenses and training were also higher than the amounts observed in 2022, but had a smaller impact on the evolution of other administrative costs in the activity in Portugal.

On the other hand, significant savings were obtained in water, electricity and fuel, resulting from the reduction in energy prices and from an efficient management of these consumptions. Costs associated with advisory services and other specialised services were also lower compared to the amounts recorded in the previous year, as well as, although with a smaller impact, costs associated to insurance, consumables, credit cards and mortgage and communications.

On the other hand, the resizing of the branch network which, in the activity in Portugal, evolved from 408 branches, to 399 branches, although not very significant, had a positive impact on the evolution of most of the items of other administrative costs. Likewise, the pursuit of disciplined cost management and the consequent implementation of a series of recurrent measures has allowed the optimisation of the cost structure of the Bank.

In the international activity, other administrative costs amounted to 204.5 million euros in 2023, representing a 21.0% increase from the 168.9 million euros posted in the previous year, largely reflecting the aforementioned general price increases with repercussions in both the Polish subsidiary and the subsidiary in Mozambique.

The increase in costs was more noticeable in the Polish subsidiary, which, in addition to the impact of inflation, also reflects the increase in legal advice costs associated with foreign exchange mortgage loan portfolio. On the other hand, it should be noted that the evolution of other administrative costs, in the international activity, continues to benefit from the optimisation of the branch network in the Polish subsidiary, with the number of branches decreasing from 635 at the end of 2022, to 612 on 31 December 2023. The subsidiary in Mozambique, in turn, ended the year of 2023 with 195 branches, only two less than a year before.

DEPRECIATIONS

Depreciations amounted to 137.5 million euros at the end of 2023, standing 1.3% below the amount recorded in 2022. This evolution mainly reflects the performance of the activity in Portugal, although its impact was largely offset by the increase recorded in the international activity.

In the activity in Portugal, depreciations showed a reduction of 7.6%, evolving from 79.1 million euros in 2022 to 73.1 million euros in the current year. It is important, however, to note that this evolution was possible, despite the increased investment made in software and IT equipment, given the Bank's commitment to the digital transformation process.

In the international activity, depreciations amounted to 64.4 million euros in 2023, standing 7.0% above the 60.2 million euros recorded in 2022, reflecting the performance of both the Polish subsidiary and the Mozambican subsidiary.

OPERATING COSTS

Million euros

	2023	2022	Chg. 23/22
Staff costs	631.8	580.8	8.8 %
Other administrative costs	393.2	353.0	11.4 %
Depreciations	137.5	139.2	(1.3 %)
	1,162.6	1,073.0	8.3 %
Of which:			
Activity in Portugal	616.7	601.7	2.5 %
International activity	545.9	471.3	15.8 %

RESULTS ON MODIFICATION

In the fourth quarter of 2022, the Bank reviewed and reclassified the amount associated with potential costs arising from the moratorium program (credit holidays) in Poland, enacted in July of that year, which had been 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.

In 2023, results on modification totalled a negative amount of 19.4 million euros, which compares with an also negative amount of 309.9 million euros recorded in the previous year, with the amount recognised in 2022 resulting mainly from the recognition of costs arising from the aforementioned moratorium program (credit holidays).

IMPAIRMENT FOR LOAN LOSSES

In 2023, impairment for loan losses (net of recoveries) totalled 240.0 million euros, showing a reduction of 20.2% compared to the 300.6 million euros accounted for in the previous year, reflecting the favourable evolution recorded both in the activity in Portugal and mainly in the international activity.

In the activity in Portugal, loans impairment charges (net of recoveries), amounted to 207.6 million euros in 2023, standing 5.0% below the 218.4 million euros recognised in 2022. The lower level of provisioning, compared to the previous year, reflects, on the one hand, the improvement in the risk profile of the credit portfolio and, on the other, the recovery of relevant non-performing exposures.

In the international activity, impairment charges (net of recoveries) stood significantly below the 82.2 million euros recognised in 2022, standing at 32.5 million euros at the end of 2023, as a result of the performance of both the subsidiary in Poland and mainly from the Mozambican subsidiary, the latter having benefited from the partial recovery of a credit in litigation, following an out-of-court settlement.

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 in relation to the 52 basis points observed in 2022, standing at 42 basis points in 2023. Excluding the impact of the recovery associated with the out-of-court settlement, previously mentioned, the cost of risk in 2023 stood at 48 basis points.

In the activity in Portugal, the cost of risk (net of recoveries) remained stable compared to the previous year, standing at 54 basis points in 2023.

In the international activity, the cost of risk net of recoveries improved significantly, evolving from 47 basis points to 18 basis points in the last year, benefiting from the impact of the recovery associated with the aforementioned out-of-court settlement. Excluding this impact, the cost of risk in 2023 stood at 37 basis points.

OTHER IMPAIRMENTS AND PROVISIONS

In 2023, other impairment and provisions totalled 859.8 million euros, 13.8% above the 755.6 million euros recorded in the previous year. This evolution was, to a large extent, influenced by the reinforcement of the additional provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans, which amounted to 675.3 million euros in the current year vs 430.8 million euros recognised in the previous year. It should be noted, however, that the evolution of other impairments and provisions was also considerably influenced by the recognition, in June 2022, of impairment of the goodwill of the Polish subsidiary, in the amount of 102.3 million euros.

Other impairments and provisions, in the activity in Portugal, contributed favourably to the performance of this heading, as there was a significant reduction of 21.7% over the last year, from 205.3 million euros, to 160.8 million euros.

This evolution mainly reflects the reduction in the impairment to non-current assets held for sale, namely the foreclosed assets portfolio, with provisions for other risks also showing a considerable reduction compared to the amount recognised in the previous year. Conversely, the impairment of other assets and other financial assets, as well as provisions for guarantees and other commitments were higher compared to the amount posted in 2022.

In the international activity, other impairment and provisions amounted to 699.0 million euros at the end of 2023, standing 27.0% above the 550.3 million euros recorded a year earlier.

As previously mentioned, this evolution essentially reflects the increase of 244.4 million euros in the provision booked by the Polish subsidiary to face the legal risk associated with foreign exchange mortgage loans, the impact of which on the evolution of this heading was largely offset by the impairment in the amount of 102.3 million euros, booked in June of the previous year, relating to the total goodwill associated with the participation that the Group holds in Bank Millennium.

The unfavourable decision of the Court of Justice of the European Union with regard to remuneration for the use of capital on foreign exchange mortgage loans in the Polish subsidiary and the inclusion of more conservative assumptions in the calculation methodology, in order to anticipate potential negative trends associated to this portfolio, led to the mentioned reinforcement of provisions. It should be noted that the impact of the reinforcement of these provisions was, however, offset by the recognition of income, reflected in 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. (52.3 million euros in 2023 and 37.0 million euros in 2022).

The performance of other impairments and provisions in the international activity was also influenced by the impairments that had been recognised in 2022 to cover the investment in the participation in Banco Millennium Atlântico (including impairment for goodwill) and non-existent in 2023.

INCOME TAX

Income tax (current and deferred) amounted to 537.4 million euros in 2023, which compares to 304.3 million euros posted in the previous year.

The recognised taxes include, in 2023, current tax of 179.9 million euros (109.6 million euros in 2022) and deferred tax of 357.5 million euros (194.7 million euros in 2022).

