First 9M 2023
REPORT & ACCOUNTS

Pursuant to CMVM Regulation 1/2023, please find herein the transcription of the

9M 2023 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

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

The First 9M 2023 Report & Accounts is a translation of the “Relatório e Contas dos primeiros nove meses de 2023” document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

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

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

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

Nuno Amado
Chairman of the Board of Directors

Main highlights of the Results in the first 9M of 2023

A Bank prepared for the future

Profitability

- Net income of 650.7 million euros in the first nine months of 2023.
- Group's core operating profit increase of 38.2% to 1,841.3 million euros, supported by the increase of 27.2% on core income and by the strict management of operating costs, which grew 8.5% compared with the same period of 2022.
- Effects[1] related with Bank Millennium: 589.6[2] million euros of costs related with CHF mortgage loan portfolio, out of which 482.5[3] 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, in the first quarter of the year, of 127.0 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 556.8 million euros in the activity in Portugal in the first nine months of 2023.

Robust business model

- Substantial strengthening of capital ratios. CET1[4] ratio stood at 14.9% and total capital ratio[4] at 19.4% (an increase of 357 bp and 431 bp, respectively, compared with the same period of last year), reflecting the strong capacity to generate organic capital.
- Strong liquidity indicators[5], well above regulatory requirements: LCR at 244%, NSFR at 160% and LtD at 73%.
- On-Balance sheet customer funds grew 2.3% year on year to 76.9 billion euros.
- Significant decrease of non-performing assets compared with September 2022: 398 million euros in NPE, 149 million euros in foreclosed assets and 404 million euros in restructuring funds, a combined reduction of 27.3% compared to September 2022.
- Continued growth of the customer base, highlighting the increase in mobile Customers (11% from September 2022), which represent 66% 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 for the first nine months of 2023 5 Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Loans to Deposits Ratio (LtD).

Main highlights (1)

Million euros

	30 Sep. 23	30 Sep. 22 (restated)	Chg. 23/22
BALANCE SHEET			
Total assets	91,169	97,135	(6.1 %)
Equity	6,848	5,837	17.3 %
Loans to customers (net)	55,112	57,010	(3.3 %)
Total customer funds	92,379	91,069	1.4 %
Balance sheet customer funds	76,876	75,184	2.3 %
Deposits and other resources from customers	75,534	73,843	2.3 %
Loans to customers (net) / Deposits and other resources from customers (2)	73%	77%	
Loans to customers (net) / Balance sheet customer funds	72%	76%	
RESULTS			
Net interest income	2,117	1,546	37.0 %
Net operating revenues	2,793	2,065	35.3 %
Operating costs	855	787	8.5 %
Operating costs excluding specific items (3)	842	781	7.8 %
Results on modification	(15)	(319)	95.3 %
Loan impairment charges (net of recoveries)	211	241	(12.3 %)
Other impairment and provisions	602	532	13.2 %
Income taxes	387	209	85.7 %
Net income	651	90	>200%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	4.1 %	2.9 %	
Return on average assets (ROA)	1.1 %	0.0 %	
Income before tax and non-controlling interests / Average net assets (2)	1.6 %	0.3 %	
Return on average equity (ROE)	16.7 %	2.3 %	
Income before tax and non-controlling interests / Average equity (2)	24.4 %	4.1 %	
Net interest margin	3.4 %	2.4 %	
Cost to core income (2)(3)	31.2 %	36.9 %	
Cost to income (2)	30.6 %	38.1 %	
Cost to income (2)(3)	31.6 %	37.8 %	
Cost to income - Activity in Portugal (2)(3)	30.3 %	37.7 %	
Staff costs / Net operating revenues (2)(3)	17.1 %	20.6 %	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	50	55	
Non-Performing Exposures (loans to customers) / Loans to customers	3.6 %	4.1 %	
Total impairment (balance sheet) / NPE (loans to customers)	76.6 %	66.5 %	
Restructured loans / Loans to customers	3.1 %	3.6 %	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	243.7 %	263.9 %	
Net Stable Funding Ratio (NSFR)	160.3 %	152.8 %	
CAPITAL (4)			
Common equity tier I phased-in ratio	14.9%	11.6 %	
Common equity tier I fully implemented ratio	14.9%	11.4 %	
Total ratio fully implemented	19.4%	15.1 %	
BRANCHES			
Activity in Portugal	400	408	(2.0 %)
International activity	811	830	(2.3 %)
EMPLOYEES			
Activity in Portugal	6,275	6,257	0.3 %
International activity (5)	9,458	9,404	0.6 %

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at alternative performance measures chapter.
(2) According to Instruction no. 16/2004 from the Bank of Portugal, as the existing version as of 30 September 2023.
(3) Excludes specific items: positive impact of 115 million euros, recognised in the first nine months of 2023, including income of 127 million euros in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (118 million euros recognised as net trading income and 9 million euros recognised as other net operating income) and costs of 12 million euros recognised as staff costs in the activity in Portugal ((i) costs related to the compensation for the temporary adjustment of remuneration in the period 2014/2017; (ii) costs with mortgage financing to former employees; (iii) costs with employment terminations and (iv) income recognised after an agreement related to responsibilities with former directors of the Bank). In the first nine months of 2022 the impact was negative in the amount of 6 million euros, mainly related to the compensation for the temporary adjustment of remuneration in the period 2014/2017.
(4) Presented figures include unaudited cumulate net results of the respective periods.
(5) Of which, in Poland: 6,899 employees as at 30 September 2023 (corresponding to 6,776 FTE - Full-time equivalent) and 6,897 employees as at 30 September 2022 (corresponding to 6,778 FTE - Full-time equivalent).

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the 1st half of 2023, Bank Millennium completed the sale of the sale of 80% of Millennium Financial Services stake as a result of the strategic partnership in the bancassurance business.

Governance

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

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

The General Meeting is the highest governing body of the company, representing all shareholders, having its competences established in the law and in By-laws.

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

Under the terms of the articles of association, the BD is composed of a minimum of 15 and a maximum of 19 members with and without executive duties, elected by the General Meeting for a period of four years, and can be re-elected. The current Board of Directors is composed of 17 members, of which 15 were elected at the General Meeting that took place on May 4, 2022. As a result of two members elected at that meeting, due to personal unavailability, not having taken office, the Board of Directors co-opted, on May 11 October 2022, two members to join the Board of Directors, the co-option having been ratified at the General Meeting that took place on December 20, 2022, after authorization to exercise functions by the ECB (on 7 December).

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

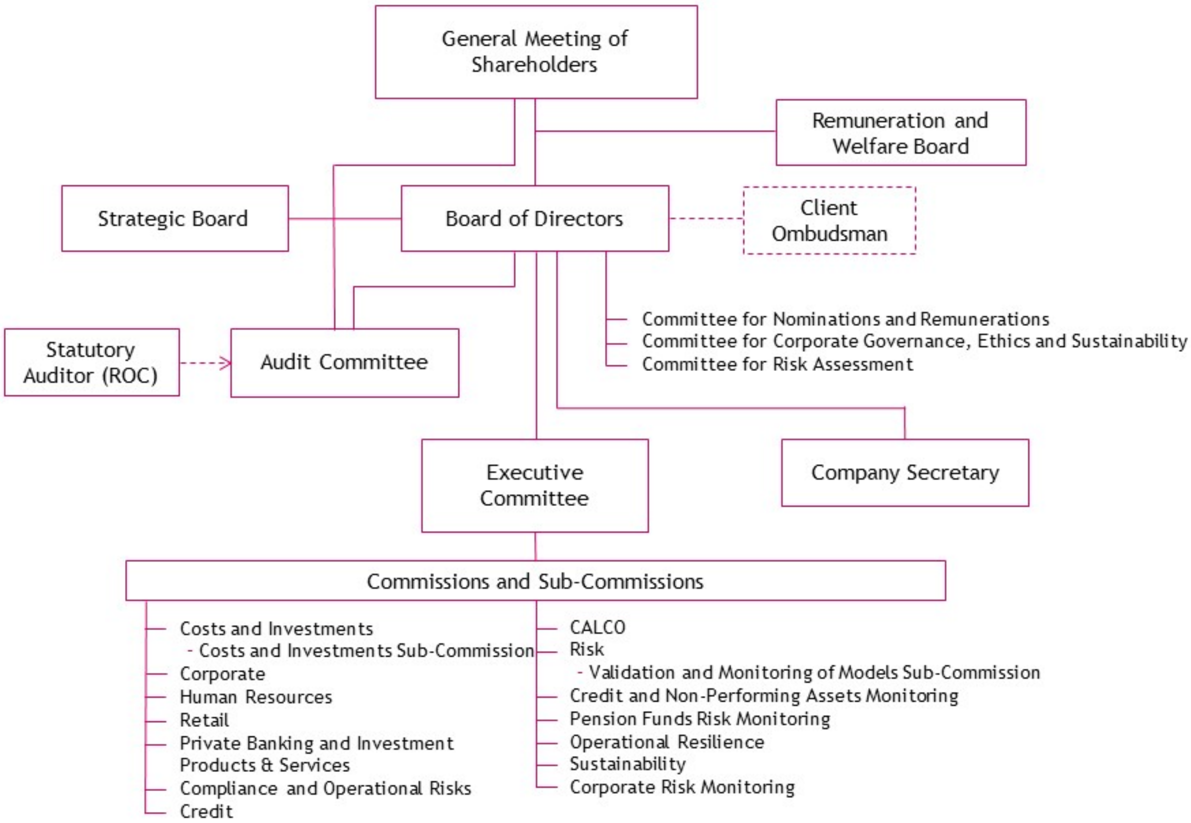
The BD began its functions on September 5, 2022 and appointed an EC, composed of six of its members, with the Chief Executive Officer being appointed by the General Meeting. The BD has delegated to the EC the day-to-day management of the Bank, which is assisted by several committees and subcommittees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

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

The RWB and the Strategic Board have the functions described in the By-laws, the latter being a non-permanent body.

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

Corporate Governance Model



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

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

The Governing Bodies and Committees of the Board of Directors currently have the following composition:

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

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

Main events in the first nine months of 2023

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

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 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.