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

Expenses with the reduction of deferred tax assets in 2023 mainly result from the income of the period of the activity in Portugal and are influenced by mandatory contributions levied on the banking sector and provisions for other risks, not deductible for tax purposes.

It should be noted that, in 2022, the Group's income before tax included the expense of 102,3 million euros related to the impairment of the goodwill of the Polish subsidiary, which had no impact on current and deferred taxes.

BALANCE SHEET

TOTAL ASSETS

Total assets of the consolidated balance sheet of Millennium bcp amounted to 94,380 million euros as of 31 December 2023, showing an increase of 5.0% in comparison with the 89,877 million euros⁵ recorded at the end of 2022, with the increase in assets in the international activity partially mitigated by the slight reduction seen in the activity in Portugal.

The activity in Portugal recorded a slight decrease of 0.9% of total assets, compared to the 63,284 million euros posted as of 31 December 2022, standing at 62,725 million euros at the end of 2023. Regarding the evolution of the balance sheet items, there were reductions in loans to customers portfolio (net of impairment), in deposits at central banks, in non-current assets held for sale, particularly in the portfolio of real estate properties received as payment and in deferred tax assets. Conversely, there was an increase in the securities portfolio, mainly explained by the investment in public debt of euro zone countries.

In the international activity, total assets amounted to 31,655 million euros as of 31 December 2023, showing an increase of 19.0% compared to the 26,593 million euros posted at the end of the previous year. This evolution is mainly due to the increases recorded in the securities portfolio and in loans to customers portfolio (net of impairments), despite the reduction observed in deposits at central banks.

LOANS TO CUSTOMERS

Consolidated loans to customers (gross) of Millennium bcp, as defined in the glossary, amounted to 56,814 million euros as of 31 December 2023, standing below the 57,713 million euros figure achieved at the end of the previous year. This evolution reflects the reduction in the activity in Portugal, although the increase recorded in the international activity partially offset this reduction.

In the activity in Portugal, loans to customers (before impairment) amounted to 38,625 million euros as of 31 December 2023, standing below the 40,149 million euros recorded at the end of 2022. The decrease in loans to customers portfolio results, on the one hand, from a lower level of performing credit (minus 633 million euros compared to the value recorded on the same date of the previous year) and, on the other hand, from a reduction in non-performing exposures (NPE) (minus 266 million euros compared to the same date of the last year).

Loans to individuals in the activity in Portugal stood at 21,087 million euros at 31 December 2023, showing a slight reduction of 0.5%, compared to the value of 21,194 million euros on 31 December 2022. By segments, there was a reduction in mortgage loans (251 million euros less than on the same date of the previous year) in an environment of a lower demand for new credits due to high interest rates and higher loan repayments and an increase in the personal loans (144 million euros more compared to the figure recorded on the same date of 2022).

In the activity in Portugal, loans to companies fell by 7.5% compared to 2022, reaching 17,538 million euros at the end of 2023, in a context of lower demand for credit due to higher interest rates, postponements and delays in investment projects and also, reduction of NPE stock in this segment. The repayment of Covid lines also influenced this evolution, with increased impact at the Bank as it had assumed a leading role in granting this financing during the pandemic.

In the international activity, loans to customers (gross) amounted to 18,190 million euros as of 31 December 2023, standing above the 17,564 million euros posted at the end of 2022. By geographies and comparing to the end of the previous year, there was a greater contribution from the Polish subsidiary (despite a reduction in local currency, loans to customers increased due to the favourable evolution of the Zloty) and a smaller contribution from the Mozambican subsidiary.

⁵ Following the adoption, on 1 January 2023, of IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts, by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), an entity 49% owned by the Group, and complying with comparative information requirements, the accounts of the Group referring to 2022 were restated accordingly, corresponding to positive impact of 16.2 million euros in the 2022 consolidated balance sheet total assets.

Loans to individuals in the international activity showed an expansion, rising from 12,971 million euros on 31 December 2022 to 13,727 million euros at the end of 2023, driven by the increases recorded in mortgage loans (108 million euros more than on same date of the previous year) and in personal loans (647 million euros more than on the same date of the last year). By geographies, in mortgage loans an increase was recorded in the Polish subsidiary and a reduction in the Mozambican subsidiary and in personal loans, growth was observed in both subsidiaries, with the increase recorded in the Polish subsidiary being the most significant.

Still with regard to the international activity, the reinforcement of provisioning and the agreements signed with customers were reflected in the continued reduction of the mortgage loan portfolio in foreign currency at the Polish subsidiary, which evolved from 1,504 million euros on 31 December 2022 to 721 million euros as of 31 December 2023, representing 8.9% and 4.1% of the total amount of credit recorded on the balance sheet of Bank Millennium and 2.6% and 1.3% of the total consolidated loan portfolio, at the end of 2022 and 2023, respectively. Excluding 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 set out in the acquisition contract of that entity) from that portfolio, the amount of the mortgage loan portfolio in foreign currency decreased from 1,373 million euros as of 31 December 2022 to 640 million euros on 31 December 2023, representing 8.1% and 3.6% of the total amount of credit recorded on the balance sheet of Bank Millennium and 2.4% and 1.1% of the total consolidated loan portfolio on the aforesaid dates, respectively.

Loans to companies in the international activity recorded a reduction of 2.8% compared to the 4,593 million euros recorded on 31 December 2022, reaching 4,463 million euros at the end of 2023. By geographies, there were similar reductions of loans to companies in the Polish subsidiary (explained in part by the optimisation plan to reduce risk weighted assets) and in the subsidiary in Mozambique.

LOANS TO CUSTOMERS (GROSS)

	Million euros		
	31 Dec. 23	31 Dec. 22	Chg. 23/22
INDIVIDUALS	34,813	34,165	1.9 %
Mortgage loans	27,981	28,124	(0.5 %)
Personal loans	6,833	6,042	13.1 %
COMPANIES	22,001	23,548	(6.6 %)
Services	7,528	8,037	(6.3 %)
Commerce	3,834	4,055	(5.4 %)
Construction	1,500	1,532	(2.1 %)
Others	9,139	9,923	(7.9 %)
	56,814	57,713	(1.6 %)
Of which:			
Activity in Portugal	38,625	40,149	(3.8 %)
International activity	18,190	17,564	3.6 %

QUALITY OF CREDIT PORTFOLIO

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

The Bank has in place a credit portfolio management and monitoring processes, namely with regard to the assessment of the risk profile of the exposure in different portfolios/segments. These procedures have the purpose of identifying and closely monitoring the customers potentially more affected by the macroeconomic and/or geopolitical context, anticipating possible difficulties in meeting their commitments and defining credit and performance strategies

adjusted to the specific specificities of each customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk in cases where there are risks of loss in the exposure value.

The NPE stock, in consolidated terms, decreased to 1,952 million euros on 31 December 2023, showing a reduction of 266 million euros compared to the end of 2022, with the NPE ratio in percentage of the total credit portfolio decreasing from 3.8% to 3.4% over the last year. In the activity in Portugal, the NPE stock totalled 1,107 million euros at the end of 2023, showing a significant reduction of 255 million euros compared to 2022, with the NPE ratio as a percentage of the total credit portfolio evolving from 3.4% to 2.9% throughout the past year.

Regarding coverage ratios by impairments, the NPL by more than 90 days coverage, in consolidated terms, evolved from 208.9% at the end of 2022 to 213.0% on 31 December 2023. The coverage of NPE by impairments, in consolidated terms, stood at 81.8% at the end of 2023, above the 68.3% recorded on 31 December 2022. In Portugal, the coverage of NPE by impairments stood at 89.3% on 31 December 2023, also at a level above the figure recorded in the previous year (68.6% on 31 December 2022).

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Dec. 23	31 Dec. 22	Chg. 23/22	31 Dec. 23	31 Dec. 22	Chg. 23/22
STOCK (M€)						
Loans to customers (gross)	56,814	57,713	(1.6 %)	38,625	40,149	(3.8 %)
Overdue loans > 90 days	512	496	3.2 %	210	180	16.5 %
Overdue loans	623	590	5.5 %	230	201	14.6 %
Restructured loans	1,729	1,866	(7.3 %)	1,186	1,341	(11.5 %)
NPL > 90 days	750	725	3.4 %	360	333	8.0 %
NPE	1,952	2,218	(12.0 %)	1,107	1,361	(18.7 %)
Loans impairment (Balance sheet)	1,596	1,515	5.3 %	989	935	5.8 %
NPE impairment (Balance sheet)	1,028	1,011	1.7 %	606	592	2.4 %
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9 %	0.9 %		0.5 %	0.4 %	
Overdue loans / Loans to customers (gross)	1.1 %	1.0 %		0.6 %	0.5 %	
Restructured loans / Loans to customers (gross)	3.0 %	3.2 %		3.1 %	3.3 %	
NPL > 90 days / Loans to customers (gross)	1.3 %	1.3 %		0.9 %	0.8 %	
NPE / Loans to customers (gross)	3.4 %	3.8 %		2.9 %	3.4 %	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.2 %	2.6 %		2.0 %	2.4 %	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	312.1 %	305.8 %		471.7 %	519.5 %	
Coverage of overdue loans	256.4 %	256.7 %		429.9 %	465.6 %	
Coverage of NPL > 90 days	213.0 %	208.9 %		274.8 %	280.4 %	
Coverage of NPE	81.8 %	68.3 %		89.3 %	68.6 %	
Specific coverage of NPE	52.7 %	45.6 %		54.7 %	43.5 %	

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

CUSTOMER FUNDS

On 31 December 2023, the consolidated total customer funds amounted to 95,295 million euros, showing a favourable evolution, increasing by 2,487 million euros compared to the 92,808 million euros obtained on the same date of the previous year, benefiting from the increase in the international activity (4,076 million euros more than on the same date of the last year), partially mitigated by the reduction in activity in Portugal (1,590 million euros less compared to the same date of the previous year).

Consolidated balance sheet customer funds, which comprise deposits and other resources from customers and debt securities placed with customers, amounted to 79,215 million euros on 31 December 2023, showing an increase of 1,965 million euros compared to the 77,250 million euros reached at the end of the previous year. This evolution results from the combined effect of the increase of 3,592 million euros recorded in the international activity and the reduction of 1,626 million euros recorded in the activity in Portugal.

As of 31 December 2023, consolidated off-balance sheet customer funds stood at 16,080 million euros, showing an increase of 521 million euros compared to the figure posted on the same date in the prior year. Off balance sheet customer funds recorded a significant rise in the international activity and a slight increase in the activity in Portugal.

In the activity in Portugal, total customer funds reached 66,672 million euros on 31 December 2023, which compares with the 68,262 million euros recorded on the same date in the previous year, with this evolution being justified almost entirely by the evolution of the balance sheet customer funds, more specifically by the reduction in deposits and other resources from customers (minus 1,571 million euros than on the same date of the last year) in a context of savings being drawn for the early repayment of credits and for other purposes.

Off-balance sheet customer funds in the activity in Portugal registered a slight increase of 37 million euros compared to the same date of the last year, standing at 14,222 million euros on 31 December 2023, with a more significant increase in assets placed with customers and a slight increase in assets under management recorded, partially offset by the decrease observed insurance products (savings and investment).

In the international activity, total customer funds increased by 4,076 million euros compared to the 24,546 million euros recorded on 31 December 2022, standing at 28,623 million euros at the end of 2023, mainly reflecting the positive contribution of the Polish subsidiary, slightly offset by the decrease recorded in the subsidiary in Mozambique.

Balance sheet customer funds in the international activity, entirely made up of deposits and other customer resources, stood at 26,765 million euros on 31 December 2023, 3,592 million euros above the value of 23,173 million euros recorded at the end of 2022, benefiting from the increasing volumes of deposits in the Polish subsidiary, slightly mitigated by the decrease recorded in the Mozambican subsidiary.

Off-balance sheet customer funds in the international activity registered an increase of 484 million euros compared to the same date of the last year, standing at 1,858 million euros on 31 December 2023. In terms of segments, there were increases in assets under management and assets placed with customers and a slight decrease in insurance products (savings and investment).

On 31 December 2023, balance sheet customer funds, on a consolidated basis, represented 83.1% of total customer funds (83.2% at the end of 2022), with deposits and other resources from customers, on a consolidated basis, representing 81.8% of total customer funds (percentage remained unchanged comparing to the one recorded at the end of 2022).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 70.9% as of 31 December 2023, with the same ratio, considering balance sheet customer funds, standing at 69.7%. Both ratios show values below those obtained at the same date of the previous year, 74.0% and 72.7%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	31 Dec. 23	31 Dec. 22	Chg. 23/22
BALANCE SHEET CUSTOMER FUNDS	79,215	77,250	2.5 %
Deposits and other resources from customers	77,928	75,907	2.7 %
Debt securities	1,287	1,343	(4.1 %)
OFF-BALANCE SHEET CUSTOMER FUNDS	16,080	15,558	3.3 %
Assets under management	5,561	5,114	8.8 %
Assets placed with customers	5,915	5,102	15.9 %
Insurance products (savings and investment)	4,603	5,343	(13.8 %)
	95,295	92,808	2.7 %
Of which:			
Activity in Portugal	66,672	68,262	(2.3 %)
International activity	28,623	24,546	16.6 %

SECURITIES PORTFOLIO

The securities portfolio, as defined in the glossary, stood at 27,409 million euros as of 31 December 2023, showing an increase of 37.6% compared to the 19,918 million euros recorded on the same date of the previous year, now representing 29.0% of total assets at the end of 2023 (22.2% at the end of 2022).

The portfolio allocated to the activity in Portugal increased from 14,561 million euros at the end of 2022 to 17,271 million euros existing on 31 December 2023, with this increase being associated with an increased diversification with public debt in the euro zone, namely Spanish, German, French and Belgian public debt, compensating for lower investment in Portuguese public debt.

The securities portfolio allocated to the international activity showed a significant increase, rising from 5,357 million euros at the end of the previous year to 10,138 million euros on 31 December 2023, following the reinforcement of investment from Polish and Mozambican subsidiaries in local public debt and also in sovereign debt from other euro zone countries.

LIQUIDITY MANAGEMENT

Throughout 2023, the Group's three operations - Millennium bcp, Bank Millennium and Millennium Bim - maintained robust liquidity positions, supported mainly by retail deposit bases with proven stability and which allowed all liquidity indicators, regulatory and internal, to be maintained comfortably above the minimum requirements.

At the end of the year and on a consolidated basis, the regulatory liquidity coverage ratio (LCR: Liquidity Coverage Ratio) reached 276%, vs 212% in December 2022, representing a surplus of 16 billion euros (compared to 10 billion euros on 31 December 2022), well above the minimum regulatory requirement of 100%.