BCP complies to the currently applicable MREL requirement, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE.

The MREL requirements, now communicated to the BCP resolution group described above, are in line with the 2021-24 Strategic Plan and are accommodated by the ongoing funding plan.

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 “Escolha do Consumidor” (Consumer Choice) 2023 in the categories of “Big Banks” and “Digital Bank”, respectively. Millennium bcp collected the award for the third consecutive year while ActivoBank accumulates five years in the leadership position.
- Millennium bcp distinguished in the 2023 “Cinco Estrelas” (Five Stars) Awards in the category of Large Banks.
- Leadership in the Inovadora COTEC Program for the third consecutive year with 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 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.

BCP Share

BCP share closed the first nine months of 2023 with an appreciation of 77.9%, which compares with a 15.0% appreciation of the European banking benchmark index. BCP share have registered one of the best performance in the European banking sector, being the best performance among its Spanish and Italian peers.

In the first nine months of the year, BCP's share performance was positively influenced by the release of 2022 and the first two quarters of 2023 earnings, that exceeded market expectations and confirmed the robustness of the Group's business model and its operational capacity. The strengthening of the capital position, through organic generation, combined with the increase in core income and the strict cost management policy, as well as the continued non-performing assets reduction and the cost of risk stabilization, led several analysts who cover the Bank to upgrade price targets, despite the extremely challenging context, mainly due to geopolitical tensions and the estimations of a slowdown of the world largest economies.

Main impacts:

- Disclosure of H1 2023 results, which showed business model resilience and robustness even in challenging contexts;
- Rating upgrade by S&P and Fitch Ratings, raising BCP's rating to Investment Grade, reflecting the Bank's normalisation path;
- Upward revision of BCP share price targets by analysts who cover the Bank. The average price target currently stands at €0.37, which compares with €0.21 at the end of December 2022, corresponding to a variation of 76.2% since the end of 2022.

Source: Euronext. Refinitiv

Economic environment

In the third quarter of the year, economic activity in China and in the euro area slowed down, whereas the United States continued to exhibit greater resilience amid rising financing costs and reduced international trade flows. In the coming quarters, the persistence of a restrictive global monetary policy stance, as well as a high degree of uncertainty in the geopolitical realm, should continue to constrain economic activity, with the International Monetary Fund (IMF) projecting global GDP growth rates of 3.0% and 2.9% in 2023 and 2024, respectively.

In the financial markets, the third quarter of 2023 was characterised by a significant increase in the long-term governmental bond yields, particularly in the United States, where yields reached levels not seen since 2008. This increase reflects expectations of a prolonged restrictive monetary policy given the resilience of economic activity and a more moderate reduction in inflation levels, due to a fresh surge in international oil prices. In this context, major central banks continue to rise their interest rates, with the European Central Bank increasing its reference rate from 4.00% to 4.50% and the US Federal Reserve from 5.25% to 5.50%. The less favourable performance of sovereign debt markets resulted in reduced demand for riskier asset classes, with the major global equity indices registering devaluations, although modestly, and an increase of the risk premia of corporate debt, as well as of the euro area peripherical countries where there are higher levels of uncertainty, such as of Spain and Italy. In its turn, the risk premia associated with the Portuguese public debt remained relatively stable, benefiting from an improved rating from Fitch, which changed from BBB+ to A-, and forecasts of a budget surplus in 2023 and 2024.

The Portuguese economy stagnated in the second quarter compared to the previous period due to the deterioration of the domestic demand, resulting in a negative contribution from private consumption and investment to the quarterly GDP growth rate, alongside a lower dynamism in the external demand, notwithstanding the positive contribution of net exports. Against this backdrop, Banco de Portugal has revised downwardly its GDP growth projection in 2023, from 2.7% to 2.1%, and foresees a growth rate of 1.5% in 2024, hindered by rising financing costs and a slowdown in the foreign demand. Concerning prices, the inflation rate denoted a more moderate reduction trajectory in the third quarter, conditioned by the increase of international oil prices. In the upcoming months, Banco de Portugal expects that the inflation rate will continue to decline, projecting that it will be, on average, 3.6% in 2024.

In Poland, the economy contracted by 0.6% in the second quarter of 2023 on a year-on-year basis, reflecting a sluggish domestic demand, whose negative impact on GDP was, however, mitigated by the positive contribution of net exports. In the next quarters, it is expected that an improvement in domestic demand, supported by fiscal stimulus measures, will result in a recovery of economic activity. In this context, the IMF projects a GDP growth rate of 0.6% in 2023 and 2.3% in 2024. The weaker economic conditions, along with a decrease in the inflation rate to levels below 10% in September, led to a reduction in the restrictiveness of monetary policy, which hurt the exchange rate, with the Zloty depreciating significantly against the Euro, moving from 4.44 to 4.62 throughout the quarter.

In Mozambique, GDP grew by 4.7% in the second quarter, bolstered by the dynamism of the extractive industry, in particular of natural gas production, that should continue to support economic activity in the medium term, with IMF forecasting a GDP growth of 7.0% in 2023 and 5.0% in 2024. Despite the decrease in the inflation rate to 4.7% in August, the central bank kept its reference rate at 17.25%, given the uncertainty regarding the evolution of prices. Throughout the quarter, Metical appreciated slightly. In Angola, GDP recorded zero growth in the second quarter compared to the same quarter of the previous year, hindered by the contraction of the activity in the oil sector. Despite the less favourable environment, Kwanza remained relatively stable, following the significant depreciation observed in the second quarter.

Business Model

Nature of operations and main activities

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

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

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

Distinctive factors of the business model

Largest private sector banking institution

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

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

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

On 30 September 2023, operations in Portugal accounted for 68% of total assets, 70% of total loans to Customers (gross) and 71% of total customer funds. The Bank had over 2.6 million active Customers and market shares of 17.3% and 19.0% of loans to Customers and customer deposits, respectively, in June 2023.

International presence as a platform for growth

At the end of September 2023, Millennium bcp was also present throughout the world through its banking operations, representative offices and/or commercial protocols, serving over 6.6 million active Customers.

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

In June 2023, Bank Millennium had a market share of 5.7% in loans to Customers and of 5.5% in deposits.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.2 million Active Customers and is the reference bank in this country, with market shares of 15.9% in loans and advances to Customers and of 22.5% in deposits, in the end of June 2023. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, strong penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

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

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

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

Growth based on digital/mobile banking

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

Digital banking is based on innovation focused on Customer needs, which translates into accelerated growth in mobile usage and sales.

In Portugal, the strong growth in the number of mobile transactions year-on-year stands out, with:

- +29% transactions (+61% P2P transfers; +18% national transfers; +14% payments);
- +27% in sales (+17% cards; +8% personal credit; +30% savings).

The penetration rate of mobile customers has been growing consistently, having increased from 51% to 56% in the period of one year.

The number of digital interactions increased by 21% year-on-year, from 373 million to 451 million.

Digital transactions maintained a level of 99.6% and there continued to be a reduction in transactions in the ATM channel, offset by the increase in digital transactions.

Digital sales reinforced their weight in the number of operations, from 77% to 81%.

Business Model Sustainability

Millennium bcp, with the aim of strengthening its value proposition and performance in matters of Sustainability and responsible finance, has been leading an accelerated dynamic of adaptation to new ESG (Environmental, Social and Governance) requirements that allow it to respond to expectations of the different Stakeholders in these lines of action.

The Bank has, within the framework of its governance and decision-making model, a Committee of the Board of Directors for Corporate Governance, Ethics and Sustainability, a Sustainability Committee headed by the CEO and a Sustainability Division to which it is responsible. attributed to the management of the Sustainability Master Plan (PDS), an instrument that aggregates, in a coherent and standardized way, the actions to be developed, many of them multidisciplinary, with transforming potential within the scope of ESG dimensions.

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

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

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

Financial information

Results and Balance Sheet

RESULTS AND ACTIVITY IN THE FIRST NINE MONTHS OF 2023

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

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 Millenniumbcp 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, Millenniumbcp Ageas Grupo Segurador made the transition exercise on 1 January 2022. The impacts resulting from this implementation by Mbcp Ageas led to the restatement of the accounts of the Group referring to 2022.

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

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 651 million euros in the first nine months of 2023, growing noticeably from the 90[1] million euros achieved in the same period of the previous year.

This evolution of the 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 16.7% in the first nine months of 2023, representing a significant increase from the 2.3% recorded at the end of September 2022.

The growth in net income of the Group was largely due to the evolution of core income, which increased by 27.2%, from the 2,120 million euros posted in the first nine months of 2022, totalling 2,696 million euros in the same period of the current year. The performance of core income mainly reflects the 37.0% (572 million euros) growth recorded in net interest income, with net commissions showing a slight increase of 0.8% (to 578 million euros) in this period.

To the favourable evolution of net income of the Group in this period also contributed the extraordinary gain of 127 million euros (before taxes and non controlling interests), recognised in the first quarter of the current year, resulting from the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o., in the scope of the strategic partnership in the bancassurance business.

In addition, the evolution of consolidated net income of Millennium bcp was influenced by the extraordinary effects that penalised the result associated with the Polish subsidiary in the first nine months of the previous year and that were not repeated in the current year. The early recognition of the potential costs arising from the program of moratoriums (credit holidays[2]) enacted by the President of the Republic of Poland in July 2022 is relevant in this context. In fact, the Bank estimated the maximum impact of the implementation of this Act if all eligible Bank Millennium Group's borrowers were to use this instrument, having recognised an upfront cost of 80% of such maximum impact in the results of the third quarter of 2022, corresponding to 305[3] million euros. On the other hand, notwithstanding the good operating performance of Bank Millennium S.A., the uncertainty associated with the material impacts arising from new legislative measures, led the Bank to consider the total impairment of the goodwill associated with the acquisition by the BCP Group of the current percentage of control over Bank Millennium S.A. in Poland, in the amount of 102 million euros as at 30 June 2022.

Still in the Polish subsidiary, the contribution to the Institutional Protection Scheme (IPS), established in the third quarter of 2022 and non-existent in 2023, together with temporary exemptions in the current year for other contributions, resulted in a reduction of 108 million euros in the overall amount of contributions borne by the Polish subsidiary, thus also contributing to the favourable evolution of the consolidated net income.