From a structural liquidity perspective, the Group continued to reinforce its stable funding base, characterised by the high weight of customer deposits in the funding structure, complemented by medium and long-term instruments, mostly composed by MREL (Minimum Requirements for Own Funds and Eligible Liabilities) related issuances. The relevant regulatory ratio (NSFR: Net Stable Funding Ratio; Article 428 of Regulation (EU) 2019/876) reached 167% in December 2023, vs 154% one year before, largely above the regulatory minimum of 100%. The loan to deposits ratio, according to instruction from the Bank of Portugal no. 16/2004, evolved in the same manner towards greater conservatism, with a reduction from 74% to 71%.

In Portugal, following the significant migration of deposits to non-bank savings products that occurred mainly in the first quarter of 2023, the volume of customer funds showed a stable behaviour throughout the second half of the year, allowing the Bank to protect its market share.

In what concerns the wholesale funding structure, BCP carried out in January 2023 the early repayment of the second tranche of the Targeted Longer-Term Refinancing Operation III (TLTRO III, in the gross amount of 600 million euros), with no significant impact on the liquidity risk indicators.

In September 2023, after regaining investment grade status by the four main rating agencies, BCP returned to the market, placing an issue of senior preferred debt eligible for MREL (Minimum Requirements for Own Funds and Eligible Liabilities) under its Euro Note Program, in accordance with its funding plan. The issue, in the amount of 500 million euros, has a term of 3 years, with an option for early repayment by the Bank at the end of the second year, an issue price of 99.825% and a fixed interest rate of 5.625%, per year, during the first 2 years (corresponding to a spread of 1.90% over the 2-year mid-swaps rate). In the third year, the interest rate will result from the sum of the 3-month Euribor with a spread of 1.90%. The issue was placed among a very diversified base of institutional investors, with demand exceeding the transaction amount by more than 3 times. The high demand and profile of investors involved in the issue made it possible to narrow the spread by 30 basis points during the execution phase, also reflecting an excellent market response to the Bank's recent rating upgrades.

The liquidity buffer available for discount with the ECB stood at 27.9 billion euros at the end of 2023, 1.4 billion euros higher than a year earlier, to which contributed the favourable evolution of cash flow from operations, the reduction in derivative margin accounts, the placement of the MTN issuance and the market price increase of assets integrated in the portfolio of assets discountable with the ECB, which offset the impacts in the opposite direction of the evolution of the commercial gap and the reversal of haircuts applicable to eligible assets at the values in force before the extraordinary measures taken by the ECB following the COVID-19 pandemic. At the end of 2023, the liquidity buffer comprised a long position of 2.1 billion euros on the ECB, slightly lower than that observed a year earlier (2.6 billion euros).

Throughout 2023, Bank Millennium showed a significant growth of 11% of its retail deposits base. The liquidity position of the operation was further reinforced by the market placement of a senior non-preferred issue of 500 million euros. Initially with an amount of 400 million euros, it was subsequently increased by an additional amount of 100 million euros. It has a maturity of four years and a remuneration of 9.875% and qualifies for MREL purposes, thus meaning the fulfillment of another stage of the institution's recovery plan.

Millennium bim continues to display a resilient liquidity position, supported by a robust buffer discountable at the respective central bank, despite the strong increase in minimum mandatory reserve rates in national and foreign currency imposed by the respective central bank in the first half of 2023.

CAPITAL

The estimated CET1 ratio as at 31 December 2023 stood at 15.5% phased-in and 15.4% fully implemented, reflecting a change of +286 and +293 basis points, respectively, compared to the 12.6% and 12.5% phased-in and fully implemented ratios reported on the same date in 2022, comfortably above the minimum regulatory ratios defined on 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 targets.

The evolution of capital ratios in the period continued to be significantly conditioned by the impacts on Bank Millennium, related to the increase in provisions for legal risks associated with loans in foreign currency. These effects were, however, more than offset by the positive performance of the recurrent activity in Portugal and by the careful and proactive management of capital, which includes shareholder remuneration, on a convergent trajectory towards the levels set out in the strategic plan.

SOLVENCY RATIOS

Million euros

	31 Dec. 23	31 Dec. 22
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	6,124	5,382
Tier 1	6,608	5,875
Total Capital	7,903	7,241
Risk weighted assets	39,725	43,106
Solvency ratios		
CET1	15.4 %	12.5 %
Tier 1	16.6 %	13.6 %
Total capital	19.9 %	16.8 %
PHASED-IN		
CET1	15.5 %	12.6 %

Note: The capital ratios of 31 December 2023 are estimated including the positive accumulated net income.

SIGNIFICANT EVENTS IN 2023

During 2023 and under a challenging macroeconomic environment, the Bank kept its focus on supporting households and companies.

BCP informed that DBRS Morningstar rating agency on 18 December 2023, upgraded the Bank's senior unsecured debt ratings from BBB (low) to BBB and deposits ratings from BBB to BBB (high), one notch above the Intrinsic Assessment, reflecting the legal framework in place in Portugal which has full depositor preference in bank insolvency and resolution proceedings.

This upgrade of BCP's ratings by DBRS Morningstar reflects the improvement in profitability and the strengthening in capitalisation levels while maintaining adequate asset quality. The stable trend reflects DBRS Morningstar expectations that the Bank will maintain adequate profitability levels and solid capital buffers. The stable trend also takes into consideration the Bank's adequate funding structure coupled with solid liquidity buffers.

Banco Comercial Português, S.A. announced on 5 December 2023, that, following the entry into force of Decree-Law no. 31/2022, of 6 May, approving the new legal regime of covered bonds and transposing Directive (EU) 2019/2162 ("Legal Regime of Covered Bonds"), the conversion of its existing covered bonds programme into a covered bonds programme compliant with the Legal Regime of Covered Bonds, in the total amount of €12,500,000,000 (the "Programme"), was approved on the present date by the Portuguese Securities Commission (Comissão do Mercado de Valores Mobiliários) ("CMVM"). Fitch Ratings has upgraded on 17 January 2024, BCP Portuguese mortgage covered bonds to 'AA+' from 'A'.

BCP informed, on 4 December 2023, that it received the decision from the European Central Bank (ECB) under the context of the Supervisory Review and Evaluation Process (SREP), regarding minimum prudential requirements to be fulfilled on a consolidated basis from 1 January 2024. The minimum prudential requirements to be in force from January 2024 remained unchanged compared to the requirements in force in 2023.

BCP, in that announcement, also informed the decision from Banco de Portugal on its capital buffer requirement as "other systemically important institution" (O-SII).

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 1.0%).

BCP informed that Moody's rating agency on 22 November 2023, upgraded the Bank's senior unsecured debt ratings from Baa3 to Baa2 and deposits ratings from Baa2 to A3, positioning the rating assigned to deposits at the same risk level to that assigned to the Portuguese Republic.

This upgrade of BCP's ratings by Moody's reflects the reduction in the stock of non-performing assets (NPA), the improvement in capitalisation levels as well as the improvement in domestic recurrent profitability. The rating action on BCP also reflects the recent upward revision of the Portuguese Republic's debt rating, from Baa2 to A3.

In the scope of the review carried out by Moody's, it was simultaneously communicated, the upgrade of the Baseline Credit Assessment (BCA) and Adjusted BCA from Ba2 to Ba1, the junior senior debt rating to (P)Ba1, the dated subordinated debt to (P)Ba2 and the preference shares rating to B1(hyb). Additionally, Moody's informed, on the same date that the rating of BCP's covered bonds program was upgraded from Aa2 to Aaa.

The Outlook on the long-term deposit and senior unsecured debt ratings is currently stable, reflecting Moody's view of the expected performance of the Bank over the next 12 to 18 months.

BCP informed on 17 November 2023, that it was notified by the Banco de Portugal on the decision to implement a reserve for sectoral systemic risk, which aims to reinforce the resilience of the banking sector of a potential deterioration in economic conditions and/or unexpected significant correction in residential property prices. The reserve for sectoral systemic risk complements the current prudential recommendation and consists of a preventive measure to address the possible materialisation of potential risks.

The Banco de Portugal's decision translates into the requirement to comply with a reserve for sectoral systemic risk of 4% on the amount of risk exposures on the retail portfolio of loans to individuals collateralised by residential properties located in Portugal, calculated in pursuant to paragraph 3 of article 92 of Regulation (EU) 575/2013, from 1 October 2024, onwards, at the highest level of consolidation in Portugal, considering the applicable legal framework.

Banco Comercial Português, S.A. informs that the decision to impose this measure, that aims to create a reserve for sectoral systemic risk, would translate on a pro forma basis into an estimated increase in own funds requirements of 26 basis points.

BCP informed that on 13 November 2023, it has received permission from the ECB to reduce its Own Funds, through the exercise of the early redemption option of the currently outstanding Additional Tier 1 ("AT1") instrument, considering that following the said reduction, BCP's own funds and eligible liabilities, on a consolidated basis, are expected to exceed the requirements laid down in Regulation (EU) No 575/2013, Directive 2013/36/ EU of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council by a margin that the ECB considers necessary.

On 25 September 2023, BCP has fixed the terms for a new issue of senior preferred debt securities eligible for MREL (Minimum Requirement for own funds and Eligible Liabilities), under its Euro Note Programme. The issue, in the amount of 500 million euros, has a tenor of 3 years, with the option of early redemption by the Bank at the end of year 2, an issue price of 99.825% and an annual interest rate of 5.625% during the first 2 years (corresponding to a spread of 1.90% over the 2-year mid-swap rate). The interest rate for the 3rd year was set at 3-month Euribor plus a 1.90% spread.

Fitch Ratings upgraded on 21 September BCP's long-term senior unsecured debt ratings to Investment Grade. This upgrade reflects the Fitch Ratings' view that BCP' capital ratios have increased to levels considered adequate. This improvement has been supported by materially stronger profitability given higher interest rates, strong cost efficiency and a balance sheet with reduced credit risk. The upgrade also reflects reduced risks surrounding litigation costs coming from its Polish subsidiary in relation to legacy Swiss franc-denominated mortgage loans. The Outlook on the Long-Term IDR is Stable. Fitch Ratings also raised the ratings on BCP's Additional Tier 1 and Tier 2 instruments by one notch.

S&P Global Ratings upgraded on 12 September BCP's senior unsecured debt ratings to Investment Grade. This upgrade reflects the view that BCP creditworthiness has gradually improved in absolute terms and relative to peers due to a

combination of extraordinary measures and solid internal capital generation driven by improving profitability, based on better-than-peer efficiency levels and the expectation that a possible asset quality deterioration will be manageable. The rating on BCP also incorporates potential downside risks arising from the group's Polish operations and its impact on earnings in 2023 and 2024. The Outlook is Stable. S&P Global Ratings also raised the ratings on BCP's Additional Tier 1 and Tier 2 instruments by two notches.

Banco Comercial Português, S.A. was subject to the 2023 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Banco de Portugal (BdP), the European Central Bank (ECB), and the European Systemic Risk Board (ESRB). Banco Comercial Português, S.A. notes the announcements made on July 28 by the EBA on the EU-wide stress test and fully acknowledges the outcomes of this exercise, comprising 70 banks that together represent around 75% of total banking assets in the European Union. The 2023 EU-wide stress test does not contain a pass-fail threshold and instead is designed to be used as an important source of information for the purposes of the Supervisory Review and Evaluation Process (SREP). The results will assist competent authorities in assessing Banco Comercial Português, S.A. ability to meet applicable prudential requirements under stressed scenarios. The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2023-2025). The stress test has been carried out applying a static balance sheet assumption as of December 2022, and therefore does not take into account future business strategies and management actions. It is not a forecast of Banco Comercial Português, S.A. profits. When analysing the results, it should be taken into account that the projections made under the adverse scenario incorporated a significant increase in provisions associated with the legal risk related to credits indexed to Swiss Francs at Bank Millennium in Poland. Considering the results of Banco Comercial Português, S.A. in the stress test, it should be highlighted the following:

- the application of the adverse scenario resulted in a reduction of 448 b.p. in the fully loaded CET1 capital ratio at the end of 2025 compared to December 2022, which compares with an average reduction of 459 b.p. in the universe of the 70 banks submitted to this exercise.
- the application of the baseline scenario resulted in an increase of 256 b.p. in the fully loaded CET1 capital ratio at the end of 2025 compared to December 2022, which compares with an average increase of 136 b.p.

Millennium bcp and the European Investment Fund (EIF) signed a guarantee agreement worth 405 million euros within the scope of InvestEU to support investment in the EU's main priorities. The new credit lines will facilitate financing for Portuguese SMEs.

Millennium bcp considered a climate leader in Europe by the Financial Times and Statista. For the third consecutive year, the Bank is part of the "Europe's Climate Leaders 2023" ranking prepared by the two institutions.

BCP was notified on 12 July by Banco de Portugal, as the national resolution authority, about the update of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board.

The resolution strategy applied continues to be that of a multiple point of entry ("MPE"). The MREL requirements to be met by BCP Group of Resolution (consisting of BCP, S.A., Banco ActivoBank, S.A. and all the subsidiary companies of BCP apart from Bank Millennium S.A. and Banco Internacional de Moçambique and their respective subsidiaries), from 1 January 2024 is of:

- 24.65% of the total risk exposure amount ("TREA") (to which adds further a combined buffer requirement ("CBR") of 3.5%, thus corresponding to total requirements of 28.15%); and
- 6.71% of the leverage ratio exposure measure ("LRE").

The Resolution Group centred in Portugal is not subject to any subordination requirements.

In accordance with the regulations in force, MREL requirements could be annually updated by the competent authorities, and therefore these targets replace those previously set.

Banco Comercial Português, S.A. concluded on May 24, through electronic means and, simultaneously, at the Bank's facilities, with 64.29% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions being highlighted:

- Approval of the individual and consolidated Annual Report, the balance sheet and financial statements of 2022, and the Corporate Governance Report, which includes a chapter on the remuneration of the management and supervisory bodies, and the Sustainability Report, and the proposal for the appropriation of profit concerning the 2022 financial year.
- Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies and revoking the retirement regulation of the Executive Directors.
- Approval of the update of the policy for selection and appointment of the Statutory Auditor or Audit Firm and the hiring of not prohibited non-audit services under the terms of the legislation in force.

S&P Global Ratings, DBRS and Moody's revised the Outlook to Positive on April 17th, May 24th and May 26th, respectively.