The evolution of the consolidated net income, in the period under review, was also favourably influenced by the reduction in loans impairment (net of recoveries) by 12.3%, from 241 million euros in the first nine months of 2022 to 211 million euros in the same period of 2023, reflecting the performance of both the activity in Portugal and the international activity.

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 went from an aggregate amount of 389 million euros (before taxes and non controlling interests), in the first nine months of 2022, to 590 million euros (before taxes and non controlling interests), in the first nine months of 2023. The overall increase in these costs was mainly due to the additional provisions booked to face the litigation risk

[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. (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 a negative impact of 7 million euros in the first nine months of 2022 results.

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

[3] In the fourth quarter of 2022, the Bank reclassified the amount associated with potential costs arising from the moratorium program (credit holidays) in Poland, which had been accounted for in other impairments and provisions, starting to recognise these costs as results on modification. In the scope of this analysis, the amounts referring to the first nine months of 2022 were reclassified, thus diverging from the published accounting values.

implicit in this portfolio following the unfavourable decision of the Court of Justice of the European Union, regarding foreign exchange mortgage loans (483 million euros in the first nine months of 2023 vs 292 million euros in the same period of the previous year, both 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 pursuit of a disciplined management of operating costs by the Group, the impact of inflation was felt in the geographies in which the Bank operates (particularly in Poland and Mozambique where it recorded double-digit levels in 2022), influencing the evolution of operating costs that, in consolidated terms, increased 8.5% (67 million euros) compared to the amount posted in the first nine months of 2022.

The 1 million euros amount recognised in results from discontinued operations, in the first nine months of 2022, mostly incorporates the adjustment of the sale price of Banque Privée, in accordance with previously agreed conditions[4].

The core operating profit of the Group amounted to 1,841 million euros in the first nine months of 2023, showing a significant growth of 38.2% from the 1,332 million euros achieved in the same period of 2022, driven by the already mentioned increase in core income.

In the activity in Portugal, net income amounted to 557 million euros in the first nine months of 2023, standing well above the 288 million euros achieved in the same period of the previous year. This evolution reflects above all the increase of 39.4% in core income, from 1,089 million euros to 1,518 million euros, to which contributed mostly the increase in net interest income, while net commissions, in turn, stood slightly above the amount posted a year before.

The reduction of 15.3% (42 million euros) recorded in impairments and provisions, which overall went from 274 million euros to 232 million euros at the end of September 2023, also contributed to the favourable performance of net income in the activity in Portugal, reflecting, among others, the risk profile evolution of the credit portfolio in Portugal and the consequent reduction in loans impairment charges (net of recoveries).

Conversely, the evolution of net income in the activity in Portugal was influenced by the strong reduction in net trading income (-117 million euros), mainly due to the gains recognised in the first nine months of the previous year with the sale of foreign sovereign debt securities, which did not occur in the same period of this year.

Net income in the activity in Portugal also reflects, albeit to a lesser extent, on the one hand, the favourable performance of equity accounted earnings and other net operating income and, on the other, a slight increase in operating costs and the smaller contribution of dividends from equity instruments.

It should be noted that the significant expansion of core income largely exceeded the slight rise in operating costs, leading the core operating profit of the activity in Portugal to grow by 64.1%, from 644 million euros in the first nine months of 2022 to 1,058 million euros at the end of September 2023.

In the international activity, net income amounted to 94 million euros in the first nine months of 2023, a significant improvement from the negative amount of 199 million euros recorded in the same period of the previous year, mainly due to the higher contribution related to the Polish subsidiary, that after an extended period with negative quarterly results, presented positive results for the fourth consecutive quarter. Net income of the operation in Mozambique, in turn, was below the amount recorded a year earlier, influenced by the impact resulting from the significant increase in minimum cash reserves requirements.

In the evolution of net income in the international activity, the growth recorded in net interest income (+16.5%; +145 million euros), mainly reflecting the impact of the successive increases in the reference interest rates of the central bank of Poland observed between the last quarter of 2021 and the third quarter of 2022, is particularly relevant. In addition, the aforementioned extraordinary gain of 127 million

[4] 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.

euros, recognised in the first quarter of the current year, resulting from the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o. also contributed largely to the favourable performance of net income of the international activity.

The evolution of net income of the international activity was also positively influenced by the extraordinary effects that had penalised the result associated with the Polish subsidiary in the first nine months of 2022. In this sense, it is worth noting the aforementioned upfront recognition of potential costs arising from the moratorium program (credit holidays), in the amount of 305[5] million euros. The favourable evolution of the international activity is also explained by the fact that the result of 2022 had been penalised by the impairment related to the totality of goodwill associated with the Group 's stake in Bank Millennium SA in Poland, in the amount of 102 million euros. Additionally, the reduction of 108 million euros in the overall amount of mandatory contributions borne by the Polish subsidiary also contributed largely to the growth of net income. This reduction reflects the impact of the contribution to the Institutional Protection Scheme (IPS), established in 2022 and with no additional contributions in 2023, together with temporary exemptions in the current year for other mandatory contributions.

On the other hand, the result of the Polish subsidiary and consequently of the international activity, in the first nine months of 2023, was penalised by the increase in costs associated with the portfolio of foreign exchange mortgage loans (+200 million euros compared to September 2022), mainly due to the additional provisions booked following the unfavourable decision of the Court of Justice of the European Union regarding these loans. Although on a smaller scale, it is also worth mentioning the impact of the increase in operating costs on the performance of the net income of the international activity, mainly reflecting high inflation rates.

Benefiting from the increase in core income and despite the impact of the inflation rate on operating costs, core operating profit of the international activity increased by 13.9%, from 688 million euros in the first nine months of 2022, to 784 million euros in the same period of the current year.

NET INTEREST INCOME

Net interest income of the Group reached 2,117 million euros in the first nine months of 2023, corresponding to a growth of 37.0% compared to the 1,546 million euros posted in the same period of the previous year. The three geographies in which the Bank operates continue to show a favourable evolution of net interest income, with emphasis on the growth achieved by the activity in Portugal.

In fact, net interest income, in the activity in Portugal, reached 1,098 million euros, in the first nine months of 2023, showing a growth of 63.6% from the 671 million euros recorded at the end of September 2022.

This performance of net interest income largely reflects the higher income generated by the loan portfolio stemming from the increases in interest rates, partially offset by the increase in the remuneration of the deposit portfolio. Benefiting from the evolution of interest rates, the management of the securities portfolio, in turn, also had a positive impact in the evolution of net interest income in the activity in Portugal, mainly through the greater contribution of the income generated by the public debt portfolio.

Conversely, the evolution of net interest income in the activity in Portugal reflects the increase, compared to the first nine months of 2022, of the costs incurred with own debt issue and subordinated debt, arising not only from the increase in interest rates, but also from the impact of an issue of senior preferential debt securities, in the amount of 350 million euros, launched in October 2022. This issue, under the Bank's Euro Note Programme, address the requirements known as “MREL” (Minimum Requirements for Own Funds and Eligible Liabilities), and its impact in net interest income was partially offset by the repayment of a covered bond issue in May 2022.

[5] In the fourth quarter of 2022, the Bank reclassified the amount associated with potential costs arising from the moratorium program (credit holidays) in Poland, which had been accounted for in other impairments and provisions, starting to recognise these costs as results on modification. In the scope of this analysis, the amounts referring to the first nine months of 2022 were reclassified, thus diverging from the published accounting values.

The performance of net interest income in the activity in Portugal was also influenced by the impact from the income recorded in the first nine months of 2022, related to the funding obtained from the European Central Bank, through the participation in Targeted Longer-Term Refinancing Operations (TLTRO). Following the full early repayment in December 2022 and a residual portion in January 2023, this refinancing operation (TLTRO III) no longer had material impact in the first nine months of 2023. On the other hand, it should be noted the increase in net interest income resulting from liquidity deposited at the Bank of Portugal. Finally, it should be noted the impact of the increase in the cost of resources from other credit institutions, net of interest income earned liquidity surpluses placed with these institutions, reflecting the interest rate evolution in the period under analysis.

In the international activity, net interest income grew by 16.5% compared to the 875 million euros recorded in the first nine months of 2022, rising to 1,020 million euros in the same period of the current year.

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, with interest income at the subsidiary in Mozambique also increasing, albeit to a lesser extent, influenced by the significant increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank.

In consolidated terms, net interest margin rose from 2.38% in the first nine months of 2022 to 3.39% in the same period of 2023, reflecting both the performance of the activity in Portugal, where it evolved from 1.45% to 2.59%, and international activity, where it increased from 4.66% to 5.06%.

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 47 million euros in the first nine months of 2022, to 49 million euros in the same period of 2023. Although this change was not very significant, it should be noted that it was due to opposite performances in each of the headings that compose it. In fact, while equity accounted earnings increased by 26.5% (10 million euros) in the last twelve months, totalling 48 million euros at the end of September 2023, dividends from equity instruments recorded a significant drop, from 9 million euros to 1 million euros, in the same period.

In the activity in Portugal, equity accounted earnings together with dividends from equity instrument reached 46 million euros in the first nine months of 2023, which compares to 47 million euros in the same period of the previous year. Dividends from equity instruments decreased significantly, from 9 million euros in the first nine months of 2022 to an immaterial amount at the end of September this year, while equity accounted earnings grew, from 39 million euros to 45 million euros, in the same period, 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 the first nine months of 2022 has been restated, complying with the requirement for comparative information. This restatement resulted in an adjustment of 7 million euros, from 25 million euros to 18 million euros, in the equity accounted earnings arising from Mbcp Ageas in the first nine months of 2022, compared to 31 million euros recorded in the same period of 2023. 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 Unicre and SIBS, in the first nine months of 2023 compared to the amount recorded in the first nine months of 2022.

In the international activity, equity accounted earnings together with the income of dividends from equity instruments totalled 3 million euros in the first nine months of 2023, which compares favourably to a negative amount without expression in the same period of the previous year, mainly reflecting the evolution of the contribution of Banco Millennium Atlântico earnings to this item.