Fitch Ratings on March 17 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 "Consumer Choice" in 2024. Millennium was distinguished in the "Large Banks" and "Banking Apps" categories, respectively, and ActivoBank in the "Digital Banking" category. Millennium bcp was distinguished for the fourth consecutive year while ActivoBank has been in leadership for six years.
- Millennium bcp distinguished in the 2024 "Cinco Estrelas" (Five Stars) Awards in the category of Large Banks.
- Best Service in the treasury management category in Portugal by Euromoney magazine, within the scope of the 2023 Euromoney Cash Management Non-Financial Institutions Survey, which chooses the institutions that present the best services to their Customers.
- Millennium bcp distinguished in the 2nd edition of the AERI-Iberian Equity Awards in the "Best IR Professional" category.
- Millennium bcp was once again included in the Stoxx Europe 600 index, which is a reference for institutional investors in the capital markets.
- Best Bank for Sustainable Finance in Portugal awarded by Global Finance magazine.
- Leadership in the Inovadora COTEC Program for the third consecutive year with 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.
- Millennium bcp was named "Best Investment Bank" in Portugal by Global Finance.

- Millennium bcp was once again distinguished as the Best Bank in Marketing and Services on Social Networks (Best Consumer Social Media Marketing and Services) in Portugal in 2023, by Global Finance magazine.
- Millennium bcp was once again distinguished as the Best Bank in Information Security and Fraud Management in Portugal in 2023 (The Best Consumer Information Security and Fraud Management in Portugal for 2023), by Global Finance magazine.
- Millennium bcp distinguished as "The Best Consumer Lending in Portugal in 2023" by Global Finance magazine.
- Millennium bcp distinguished as the Best Bank in Portugal in the "Sustainable Finance Awards 2023" by Global Finance magazine.
- Millennium bcp was named "Best Consumer Digital Bank" in Portugal, and the Millennium App also being considered "Best Consumer Mobile Banking App" by Global Finance.
- 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.
- Millennium bcp is Europe's "Best Private Bank for Self-Directed Investments" according to Professional Wealth Management, a publication of the Financial Times Group, in the PWM Wealth Tech Awards 2023.
- Millennium bcp has won the APCC Contact Centers 2023 award in the category of Best Banking Contact Center in Portugal.
- Millennium bcp has won award Marketeer in the category Banking and Finance.
- IziBizi software, the first invoicing and management software with Bank Account that merges the Cloudware Business billing and management software with Millennium bcp's financial services and Open Banking API, was distinguished at the "Fosun Group 2023 Semi Annual Awarding" with the "Most Innovative Product Award". IziBizi also won in the "Top Tech of the Future by a Bank" category of the PayTech Awards 2023.
- ActivoBank was named for the second consecutive time as "Powerful Brand" in the "Online Banking" category.
- Bank Millennium among the most trustworthy companies in the world in 2023.
- Bank Millennium is the Best Bank in Poland according to Newsweek's Friendly Bank ranking.
- Bank Millennium distinguished as "Best Bank in Poland" in 2023 by Global Finance.
- Bank Millennium was distinguished as the "Best Digital Bank" in Poland in 2023, by Global Finance magazine.
- Bank Millennium distinguished as the "Best Digital Bank" in Poland for SMEs ("The Best Bank for SMEs in Poland for 2023") by Global Finance magazine.
- Bank Millennium distinguished with the "Best Consumer Mobile App" in Poland 2023, by Global Finance magazine.
- Bank Millennium's Contact Center was highlighted at the Polish Contact Center Awards 2023, having reached the podium six times, in what is the biggest event in the sector, which recognises the best contact centers and best customer service in Poland.
- Bank Millennium was in the Top 10 in the 17th edition of the Ranking of Responsible Companies. Bank Millennium was once again among the best, occupying sixth position, in the prestigious list of the largest companies in Poland evaluated for the quality of responsible management in accordance with ESG guidelines.
- Bank Millennium came in second place on the ranking list of best employers in the "Banking and Financial Services" category in the 3rd edition of the Best Employers Poland 2023 ranking prepared by Forbes Poland and Statista.
- Bank Millennium has been awarded the Golden Bank 2023 title for the best multi-channel service quality in the Golden Banker 2023 ranking. This ranking, the largest in the banking sector in Poland, aims to identify the banking institutions that offer the highest standards of service quality, provide the best products and carry out activities that stand out from the competition.
- Bank Millennium wins the CSR Golden Leaf from Polityka Weekly for its consistent activities for sustainability and its measurable successes in limiting the consumption of resources.
- Bank Millennium has joined the United Nations Global Compact (UNGC) as a direct participant. UNGC is the world's largest UN initiative for sustainable business. Accession to the UNGC means a commitment to comply with and implement the Ten Principles of the Compact, covering four areas: human rights, work standards, environmental protection and counteracting corruption.

- Millennium bim distinguished as “Best Bank in Mozambique” in 2023 by Global Finance.
- Millennium bim distinguished as “Best Private Bank” in Mozambique for the fourth year in a row.
- Millennium bim distinguished as “The Best Consumer Digital Bank for Innovation and Transformation in Africa for 2023” by Global Finance magazine.
- Millennium bim distinguished as “Best Consumer Digital Bank” in Mozambique in 2023 by Global Finance magazine.
- Millennium bcp distinguished with “Best Consumer Mobile App” in Mozambique 2023 by Global Finance magazine.
- Millennium bim distinguished as the “Best Digital Bank” in Mozambique in 2023 by Global Finance magazine.

SUBSEQUENT EVENTS

BCP (“Millennium bcp”) informed that on 11 January 2024 it has set the conditions for a new issue of Additional Tier 1, in the amount of 400 million euros, with the option of early repayment by Millennium bcp from the end of 5th year onwards with a coupon of 8.125% per year for the first 5.5 years, which will be refixed from that date every 5 years, with reference to the then prevailing 5-year mid-swap rate plus a spread of 5.78%. The operation, which generated strong market interest, followed a series of meetings involving more than 60 investors. Demand, in the final terms of the issue, reached an amount exceeding 3 billion euros (more than 7 times the amount issued), with orders from more than 250 institutional investors.

On 11 January 2024, the EIB signs an agreement with Millennium bcp to provide 400 million euros in new loans to Portuguese companies.

BCP informed, on 5 January 2024, under the terms and for the purposes of article 6 of CMVM Regulation No. 1/2023, that the Non-Executive Director Xiaoxu Gu (also known as Julia Gu) presented on that day its resignation to the position of non-executive member of the Board of Directors, effective from 29 February 2024. The Bank informed that it will begin the process of identifying and selecting a new non-executive member to join its Board of Directors in accordance with the applicable Bank’s regulations. The conclusion of this process will be announced in due course and will not affect the regular functioning of the Board of Directors.

BCP informed that it has decided to exercise its option to early redeem all of its Additional Tier 1 notes “Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes” (ISIN: PTBCPFOM0043), issued on 31 January 2019, in accordance with Condition 9.2 of the terms and conditions of the Notes. The early redemption of the Notes shall take place on their first call date according with its terms and conditions, 31 January 2024, at their outstanding principal amount together with accrued interest.

MACROECONOMIC ENVIRONMENT

According to the International Monetary Fund (IMF), in 2023, the world economy is expected to have slowed down from 3.5% to 3.1%. This evolution reflects divergent performances among the main economies, with the acceleration of the United States (US) economy (from 1.9% to 2.5%) contrasting with the sharp slowdown of the euro area economy (from 3.4% to 0.5%) and with the persistence of significant structural weaknesses in China. In 2024, the effects associated with the restrictiveness of monetary policy and the reduction of fiscal stimulus measures that were in place in 2023 are expected to contribute to the maintenance of a global GDP growth rate of 3.1%, which corresponds to a historically low level. The risks to this projection are tilted to the downside and relate mainly to the possibility of worsening geopolitical tensions.