NET COMMISSIONS

In the first nine months of 2023, net commissions totalled 578 million euros, slightly above (+0.8%) the amount recorded a year before.

Banking commissions amounted to 500 million euros, standing 0.9% above the amount recorded in the first nine months of 2022, reflecting the contribution of the international activity, since in the activity in Portugal this type of commissions remained at a similar level to the one recorded a year before. Market-related commissions, in turn, also remained at a similar level to that recorded in the first nine months of 2022, standing at 79 million euros at the end of September 2023, with the increase in the activity in Portugal being almost entirely offset by the reduction in the international activity, namely in the Polish subsidiary.

In the activity in Portugal, net commissions were slightly higher (+0.5%) than the amount recorded in the first nine months of 2022, reaching 420 million euros at the end of September 2023. To this performance contributed the evolution of commissions related to financial markets, increasing 2.1% (1 million euros) in this period, standing at 64 million euros at the end of September 2023. Commissions related to the banking business, in turn, totalled 355 million euros, remaining in line with the amount reached in September 2022, since the increase in commissions related to cards and transfers, together with the growth in commissions associated with management and maintenance of accounts more than offset the decrease in commissions related to credit and guarantees. This performance shows, on the one hand, the increase in transaction levels, the dynamics of new customer acquisition and the management of value propositions and, on the other, the impact of the lower production of credit in the current context, together with the legal restrictions imposed in the meantime.

In the international activity, net commissions totalled 159 million euros in the first nine months of 2023, standing 1.6% above the 156 million euros posted in the same period of the previous year. Commissions related to the banking business increased 2.6%, to an amount of 144 million euros at the end of September 2023, mainly reflecting the increase recorded in the operation in Mozambique. Regarding commissions related to markets in the international activity, there was a reduction, from 15 million euros in the first nine months of 2022, to 14 million euros in the same period of 2023, due to the performance of the Polish subsidiary, since this type of commissions has no expression in the Mozambican subsidiary.

NET COMMISSIONS(1)

Million euros

	9M23	9M22	Chg. 23/22
BANKING COMMISSIONS	**500**	**495**	**0.9 %**
Cards and transfers	188	169	11.2 %
Credit and guarantees	95	105	(9.8)%
Bancassurance	91	89	2.4 %
Management and maintenance of accounts	119	124	(4.0)%
Other commissions	6	8	(17.4)%
MARKET RELATED COMMISSIONS	**79**	**79**	**0.2 %**
Securities	27	27	(1.9)%
Asset management and distribution	52	51	1.3 %
	578	**574**	**0.8 %**
Of which:			
Activity in Portugal	420	418	0.5 %
International activity	159	156	1.6 %

(1) In the first nine months of 2023, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to the first nine months of 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 those published in previous periods.

NET TRADING INCOME

In the first nine months of 2023, net trading income reached 104 million euros showing a noticeable increase compared to the 75 million euros achieved in the same period of the previous year. This evolution includes the gains recognised in this item with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland, as part of the strategic partnership in bancassurance business (118 million euros in the first quarter of 2023, considered as specific item).

In the activity in Portugal, net trading income totalled a negative amount of 18 million euros in the first nine months of 2023, standing well below the 99 million euros posted in the same period of 2022. This performance was mainly due to the contribution associated with securities portfolio, mainly due to the gains from foreign sovereign debt securities recognised in the first nine months of the previous year, which did not occur in the same period this year. The evolution of net trading income in the activity in Portugal was also influenced by the losses recognised in the first nine months of 2023 with the sale of credits, in contrast to the gains recorded in the same period of the previous year.

In the international activity, net trading income showed a significant increase, from a negative amount of 24 million euros in the first nine months of 2022 to an income of 122 million euros in the first nine months of the current year.

This performance was determined by the recognition, in the first nine months of 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., that as mentioned before amounted to 118 million euros in this item, being considered a specific item.

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, from 70 million euros in the first nine months of 2022 to 43 million euros in the same period of the current year, also contributed, albeit in a smaller scale, to the favourable performance of net trading income.

OTHER NET OPERATING INCOME

Other net operating income[6] includes, among others, the costs associated with the resolution and the deposit guarantee funds as well as with the other mandatory contributions, both in the activity in Portugal and in the international activity.

In the first nine months of 2023, other net operating income totalled a negative amount of 56 million euros, showing a significant improvement compared to the also negative amount of 177 million euros recorded in the same period of the previous year. This evolution was determined by the reduction of mandatory contributions charged to the Group, particularly expressive in the Polish subsidiary.

In the activity in Portugal, other net operating income also evolved favourably, from a negative amount of 71 million euros in the first nine months of 2022, to an also negative amount of 67 million euros in the same period of the current year. The reduction of mandatory contributions was also decisive for this performance, although its impact was largely offset by the lower gains recognised with the sale of non-current assets held for sale compared to the amount recognised in the first nine months of 2022.

The evolution of the overall amount of mandatory contributions in the activity in Portugal, from 89 million euros in the first nine months of 2022 to 73 million euros in the first nine months of 2023, was mainly due to the reduction in contributions for the National Resolution Fund (NRF) and the Single Resolution Fund (SRF). In fact, the contribution to the NRF decreased by around 50%, to 9 million euros in the first nine months of 2023, mainly due to the reduction in the contribution rate, from 0.057% in 2022 to 0.029% in 2023. The cost of the contribution to the Single Resolution Fund (SRF), in turn, decreased from 26 million euros in the first nine months of 2022 to 18 million euros in the same period of the current year, reflecting the lower reinforcement needs of the SRF determined by the Single Resolution Board (SRB) and also the

[6] In the fourth quarter of 2022, the amounts associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans, which were recognised in other net operating income were restated, becoming recognised as results on modification. The historical amounts referring to the first nine months of 2022, considered in this analysis, are in accordance with such restatement in order to ensure comparability, thus diverging from the published accounting values. The amounts reclassified in the first nine months of 2022 amounted to 14 million euros.

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.

It should be noted that of the total amount of costs recognised with mandatory contributions in the activity in Portugal in the first nine months of 2023, 54 million euros refer to contributions for national entities (62 million euros in the first nine months of 2022).

In the international activity, other net operating income totalled 10 million euros in the first nine months of 2023, showing a very expressive improvement from the negative amount of 105 million euros recognised in the first nine months of 2022. Decisive for this evolution was the reduction by around 90% (from 121 million euros to 13 million euros) of the mandatory contributions charged to the Polish subsidiary.

This reduction in mandatory contributions was largely due to the contribution, charged in June 2022, associated with the then created Polish institutional protection fund (IPS - Institutional Protection Scheme), which amounted to 59 million euros, non-existent in 2023. Additionally, following the contribution to the IPS, the contribution to the deposit guarantee fund has been suspended since the first quarter of 2022 and so Bank Millennium only supported the costs of this fund until the first quarter of 2022, inclusive, in the amount of 8 million euros. The evolution of mandatory contributions 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 (36 million euros were recognised in the first nine months of 2022). Charges for the resolution fund recognised in the first nine months of 2023, in turn, were also lower than in the same period of the previous year (13 million euros vs 18 million euros, respectively).

In addition to the reduction in charges with the Polish subsidiary's mandatory contributions, the evolution of other net operating income in the international activity also benefited, albeit to a lesser extent, from a gain of 9 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, in the first quarter of 2023.

Conversely, other net operating income was negatively influenced by the impacts related to foreign exchange mortgage loan portfolio that, in this item, went from an income of 24 million euros in the first nine months of 2022 to an income of 9 million euros in the first nine months of 2023. This performance reflects both the increase arising from court costs related to the claim processes filed by Bank Millennium, which are mainly aimed at claiming the costs associated with the use of capital, by customers, during the period of the respective loans and 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. increased from 31 million euros in the first nine months of 2022, to 34 million euros in the first nine months of 2023.

OPERATING COSTS

At the end of September 2023, operating costs totalled 855 million euros, standing 8.5% above the 787 million euros recorded in the same period of 2022, strongly influenced by the inflation rates observed in the geographies in which the Bank operates.

This evolution reflects the increase in both staff costs and other administrative costs, in both cases in the activity in Portugal and mainly in the international activity, where it was more significant essentially due to the performance of the Polish subsidiary.

In consolidated terms, this evolution reflects the increase of 8.4% (36 million euros) in staff costs and the 12.6% (32 million euros) increase in other administrative costs. Depreciations, in turn, showed a slight reduction of 0.6% (1 million euros).

Despite higher operating costs compared to the amount accounted for in the first nine months of 2022, the increase in both net operating revenues and core income allowed a significant improvement of cost to income and cost to core income ratios which evolved, respectively, from 38.1% to 30.6% and from 37.1% to 31.7% in the period under review.

The amounts presented include the specific items[7] considered in each period. Excluding specific items, operating costs evolved from 781 million euros in the first nine months of 2022 to 842 million euros in the same period of the current year. Cost to income ratio stood at 31.6% and cost to core income ratio at 31.2%, which compare respectively with 37.8% and 36.9% calculated in the first nine months of 2022.

In the activity in Portugal, operating costs totalled 460 million euros in the first nine months of 2023 standing 3.5% above the 444 million euros posted in the same period of the previous year. This evolution reflects the increase of 5.0% (13 million euros) recorded in staff costs and the increase of 5.3% (7 million euros) of other administrative costs, reflecting the levels of inflation. Depreciation, in turn, decreased by 6.8%, corresponding to 4 million euros.

Between the end of September 2022 and the end of September 2023, cost to income and cost to core income ratios in the activity in Portugal, evolved favourably from 38.2% to 31.1%, and from 40.8% to 30.3%, respectively.

Not considering the impact of specific items, operating costs in the activity in Portugal only increased 2.2% in the period under review, from 438 million euros to 448 million euros, leading to a cost to income ratio of 30.3% and a cost to core income ratio of 29.5%, which compare respectively with 37.7% and 40.3% calculated in the first nine months of 2022.