In financial markets, 2023 was characterised by an environment of higher optimism, supported by the resilience of the US economy, alongside a decrease in global inflation, which was particularly noticeable in the second half of the year. In this context, the main central banks announced the end of the interest rate hike cycle initiated in 2022, with the reference interest rates stabilising at 5.50% in the US and at 4.50% in the euro area, from July and September 2023 onwards, respectively. Against this background, the main global equity indices recorded significant valuations, with the S&P 500 index in the US rising by more than 20%. In turn, the Germany and US government bond yields rose, particularly in the third quarter of the year. The more favourable environment was reflected in the performance of emerging market asset classes, albeit to a less magnitude, and in a reduction of the risk premia of corporate debt, as well as of euro area periphery sovereign debt, namely in Portugal and Italy. On the foreign-exchange front, there was

a slight appreciation of the Euro against the U.S. dollar. Concerning the Euribor interest rates, the expectations of less restrictive monetary policy during 2024 contributed to the six and twelve months Euribor interest rates starting a downward trajectory in the last quarter of 2023, while the three-month rates remained relatively stable. The Portuguese equity index benefited from the positive evolution of international financial markets and recorded a valuation of around 12% in 2023.

In Portugal, GDP grew by 2.3% in 2023, slightly above the forecasts of the main domestic and international institutions. The positive performance of the Portuguese economy resulted from a strong contribution of exports in the first half of the year, driven by the dynamism of the tourism sector, and from a significant acceleration of private consumption in the last quarter of the year, supported by the increase in real household disposable income, in a context of lower inflation rate and expectations of decreasing financing costs. The favourable performance of economic activity contributed to a decrease in the ratio of public debt as a percentage of GDP, from 112.4% in 2022 to 98.7% in 2023, which corresponds to the lowest value since 2010. In 2024, Banco de Portugal expects Portuguese GDP to record a more moderate growth (1.2%), hindered by a slowdown in exports, after the strong growth observed in the previous year. Regarding the inflation rate, it is expected to continue a downward trend, decreasing from 5.3% in 2023 to 2.9% in 2024.

In Poland, economic activity slowed down in 2023, from 4.9% to 0.2%, penalised by the weakness of domestic demand in the first half of the year, in a context of high inflationary pressures and increased restrictiveness of monetary policy. In the second half of the year, the decrease in the inflation rate, from a peak of 18.4% in February to 6.2% in December 2023, led to a decrease in the central bank's reference interest rate, from 6.75% in August to 5.75% in October 2023. In this context, the real household disposable income rose in the second half of the year, contributing to a recovery of the economic activity, which is expected to continue in 2024, with the IMF forecasting a GDP growth of 2.8%. Over the year, the Zloty appreciated compared to 2022, mainly in the last quarter of the year.

In Mozambique, GDP growth accelerated in 2023, supported by the positive evolution of the extractive industry, particularly natural gas production, with the IMF foreseeing a growth of 6.0%. Despite the decrease in the inflation rate during the year, the central bank kept its reference interest rate unchanged at 17.25%, given the uncertainty regarding the inflation rate trajectory. In 2024, the economy is expected to slow down, although to maintain robust growth levels (5.0%), in a context of declining inflation and a less restrictive monetary policy stance.

In Angola, GDP is expected to have registered a slowdown in 2023, from 3.0% to 1.3%, hindered by the contraction of the oil sector's activity. Against this backdrop, the Kwanza depreciated significantly, particularly in the beginning of the third quarter of the year. In 2024, the IMF projects an acceleration of economic activity to 3.3%.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

	Million euros								
	Group			Activity in Portugal			Atividade internacional		
	Dec. 23	Dec. 22 (restated)	Chg. 23/22	Dec. 23	Dec. 22 (restated)	Chg. 23/22	Dec. 23	Dec. 22	Chg. 23/22
INCOME STATEMENT									
Net interest income	2,825.7	2,149.8	31.4 %	1,466.6	951.0	54.2 %	1,359.1	1,198.8	13.4 %
Dividends from equity instruments	1.8	10.1	(82.3 %)	1.0	9.3	(88.9 %)	0.8	0.8	(6.8 %)
Net fees and commission income	771.7	771.9	0.0 %	560.3	560.6	0.0 %	211.4	211.4	0.0 %
Net trading income	144.8	50.0	189.9 %	12.9	69.2	(81.4 %)	131.9	(19.3)	>200%
Other net operating income	(38.6)	(182.9)	78.9 %	(65.0)	(76.3)	14.8 %	26.4	(106.7)	124.8 %
Equity accounted earnings	64.3	58.6	9.6 %	59.6	57.7	3.3 %	4.7	0.9	>200%
Net operating revenues	3,769.7	2,857.4	31.9 %	2,035.4	1,571.5	29.5 %	1,734.2	1,285.9	34.9 %
Staff costs	631.8	580.8	8.8 %	354.8	338.7	4.8 %	277.0	242.1	14.4 %
Other administrative costs	393.2	353.0	11.4 %	188.7	184.0	2.6 %	204.5	168.9	21.0 %
Depreciation	137.5	139.2	(1.3 %)	73.1	79.1	(7.6 %)	64.4	60.2	7.0 %
Operating costs	1,162.6	1,073.0	8.3 %	616.7	601.7	2.5 %	545.9	471.3	15.8 %
Operating costs excluding specific items	1,147.3	1,056.5	8.6 %	601.4	585.3	2.8 %	545.9	471.3	15.8 %
Profit before impairment and provisions	2,607.1	1,784.4	46.1 %	1,418.7	969.7	46.3 %	1,188.4	814.7	45.9 %
Results on modification	(19.4)	(309.9)	93.7 %	0.0	0.0	0.0 %	(19.4)	(309.9)	93.7 %
Loans impairment (net of recoveries)	240.0	300.6	(20.2 %)	207.6	218.4	(5.0 %)	32.5	82.2	(60.5 %)
Other impairment and provisions	859.8	755.6	13.8 %	160.8	205.3	(21.7 %)	699.0	550.3	27.0 %
Profit before income tax	1,487.8	418.3	>200%	1,050.4	546.0	92.4 %	437.5	(127.7)	>200%
Income taxes	537.4	304.3	76.6 %	331.1	207.6	59.5 %	206.3	96.7	113.2 %
Current	179.9	109.6	64.1 %	13.3	17.2	(22.5 %)	166.5	92.4	80.1 %
Deferred	357.5	194.7	83.6 %	317.8	190.4	66.9 %	39.7	4.3	>200%
Income after income tax from continuing operations	950.5	114.0	>200%	719.3	338.5	112.5 %	231.2	(224.4)	>200%
Income arising from discontinued operations	(2.9)	5.5	(151.5 %)	0.0	0.0	0.0 %	(2.8)	5.5	(151.3 %)
Non-controlling interests	91.6	(77.8)	>200%	(5.6)	(5.0)	(11.3 %)	97.1	(72.8)	>200%
Net income	856.0	197.4	>200%	724.9	343.5	111.0 %	131.2	(146.1)	189.8 %
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	94,380	89,877	5.0 %	62,725	63,284	(0.9 %)	31,655	26,593	19.0 %
Total customer funds	95,295	92,808	2.7 %	66,672	68,262	(2.3 %)	28,623	24,546	16.6 %
Balance sheet customer funds	79,215	77,250	2.5 %	52,450	54,077	(3.0 %)	26,765	23,173	15.5 %
Deposits and other resources from customers	77,928	75,907	2.7 %	51,163	52,734	(3.0 %)	26,765	23,173	15.5 %
Debt securities	1,287	1,343	(4.1 %)	1,287	1,343	(4.1 %)	0	0	0.0 %
Off-balance sheet customer funds	16,080	15,558	3.3 %	14,222	14,185	0.3 %	1,858	1,373	35.3 %
Assets under management	5,561	5,114	8.8 %	4,351	4,307	1.0 %	1,210	806	50.1 %
Assets placed with customers	5,915	5,102	15.9 %	5,516	4,803	14.8 %	399	299	33.5 %
Insurance products (savings and investment)	4,603	5,343	(13.8 %)	4,355	5,075	(14.2 %)	248	268	(7.6 %)
Loans to customers (gross)	56,814	57,713	(1.6 %)	38,625	40,149	(3.8 %)	18,190	17,564	3.6 %
Individuals	34,813	34,165	1.9 %	21,087	21,194	(0.5 %)	13,727	12,971	5.8 %
Mortgage	27,981	28,124	(0.5 %)	18,763	19,014	(1.3 %)	9,218	9,110	1.2 %
Personal Loans	6,833	6,042	13.1 %	2,324	2,180	6.6 %	4,509	3,862	16.8 %
Companies	22,001	23,548	(6.6 %)	17,538	18,955	(7.5 %)	4,463	4,593	(2.8 %)
CREDIT QUALITY									
Total overdue loans	623	590	5.5 %	230	201	14.6 %	393	390	0.8 %
Overdue loans by more than 90 days	512	496	3.2 %	210	180	16.5 %	302	316	(4.3 %)
Overdue loans by more than 90 days / Loans to customers	0.9 %	0.9 %		0.5 %	0.4 %		1.7 %	1.8 %	
Total impairment (balance sheet)	1,596	1,515	5.3 %	989	935	5.8 %	608	581	4.6 %
Total impairment (balance sheet) / Loans to customers	2.8 %	2.6 %		2.6 %	2.3 %		3.3 %	3.3 %	
Total impairment (balance sheet) / Overdue loans by more than 90 days	312.1 %	305.8 %		471.7 %	519.5 %		201.2 %	184.0 %	
Non-Performing Exposures (NPE)	1,952	2,218	(12.0 %)	1,107	1,361	(18.7 %)	845	856	(1.3 %)
NPE / Loans to customers	3.4 %	3.8 %		2.9 %	3.4 %		4.6 %	4.9 %	
Total impairment (balance sheet) / NPE	81.8 %	68.3 %		89.3 %	68.6 %		71.9 %	67.8 %	
Restructured loans	1,729	1,866	(7.3 %)	1,186	1,341	(11.5 %)	543	525	3.4 %
Restructured loans / Loans to customers	3.0 %	3.2 %		3.1 %	3.3 %		3.0 %	3.0 %	
Cost of risk (net of recoveries, in b.p.)	42	52		54	54		18	47	