In the international activity, operating costs amounted to 395 million euros, 15.0% above the 343 million euros recorded in the first nine months of 2022, largely reflecting the inflation recorded in the last twelve months, in both the subsidiary in Mozambique and mainly in the Polish subsidiary, given its greater materiality. Other administrative costs and staff costs increased by 20.8% (25 million euros) and 13.0% (23 million euros) respectively, while depreciations were 7.6% (3 million euros) above the amount calculated a year before.

It should be noted, however, that the growth in net operating revenues more than offset the increase in operating costs, allowing for a favourable evolution in the cost to income ratio in the international activity, from 38.1% in the first nine months of 2022, to 30.0% (33.2%, excluding specific items) in the same period of 2023. In the same way, with the increase in core income, cost to core income ratio of the international activity remained practically unchanged, evolving from 33.3% to 33.5%.

STAFF COSTS

Staff costs totalled 468 million euros in the first nine months of 2023, standing 8.4% above the 432 million euros accounted in the same period of the previous year, mainly due to the performance of the international activity.

These amounts include the specific items considered in each period in the activity in Portugal. In the first nine months of 2023, specific items had a negative impact of 12 million euros, including the compensation for temporary reduction in employee remunerations in 2014-2017 as distribution of part of the Bank's results obtained in 2022, costs with mortgage financing to former employees, costs with employment terminations and income recognised after an agreement related to responsibilities with former directors of the Bank. In the first nine months of 2022, the impact was also negative in the amount of 6 million euros, mainly related

[7] In the first nine months of 2023, specific items had a positive impact of 115 million euros, including income of 127 million euros arising from the Polish subsidiary, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (118 million euros recognised as net trading income and 9 million euros recognised as other net operating income) and costs of 12 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; (ii) costs with mortgage financing to former employees; (iii) costs with employment terminations and (iv) income recognised after an agreement related to liabilities with former directors of the Bank. In the first nine months of 2022, the impact was negative in the amount of 6 million euros, mainly related to the compensation for the temporary reduction in employee remunerations during 2014-2017.

to the compensation for temporary reduction in remunerations in 2014-2017 as distribution of the Bank's 2021 results by the employees of the Bank.

Excluding specific items, staff costs of the Group amounted to 456 million euros, which compares with 426 million euros accounted for at the end of September 2022.

In the activity in Portugal, staff costs reached 264 million euros in the first nine months of 2023, standing 5.0% above the 252 million euros recorded in the same period of the previous year. Not considering the impact of the specific items there was a 2.7% increase in the same period, from 245 million euros to 252 million euros.

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 6,275 employees at the end of September 2023 (6,257 employees as at 30 September 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 digital and new technologies skills.

In the international activity, staff costs amounted to 204 million euros in the first nine months of 2023, standing 13.0% above the 180 million euros recorded in the same period of 2022. A major contributor to this evolution was the increase in wages recorded at the Polish subsidiary, determined by the strong pressure, resulting from both the levels of inflation and the characteristics of the Polish labour market, in particular from the very low unemployment rates.

On 30 September 2023, the number of employees of the international activity was 9,458, which compares with 9,404 employees on the same date in 2022. This evolution mainly reflects the increase in the number of employees of the subsidiary in Mozambique, from 2,507 employees as at 30 September 2022, to 2,559 employees at the end of September 2023. The Polish subsidiary, in turn, ended September 2023 with 6,899 employees, 2 more employees than at the end of September 2022 (corresponding to 6,776 FTE - full-time equivalent vs 6,778 FTE - full time equivalent, respectively).

OTHER ADMINISTRATIVE COSTS

Other administrative costs totalled 283 million euros in the first nine months of 2023, standing 12.6% above the 252 million euros accounted in the same period of 2022. Despite the disciplined management of costs pursued by the Group, this evolution was influenced by the inflation rates in the geographies in which the Bank operates, with higher impact in the international activity.

In the activity in Portugal, other administrative costs amounted to 141 million euros in the first nine months of 2023, corresponding to a 5.3% increase from the 134 million euros recorded in the same period of the previous year. This evolution mainly reflects the increase in costs related to outsourcing, information technology and advisory services, partially offset by savings obtained in water, energy and fuel, resulting from the reduction in energy prices and from an efficient management of these consumptions. The resizing of the branch network which, in the activity in Portugal, evolved from 408 branches, at the end of September 2022, to 400 branches at the same date in 2023, in turn, also has a positive impact on the several headings of other administrative costs.

In the international activity, other administrative costs stood 20.8% above the 118 million euros recorded in the first nine months of 2022, totalling 143 million euros in the same period of the current year. The general increase in prices was felt both in the Polish subsidiary and in the subsidiary in Mozambique, although the increase in other administrative expenses in the period under review was more significant in the Polish subsidiary. On the other hand, the Polish subsidiary continued to benefit from the synergies achieved following the optimisation of the branch network, the number of which went from 633 branches at 30 September 2022 to 615 branches at the end of September 2023. The subsidiary in Mozambique, in turn, ended the first nine months of 2023 with 196 branches, only one less than on the same date of the previous year.

DEPRECIATIONS

In the first nine months of 2023, depreciations amounted to 103 million euros, in line (-0.6%) with the amount posted in the same period of the previous year.

In this performance, it is important to mention the favourable evolution of the activity in Portugal, where depreciations reduced by 6.8%, from 59 million euros in the first nine months of 2022 to 55 million euros at the end of September 2023, with this impact being almost entirely offset by the increase of 7.6% in the international activity, from 45 million euros, to 48 million euros in the same period.

OPERATING COSTS

Million euros

	9M23	9M22	Chg. 23/22
Staff costs	468	432	8.4 %
Other administrative costs	283	252	12.6 %
Depreciations	103	104	(0.6)%
OPERATING COSTS	**855**	**787**	**8.5 %**
Of which:			
Activity in Portugal	460	444	3.5 %
International activity	395	343	15.0 %

RESULTS ON MODIFICATION

In the fourth quarter of 2022, the Bank reclassified the amount associated with potential costs arising from the moratorium program (credit holidays[8]) 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 this document, the amounts referring to the first nine months of 2022 were reclassified, thus diverging from the published accounting values.

Thus, in the first nine months of 2023, results on modification totalled a negative amount of 15 million euros, which compares with an also negative amount of 319 million euros recorded in the same period of the previous year. In both periods, the amounts are associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans in the Polish subsidiary. The amount recognised in the first nine months of 2022 results mainly from the reclassification of the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). In fact, the Bank estimated the maximum impact of the implementation of this Act if all eligible borrowers were to use this instrument, having recognised an upfront cost of 80% of the respective costs in the results of the third quarter of 2022, corresponding to 305 million euros. It should be noted that, in the fourth quarter of 2022, a downward review was carried out and the total estimated cost of credit moratoria was reduced, with a positive impact on the results for the fourth quarter of the year.

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

IMPAIRMENT FOR LOAN LOSSES

In the first nine months of 2023, loans impairment charges (net of recoveries) stood at 211 million euros, standing 12.3% below the 241 million euros accounted in the same period of the previous year, due to the favourable performance of both the activity in Portugal and the international activity.

In the activity in Portugal, loans impairment charges (net of recoveries) amounted to 158 million euros in the first nine months of 2023, showing a 9.4% reduction from the 174 million euros recognised in the same period of the previous year. This performance reflects an improvement in the risk profile of the credit portfolio, also benefiting from the cure of relevant non-performing exposures.

In the international activity, impairment charges (net of recoveries) totalled 54 million euros at the end of September 2023, showing a 19.9% reduction from the 67 million euros recognised in the first nine months of 2022, mainly due to the performance of the Polish subsidiary.

The evolution of impairment charges (net of recoveries), in consolidated terms, allowed the cost of risk of the Group, net of recoveries, to record an improvement from the 55 basis points in the first nine months of 2022, standing at 50 basis points in the same period of the current year. The favourable performance of the cost of risk was recorded both in the activity in Portugal where it improved from 57 basis points to 53 basis points and mainly in the international activity, where it stood at 42 basis points in the first nine months of 2023, significantly below the 51 basis points in the first nine months of 2022.

OTHER IMPAIRMENTS AND PROVISIONS

Other impairments and provisions totalled 602 million euros in the first nine months of 2023, standing 13.2% above the 532 million euros recorded a year before. This evolution was mainly influenced by the additional provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans which amounted to 517 million euros in the first nine months of 2023 vs 324 million euros in the same period of the previous year. On the other hand, the fact that, in June 2022, impairments were recognised for the goodwill of the Polish subsidiary, amounting to 102 million euros, partially offset the increase of other impairments and provisions of the Group observed from one period to the other.

In the activity in Portugal, other impairments and provisions amounted to 74 million euros in the first nine months of 2023, standing 25.6% below the 100 million euros recognised in the same period of the previous year. In this evolution, it is important to highlight the significant reduction of impairment to non-current assets held for sale, namely the foreclosed assets portfolio, with provisions for other risks also decreasing considerably from September 2022.

In the international activity, other impairment and provisions amounted to 528 million euros in the first nine months of 2023, 22.1% above the 433 million euros posted in the same period of the previous year.

This performance was due to the aforementioned increase in the provision booked by the Polish subsidiary to face the legal risk associated with mortgage loans in foreign currency, reflecting the estimated impact of the unfavourable decision of the Court of Justice of the European Union regarding this portfolio and the inclusion of more conservative assumptions in the provision calculation methodology, in order to anticipate potential negative trends associated to this portfolio. It should be noted, however, that the impact of these extraordinary provisions was offset by the recognition of income, reflected under the heading of other net operating income, corresponding to the amount receivable from a third party, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A. (34 million euros in the first nine months of 2023 and 31 million euros in the same period of 2022).

On the other hand, the evolution of other impairments and provisions in the international activity was influenced by the fact that the amount of 2022 includes the impairment related to the total goodwill associated with the Group's participation in Bank Millennium, as mentioned above.

INCOME TAX

Income tax (current and deferred) amounted to 387 million euros in the first nine months of 2023, which compares to 209 million euros posted in the same period of the previous year.

The recognised taxes include, in the first nine months of 2023, current tax of 173 million euros (75 million euros in the first nine months of 2022) and deferred tax of 215 million euros (133 million euros in the first nine months of 2022).

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

Current tax expenses in the first nine months of 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 at the level of the Polish subsidiary.

BALANCE SHEET

TOTAL ASSETS

Total assets of the consolidated balance sheet of Millennium bcp amounted to 91,169 million euros as of 30 September 2023, showing a 6.1% decrease compared to the 97,135 million euros recorded on the same date of the previous year, with this evolution being determined by the reduction in assets in the activity in Portugal, partially offset by the increase recorded in the international activity.

The performance of the activity in Portugal resulted in a decrease of 13.7% in total assets, compared to the 71,370 million euros recorded on 30 September 2022, totalling 61,589 million euros on the same date of the current year. The reduction in loans and advances to Central Banks largely justified the reduction in assets. Additionally, but to a lesser extent, this evolution is also explained by the decreases in loans to customers portfolio (net of impairment), in other assets, in hedging derivatives and in non-current assets held for sale. Conversely, there were increases in deposits at Central Banks and in the securities portfolio.

In the international activity, total assets amounted to 29,580 million euros on 30 September 2023, showing an increase of 14.8% compared to the same date of the previous year (25,765 million euros recorded as of 30 September 2022). This evolution mainly reflects the increase in total assets in the Polish subsidiary, driven above all by the increase observed in the securities portfolio, partly offset by the decrease in deposits at Central Banks. In turn, assets in the Mozambique subsidiary recorded a decrease compared to the previous year due to the reduction in loans and advances to Central Banks and other credit institutions, partially offset by the increase in deposits at Central Banks (increase of local cash reserve requirement).

LOANS TO CUSTOMERS

Consolidated loans to customers (gross) of Millennium bcp, as defined in the glossary, amounted to 56,665 million euros on 30 September 2023, 3.3% below the 58,622 million euros recorded at the end of the first nine months of the previous year. This evolution reflects the reductions seen in the activity in Portugal and in the international activity, although in the latter case the reduction was of lesser magnitude.

In the activity in Portugal, loans to customers (gross loans) stood at 39,400 million euros as at 30 September 2023, 4.0% below the 41,030 million euros recorded at the end of the first nine months of 2022. The portfolio of credit granted to companies recorded a reduction of 1,593 million euros compared to the end of the first nine months of 2022, 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. Loans to individuals recorded a slight reduction of 36 million euros compared to the same date of the last year, following the decrease observed in mortgage credit (minus 96 million euros) as part of a lower demand for new mortgage credits due to high interest rates and a greater rate of early repayments of existing mortgage credits, partially mitigated by the increase recorded in personal loans (plus 59 million euros).

In the international activity, loans to customers (gross loans) stood at 17,265 million euros on 30 September 2023, 1.9% below the 17,593 million euros recorded at the end of the first nine months of 2022. Loans to companies registered a reduction of 414 million euros compared to the same date of the last year, due to the contraction of credit registered in the Polish subsidiary, within the scope of risk weighted assets and capital ratios optimisation and a reduction in credit to companies in the subsidiary in Mozambique, although in the latter geography the reduction recorded was smaller. In turn, loans to individuals showed a slight increase of 87 million euros compared to the same date of the previous year. This evolution is being driven by the increase in personal loans observed in both geographies (more significant increase in the Polish subsidiary), partially offset by the reduction in mortgage credit in the Polish subsidiary, since in the Mozambican subsidiary this business segment remained stable.

Still with regard to the international activity, the mortgage loan portfolio in foreign currency, registered in the Polish subsidiary, mostly denominated in Swiss francs, continued to show a relevant downward trend, falling from 1,722 million euros on 30 September 2022 to 862 million euros as of 30 September 2023, representing 10.2% and 5.2% of the total amount of credit recorded on the balance sheet of Bank Millennium and 2.9% and 1.5% of the total consolidated loan portfolio, at the end of the first nine months 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 1,575 million euros at the end of the first nine months of 2022 to 767 million euros at the end of the first nine months of 2023, representing 9.4% and 4.6% of the total amount of credit recorded on the balance sheet of Bank Millennium and 2.7% and 1.4% of the total consolidated loan portfolio on the aforesaid dates, respectively.

LOANS TO CUSTOMERS (GROSS)

Million euros

	30 Sep. 23	30 Sep. 22	Chg. 23/22
INDIVIDUALS	**33,902**	**33,852**	**0.1 %**
Mortgage loans	27,531	27,939	(1.5 %)
Personal loans	6,372	5,913	7.8 %
COMPANIES	**22,763**	**24,770**	**(8.1 %)**
Services	8,097	8,728	(7.2 %)
Commerce	3,831	4,189	(8.6 %)
Construction	1,507	1,612	(6.5 %)
Others	9,328	10,241	(8.9 %)
	56,665	**58,622**	**(3.3 %)**
Of which:			
Activity in Portugal	39,400	41,030	(4.0 %)
International activity	17,265	17,593	(1.9 %)

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 reduce non-performing loans over the recent years.

Since the outbreak of the Russia/Ukraine conflict, the Bank has been monitoring the potential impacts in the performance of the credit portfolio. Taking into consideration that it is not possible to foresee how the conflict will evolve, it is difficult to determine the full extent of the economic consequences in the Bank's business and near/mid-term prospects.

Despite the complex economic context, credit quality continues to record a generally favourable evolution, with emphasis on the reduction in the amount of the NPE portfolio, in consolidated terms, evolving from 2,424 million euros on 30 September 2022 to 2,026 million euros on 30 September 2023 (minus 398 million euros in consolidated terms, of which 344 million euros is related to the reduction recorded in the activity in Portugal).

The NPE ratio (measured by the percentage between non performing exposures and the total loan portfolio), in consolidated terms, decreased from 4.1% at the end of the first nine months of 2022 to 3.6% on 30 September 2023, mainly due to the behaviour of the activity in Portugal, whose NPE ratio stood at 3.0% at the end of the first nine months of 2023, which compares with the 3.7% recorded in the same date of the previous year.

Regarding coverage ratios by impairments, NPL coverage for more than 90 days, in consolidated terms, increased from 182.7% on 30 September 2022 to 195.7% on 30 September 2023. Additionally, NPE coverage by impairment, in consolidated terms, increased substantially from 66.5% as of 30 September 2022 to 76.6% at the end of the first nine months of 2023 and, in the activity in Portugal, stood at 81.0% on 30 September 2023, reaching a level above the 65.9% registered on 30 September 2022.

The coverage of the mortgage loan portfolio in foreign currency in the Polish subsidiary was substantially reinforced from 41.3% on 30 September 2022 to 73.5% on 30 September 2023.

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Sep. 23	30 Sep. 22	Chg. 23/22	30 Sep. 23	30 Sep. 22	Chg. 23/22
STOCK (M€)						
Loans to customers (gross)	56,665	58,622	(3.3)%	39,400	41,030	(4.0 %)
Overdue loans > 90 days	529	641	(17.5)%	220	296	(25.8 %)
Overdue loans	629	730	(13.9)%	230	308	(25.2 %)
Restructured loans	1,775	2,093	(15.2)%	1,235	1,571	(21.4 %)
NPL > 90 days	793	882	(10.1)%	394	446	(11.7 %)
NPE	2,026	2,424	(16.4)%	1,192	1,537	(22.4 %)
Loans impairment (Balance sheet)	1,553	1,612	(3.7)%	966	1,012	(4.6 %)
NPE impairment (Balance sheet)	1,035	1,172	(11.7)%	620	726	(14.6 %)
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9 %	1.1 %		0.6 %	0.7 %	
Overdue loans / Loans to customers (gross)	1.1 %	1.2 %		0.6 %	0.8 %	
Restructured loans / Loans to customers (gross)	3.1 %	3.6 %		3.1 %	3.8 %	
NPL > 90 days / Loans to customers (gross)	1.4 %	1.5 %		1.0 %	1.1 %	
NPE / Loans to customers (gross)	3.6 %	4.1 %		3.0 %	3.7 %	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.3 %	2.7 %		2.2 %	2.5 %	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	293.8 %	251.6 %		440.0 %	342.1 %	
Coverage of overdue loans	246.9 %	220.7 %		419.2 %	328.8 %	
Coverage of NPL > 90 days	195.7 %	182.7 %		245.4 %	227.1 %	
Coverage of NPE	76.6 %	66.5 %		81.0 %	65.9 %	
Specific coverage of NPE	51.1 %	48.3 %		52.0 %	47.2 %	

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

CUSTOMER FUNDS

Total customer funds showed a favourable evolution, with a growth of 1.4% compared to the 91,069 million euros calculated on 30 September 2022, standing at 92,379 million euros at the end of the first nine months of 2023, benefiting from the increase recorded in the international activity, despite the reduction seen in the activity in Portugal. In this period, there was an expansion of balance sheet customer funds, against a decrease in off-balance sheet customer funds.

Balance sheet customer funds increased from 75,184 million euros on 30 September 2022 to 76,876 million euros on 30 September 2023, mainly due to the expansion of deposits and other resources from customers, which in consolidated terms increased by 1,691 million euros compared to the same date of the previous year due to the positive performance observed in the international activity, partially mitigated by the decrease recorded in the activity in Portugal.

Off-balance sheet customer funds showed a negative evolution compared to the previous year, showing a reduction of 383 million euros, standing at 15,502 million euros at the end of the first nine months of 2023, due to the reduction recorded in the activity in Portugal, partly offset by the increase verified in the international activity.

In the activity in Portugal, total customer funds amounted to 65,639 million euros as at 30 September 2023, showing a reduction of 2.3% compared to 67,173 million euros recorded at the end of the first nine months of the previous year. This evolution is explained by the reductions in deposits and other resources from customers (869 million euros less than in the same date of the previous year) and the decrease of off-balance sheet customers funds (minus 666 million euros than in the same date one year ago). Regarding off-balance sheet customer funds, there were decreases in insurance products (savings and investments) and in assets under management, with the variation in the first segment being the most pronounced, partly offset by the increase in assets placed with customers.

In the international activity, total customer funds stood at 26,740 million euros on 30 September 2023, showing an increase of 11.9% compared to 23,896 million euros recorded on the same date of 2022, mainly reflecting the positive contribution of the Polish subsidiary, partially offset by the decrease recorded in the subsidiary in Mozambique.