BANCO COMERCIAL PORTUGUÊS
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	2023	2022 (restated)
Interest and similar income	4,371,289	2,737,235
Interest expense and similar charges	(1,545,565)	(587,463)
NET INTEREST INCOME	2,825,724	2,149,772
Dividends from equity instruments	1,783	10,086
Net fees and commissions income	771,673	771,908
Gains/(losses) on financial operations at fair value through profit or loss	(6,550)	27,306
Foreign exchange gains/(losses)	17,469	19,390
Gains/(losses) on hedge accounting	21,808	(2,233)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	112,088	5,497
Other operating income / (losses)	(60,415)	(193,112)
TOTAL OPERATING INCOME	3,683,580	2,788,614
Staff costs	631,806	580,807
Other administrative costs	393,246	352,961
Amortisations and depreciations	137,499	139,250
TOTAL OPERATING EXPENSES	1,162,551	1,073,018
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	2,521,029	1,715,596
Results on modification	(19,426)	(309,865)
Impairment of financial assets at amortised cost	(247,992)	(300,829)
Impairment of financial assets at fair value through other comprehensive income	(1,322)	5,023
Impairment of other assets	(56,374)	(192,059)
Other provisions	(794,158)	(568,297)
NET OPERATING INCOME	1,401,757	349,569
Share of profit of associates accounted for using the equity method	64,266	58,611
Gains/(losses) on disposal of subsidiaries and other assets	21,809	10,167
NET INCOME BEFORE INCOME TAXES	1,487,832	418,347
Income taxes		
Current	(179,857)	(109,632)
Deferred	(357,514)	(194,688)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	950,461	114,027
Net income from discontinued or discontinuing operations	(2,852)	5,537
NET INCOME AFTER INCOME TAXES	947,609	119,564
Net income for the period attributable to:		
Bank's Shareholders	856,050	197,386
Non-controlling interests	91,559	(77,822)
NET INCOME FOR THE PERIOD	947,609	119,564
Earnings per share (in Euros)		
Basic	0.054	0.010
Diluted	0.054	0.010

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	2023	2022 (restated)
ASSETS		
Cash and deposits at Central Banks	4,545,526	6,022,001
Loans and advances to credit institutions repayable on demand	337,687	213,460
Financial assets at amortised cost		
Loans and advances to credit institutions	908,477	963,434
Loans and advances to customers	53,305,159	54,675,793
Debt securities	17,579,136	13,035,582
Financial assets at fair value through profit or loss		
Financial assets held for trading	822,904	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	467,254	552,679
Financial assets designated at fair value through profit or loss	32,004	0
Financial assets at fair value through other comprehensive income	10,834,291	7,461,553
Hedging derivatives	40,628	59,703
Investments in associated companies	356,259	314,919
Non-current assets held for sale	80,317	499,035
Investment property	39,100	15,217
Other tangible assets	606,447	574,697
Goodwill and intangible assets	223,105	182,687
Current tax assets	20,469	17,945
Deferred tax assets	2,554,331	2,938,986
Other assets	1,626,684	1,582,455
TOTAL ASSETS	94,379,778	89,876,743
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	829,126	1,468,360
Resources from customers	75,606,813	75,430,143
Non subordinated debt securities issued	2,712,682	1,482,086
Subordinated debt	1,397,425	1,333,056
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	207,387	241,506
Financial liabilities at fair value through profit or loss	3,608,487	1,817,678
Hedging derivatives	67,825	178,000
Provisions	753,103	561,786
Current tax liabilities	197,085	23,680
Deferred tax liabilities	8,795	11,708
Other liabilities	1,691,552	1,391,973
TOTAL LIABILITIES	87,080,280	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	316,375	268,534
Reserves and retained earnings	1,723,175	1,272,262
Net income for the period attributable to Bank's Shareholders	856,050	197,386
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,312,071	5,154,653
Non-controlling interests	987,427	782,114
TOTAL EQUITY	7,299,498	5,936,767
TOTAL LIABILITIES AND EQUITY	94,379,778	89,876,743

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 and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

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.

Disclaimer

The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ("IFRS") of the BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002, as the currently existing version.

The information in this presentation is for information purposes only and should be read in conjunction with all other information made public by the BCP Group.

The figures presented do not constitute any form of commitment by BCP regarding future earnings.

The figures for 2023 were not audited.