Balance sheet customer funds in the international activity stood at 25,134 million euros as at 30 September 2023, 11.3% above the 22,574 million euros recorded at the end of the first nine months of the previous year, with this evolution being explained by the increase in deposits and other resources from customers in the Polish subsidiary. Conversely, the subsidiary in Mozambique recorded a decrease in deposits and other resources from customers.

Off-balance sheet customer funds in the international activity registered an increase (more 283 million euros compared to 30 September 2022), standing at 1,605 million euros at the end of the first nine months of 2023. This increase was seen essentially in assets under management and assets placed with customers, partially offset by a slight decrease in insurance products (savings and investment).

As at 30 September 2023, on-balance sheet customer funds and deposits and other customer funds, in consolidated terms, represented 83.2% and 81.8% of total customer funds (82.6% and 81.1% respectively at 30 September 2022).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 73.0% on 30 September 2023, with the same ratio, considering on-balance sheet customers funds, standing at 71.7%. Both ratios show values below those obtained at the same date of the previous year, 77.2% and 75.8%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	30 Sep. 23	30 Sep. 22	Chg. 23/22
BALANCE SHEET CUSTOMER FUNDS	**76,876**	**75,184**	**2.3 %**
Deposits and other resources from customers	75,534	73,843	2.3 %
Debt securities	1,343	1,341	0.1 %
OFF-BALANCE SHEET CUSTOMER FUNDS	**15,502**	**15,885**	**(2.4 %)**
Assets under management	5,240	5,071	3.3 %
Assets placed with customers	5,519	5,166	6.8 %
Insurance products (savings and investment)	4,743	5,649	(16.0 %)
	92,379	**91,069**	**1.4 %**
Of which:			
Activity in Portugal	65,639	67,173	(2.3 %)
International activity	26,740	23,896	11.9 %

SECURITIES PORTFOLIO

The securities portfolio of the Group, as defined in the glossary, amounted to 24,725 million euros on 30 September 2023, showing an increase of 5,189 million euros in relation to the 19,536 million euros recorded on the same date of the previous year, representing 27.1% of total assets at the end of the first nine months of 2023 (20.1% at the end of the first nine months of 2022).

The portfolio allocated to the activity in Portugal went from 15,407 million euros on 30 September 2022 to 15,639 million euros at the end of the first nine months of 2023. This increase is associated with a reinforcement of the public debt in the euro zone, namely French, Belgium and Spanish public debt, compensating a lower level of investment in Portuguese public debt.

The securities portfolio allocated to the international activity increased significantly from 4,129 million euros at the end of the first nine months of 2022 to 9,086 million euros on 30 September 2023, following the increase of investment in other Eurozone sovereign issuers, in Polish and in Mozambican public debt.

Business Areas

Activity per Segments

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

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

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

(**) Consolidated by the equity method.

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

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

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

The information presented below for the individually more relevant business areas in Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 30 September 2023.

RETAIL

Million euros

RETAIL BANKING in Portugal	Sep 30, 2023	Sep 30, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	643	444	44.8 %
Other net income	337	337	0.1 %
	980	781	25.5 %
Operating costs	264	246	7.4 %
Impairment and provision	33	28	17.4 %
Income before tax	683	507	34.7 %
Income taxes	214	159	34.7 %
Income after tax	469	348	34.7 %
SUMMARY OF INDICATORS			
Allocated capital	815	669	22.0 %
Return on allocated capital	76.9%	69.6%	
Risk weighted assets	6,632	6,380	3.9 %
Cost to income ratio	26.9%	31.5%	
Loans to Customers (net of impairment charges)	26,120	26,030	0.3 %
Balance sheet Customer funds	38,905	37,834	2.8 %

Notes:

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

Financial performance

As at 30 September 2023, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled 469 million euros, showing a 34.7% increase compared to 348 million euros in the same period of 2022, reflecting higher net interest income. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached 643 million euros as at 30 September 2023, increasing 44.8% compared to the previous year (444 million euros), reflecting the effect of the normalization of interest rates, mainly benefiting the deposit portfolio, which was penalized in the previous context of near zero or negative interest rates.
- Other net income reached 337 million euros as at 30 September 2023, showing a slightly increase of 0.1% compared to the amount attained in the previous year. This evolution reflects the positive performance of commissions, mainly from cards, transfer fees and management and maintenance of accounts, although partially mitigated by lower commissions on credit operations, as a result of the legal restrictions imposed. On the other hand, in the first nine months of 2023, the level of the gains recognized with the sale of non-current assets held for sale was lower compared to those observed in the same period of 2022.
- Operating costs were 7.4% higher than the amounts recognized in the same period of 2022. Notwithstanding the disciplined management of costs and the commitment on improving efficiency, this evolution was strongly influenced by the inflation observed.
- Impairment charges amounted to 33 million euros at the end of September 2023, remaining at a low level relative to the loan portfolio size of this segment, in spite of the increase 17.4% compared to the amount of 28 million euros recorded in the same period of the previous year.
- In September 2023, loans to customers (net) totalled 26,120 million euros, 0.3% up from the position at the end of September 2022 (26,030 million euros), while balance sheet customer funds increased by 2.8% in the same period, amounting to 38,905 million euros by the end of September 2023 (37,834 million euros at the end of September of the previous year), mainly explained by the increase in customer deposits.

COMPANIES AND CORPORATE

Million euros

COMPANIES AND CORPORATE in Portugal	Sep 30, 2023	Sep 30, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	146	155	-5.7 %
Other net income	113	144	-21.7 %
	259	299	-13.4 %
Operating costs	46	43	6.5 %
Impairment and provision	122	148	-17.4 %
Income before tax	91	108	-15.9 %
Income taxes	29	34	-15.9 %
Income after tax	62	74	-15.9 %
SUMMARY OF INDICATORS			
Allocated capital	1,563	1,331	17.5 %
Return on allocated capital	5.3%	7.4%	
Risk weighted assets	12,497	12,633	-1.1 %
Cost to income ratio	17.9%	14.5%	
Loans to Customers (net of impairment charges)	11,562	12,145	-4.8 %
Balance sheet Customer funds	10,169	10,180	-0.1 %

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

Financial performance

Companies and Corporate segment in Portugal income after tax of 62 million euros in September 2023, compared unfavourably to an amount of 74 million euros presented in September 2022. This evolution results from a lower net operating income, despite the lower level of impairment charges recorded. As at September 2023 the performance of this segment is explained by the following changes:

- Net interest income stood at 146 million euros as at 30 September 2023, 5.7% below the amount attained in the same period of the previous year (155 million euros), as the lower net interest income arising from the loan portfolio was only partially offset by the improvement in the margin on deposits, enabled by the normalization of interest rates.
- Other net income reached 113 million euros in September 2023, being 21.7% lower compared to the amount achieved in September 2022, which is mainly explained to the gains recognized with the sale of non-current assets held for sale recorded in the 1st nine months of 2022, substantially higher than those recorded in the same period of 2023.
- Operating costs totalled 46 million euros by the end of September 2023, 6.5% above the overall amount of costs recorded in the same period of the previous year.
- Impairments charges recorded 122 million euros in September 2023, decreasing from 148 million euros in the same period of 2022, an evolution explained by the impact of the significant reduction of legacy exposures occurred in 2022.
- As at September 2023, loans to customers (net) totalled 11,562 million euros, decreasing 4.8% from September 2022 (12,145 million euros), influenced by the environment of lower demand for credit due to higher interest rates and delays in investment projects and, also, by the reduction of stock of NPE. Balance sheet customer funds reached 10,169 million euros, 0.1% below the amount recorded in September 2022.

PRIVATE BANKING

Million euros

PRIVATE BANKING in Portugal	Sep 30, 2023	Sep 30, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	27	13	108.4 %
Other net income	24	24	-1.0 %
	51	37	36.1 %
Operating costs	11	11	4.4 %
Impairment and provision	1	0	
Income before tax	39	26	44.8 %
Income taxes	12	8	44.8 %
Income after tax	27	18	44.8 %
SUMMARY OF INDICATORS			
Allocated capital	18	14	21.1 %
Return on allocated capital	202.9%	169.7%	
Risk weighted assets	143	140	2.4 %
Cost to income ratio	22.4%	29.2%	
Loans to Customers (net of impairment charges)	347	349	-0.5 %
Balance sheet Customer funds	2,643	2,644	— %

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

Financial performance

Income after tax from Private Banking business in Portugal, computed according to the geographic segmentation perspective, totalled 27 million euros in September 2023, showing an increase of 44.8% compared to the net profit reached in the same period of 2022 (18 million euros). Considering the performance of the main items of the income statement, the relevant situations are highlighted as follows:

- Net operating revenues stood at 51 million euros in September 2023, 36.1% up from the same period of the previous year (37 million euros), driven by the growth shown in net interest income. Net interest income totalled 27 million euros in September 2023, comparing favourably to 13 million euros reached in September 2022, benefiting from the increase in interest rates and the corresponding improvement in the margin on deposits. Other net income amounted to 24 million euros in September 2023, reflecting a decrease of 1.0% compared to the same period of the previous year, mainly driven by lower commissions from asset management activity and from exchange and brokerage transactions.
- Operating costs amounted to 11 million euros in September 2023, being 4.4% above the operating costs recorded in September 2022.
- The impairment and provision charges had no material impact in the income statement on both periods.
- Loans to customers (net) amounted to 347 million euros by the end of September 2023, showing a decrease of 0.5% compared to the figures accounted in the same period of the previous year, while balance sheet customer funds corresponded to 2,643 million euros in September 2023, maintaining the same level achieved in the same period of 2022.

FOREIGN BUSINESS AND OTHERS

Milhões de euros

Poland	Sep 30, 2023	Sep 30, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	868	730	18.8 %
Other net income	248	-15	
	1,116	715	56.1 %
Operating costs	303	260	16.4 %
Result on modification	-15	-319	-95.3 %
Impairment and provision	567	381	48.9 %
Income before tax	231	-245	
Income taxes	130	25	>200%
Income after income tax	101	-270	
BALANCE SHEET			
Loans to Customers (net of impairment charges)	16,013	16,318	-1.9 %
Balance sheet Customer funds	23,068	20,308	13.6 %

Note: The accounts presented are in accordance with the Consolidated Accounts of the Group, and may differ from the accounts disclosed locally.

Milhões de euros

Mozambique	Sep 30, 2023	Sep 30, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	152	144	6.0 %
Other net income	45	44	1.6 %
	197	188	4.9 %
Operating costs	92	82	11.8 %
Impairment and provision	11	10	11.5 %
Income before tax	94	96	-1.7 %
Income taxes	27	26	4.2 %
Income after tax from continuing operations	67	70	-3.9 %
Income from discontinued operations	—	—	-100.0 %
Income after income tax	67	70	-4.0 %
BALANCE SHEET			
Loans to Customers (net of impairment charges)	665	675	-1.5 %
Balance sheet Customer funds	2,066	2,266	-8.8 %

Note: The accounts presented are in accordance with the Consolidated Accounts of the Group, and may differ from the accounts disclosed locally.

Million euros

FOREIGN BUSINESS	Sep 30, 2023	Sep 30, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	1,020	875	16.5 %
Other net income (*)	294	26	>200%
	1,314	901	45.8 %
Operating costs	395	343	15.0 %
Result on modification	-15	-319	-95.3 %
Impairment and provision	582	499	16.4 %
Income before tax	322	-260	
Income taxes	157	51	>200%
Income after tax from continuing operations	165	-311	
Income from discontinued operations	—	1	-100.0 %
Income after income tax	165	-310	
SUMMARY OF INDICATORS			
Allocated capital (**)	1,893	2,152	-12.0 %
Return on allocated capital	11.7%	-19.3%	
Risk weighted assets	15,042	16,333	-7.9 %
Cost to income ratio	30.0%	38.1%	
Loans to Customers (net of impairment charges)	16,678	16,993	-1.9 %
Balance sheet Customer funds	25,134	22,574	11.3 %

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

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

Financial performance

Income after tax from Foreign Business, computed in accordance with the geographic perspective, was 165 million euros in September 2023, comparing favourably with a negative amount of 310 million euros achieved by the end of September 2022. This favourable evolution is mostly explained by the higher level of the net operating income and the lower loss recorded in results on modification, partially offset by a higher level of impairment.

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

- Net interest income stood at 1,020 million euros in September 2023, which compares to 875 million euros achieved in September 2022. Excluding the impact arising from foreign exchange effects, it would have increased 15.0%, reflecting mainly the performance of the Polish subsidiary, driven by increases in the reference interest rates that have been taking place between the last quarter of 2021 and the third quarter of 2022, while net interest income at the subsidiary in Mozambique also increased, albeit to a lesser extent, and affected by an increase in the minimum level of non-remunerated cash reserves to be maintained with the central bank.
- Other net income attained 294 million euros in September 2023, increasing significantly when compared to the 26 million euros recorded in the same period of the previous year. Excluding foreign exchange effects, other net income would have increased with the same significance level, determined by the recognition of the gain obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland and by the reduction of the mandatory contributions of this subsidiary.
- Operating costs amounted to 395 million euros as at 30 September 2023, 15.0% up from September 2022. Excluding foreign exchange effects, operating costs would have increased 13.9%, reflecting similar evolutions in the subsidiaries in Poland and Mozambique. Wages increase in Poland impacted staff costs of the local subsidiary, although the subsidiary in Mozambique also recorded an increase in this item, albeit with a smaller magnitude. In other administrative expenses, the general price increase had repercussions both on the Polish

subsidiary and on the subsidiary in Mozambique, despite the optimisation of the branch network verified in the Polish subsidiary.

- Results on modification totalled a negative amount of 15 million euros in the first nine months of 2023, which compares with an also negative amount of 319 million euros recorded in the same period of the previous year. The amount recognised in the first nine months of 2022 results mainly from the potential costs arising from the moratorium program (credit holidays), reclassified from impairment and provision. In both periods, this item also includes the amount associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans.
- Impairment and provision charges at the end of September of 2023 presented a 16.4% growth compared to the figures reported in the same period of 2022, which had been penalized by the recognition in June 2022 by the impairment for the goodwill of the Polish subsidiary. This growth corresponds essentially to the additional provisions booked by the Polish subsidiary to address the foreign exchange mortgage legal risk.
- Results from discontinued operations in 2022 reflects adjustments to the gain arising from the sale of Banque Privée BCP (Suisse) SA, and to the investment held in Seguradora Internacional de Moçambique, S.A..
- Loans to customers (net) stood at 16,678 million euros at the end of September 2023, below the amount attained as at 30 September 2022 (16,993 million euros). Excluding foreign exchange effects, the loan portfolio decreased 5.9%, influenced by the evolution of the Polish subsidiary. The Foreign business' balance sheet customer funds increased 11.3% from 22,574 million euros reported as at 30 September 2022 to 25,134 million euros as at 30 September 2023. Excluding the foreign exchange effects, balance sheet customer funds increased 7,5%, mainly driven by the performance of the subsidiary in Poland.

Liquidity Management

Over the last twelve months, the Group's three operations 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.

The Liquidity Coverage Ratio (LCR) on a consolidated basis reached 244% at the close of September 2023, compared to 264% on 30 September 2022. This surplus of 13 billion euros (compared to 14 billion euros on 30 September 2022) exceeds the 100% regulatory minimum requirement. This buffer is attributed to the presence of highly liquid asset portfolios in an amount compatible with the prudent management of the Group's short-term liquidity.

The Group reinforced the stable funding base, characterised by the large share of customer deposits in the funding structure and medium and long-term instruments, which enabled the stable funding ratio (NSFR: Net Stable Funding Ratio; Article 428 of Regulation (EU) 2019/876) as at 30 September 2023 to stand at 160% (153% on 30 September 2022).

On 30 September 2023, the Group maintains a structurally comfortable liquidity profile with a loan-to-deposit ratio of 73% (calculated according to Bank of Portugal Instruction No. 16/2004), compared to 77% on 30 September 2022, indicating a slight improvement over this period.

In Portugal, despite the significant migration of deposits to non-bank savings products, especially in the first quarter of 2023, the volume of customer deposits showed a reduction of just 1.7% between September 2022 and September 2023. Given this performance, BCP continued to reinforce its deposit market share, which in June 2023 grew by 0.4 pp on an annual basis, to 19.0%, proving the value of the Bank's franchise.

In September 2023, after reacquiring 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 Programme. 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 the profile of investors involved in the issuance made it possible to narrow the spread by 30 bps during the execution phase, also reflecting an excellent market response to the Bank's recent rating upgrades. The settlement of the issue occurred in October.

Previously, in chronological order and also with a view to ensure compliance with the MREL, the Bank had issued in October 2022 senior preferred debt, in a "3NC2" format (three-year issue repayable in advance at the end of the second year), in the amount of 350 million euros. This issue, with a coupon of 8.50% per year, was carried out despite adverse market conditions. In November 2022, as the Bank had not decided to exercise (in December) the option of early repayment of a subordinated issue of 300 million euros, it launched an exchange offer at a ratio of 1:1 for new bonds with a higher coupon and longer term. The amount of the new issue was set at 133.7 million euros and a coupon of 8.75% per year, corresponding to a spread of 605.1 basis points over mid-swaps.

Still in Portugal, and throughout the period under analysis, the liquidity accumulated with the Banco de Portugal in 2022 due to the reduction of the commercial gap and the execution of the MREL emissions plan was applied, in order of materiality, to the full early reimbursement of the Targeted longer-term refinancing operation III ("T LTRO III", with a gross value of 8.15 billion euros) and the reinforcement of derivatives margin accounts, whose provisioning needs grew very significantly after the beginning of the crisis in Ukraine and until the end of 2022, before starting a process of gradual reduction over the first nine months of 2023.

The liquidity buffer available for discounting at the ECB stood at 25.4 billion euros on 30 September 2023, 2.3 billion euros higher than a year earlier, due mainly to the favourable evolution of the cash flow generated by the activity and the commercial gap, which offset the opposite evolutions regarding the derivatives margin accounts and the reversal of haircuts applicable to eligible assets to the values in force before the COVID -19 pandemic. The liquidity buffer at that date comprised a long position of 1.0 billion euros at the ECB, which evolved from a short position of 1.3 billion euros a year earlier.

In the last twelve months, Bank Millennium showed a very significant growth in its customer deposit base (around 14%). The operation's liquidity position was further reinforced by the placement on the market of a senior non-preferred issue of 500 million euros (initially placed with an amount of 400 million euros and subsequently increased by an additional amount of 100 million euros), with a maturity of four years and with a coupon of 9.875%, which qualifies for MREL purposes, thus completing 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 30 September 2023 stood at 14.9% both phased-in and fully implemented, reflecting a change of +329 and +357 basis points, respectively, compared to the 11.6% and 11.4% phased-in and fully implemented ratios reported in the same period of 2022, comfortably above the minimum regulatory ratios defined within the scope of SREP (Supervisory Review and Evaluation Process) for the year 2023 (CET1 9.41%, T1 11.38% and Total 14.00%) and in line with the medium-term solvability 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.

SOLVABILITY RATIOS

(Euro million)

	30 Sep. 23	31 Dec. 22	30 Sep. 22	30 Sep. 23	31 Dec. 22	30 Sep. 22
	PHASED-IN			FULLY IMPLEMENTED		
OWN FUNDS						
Common Equity Tier 1 (CET1)	5,928	5,442	5,361	5,936	5,382	5,235
Tier 1	6,418	5,939	5,795	6,427	5,875	5,635
TOTAL CAPITAL	7,731	7,279	7,123	7,723	7,241	6,963
RISK WEIGHTED ASSETS	39,735	43,103	46,101	39,711	43,106	45,997
CAPITAL RATIOS (*)						
CET1	14.9%	12.6%	11.6%	14.9%	12.5%	11.4%
Tier 1	16.2%	13.8%	12.6%	16.2%	13.6%	12.3%
Total	19.5%	16.9%	15.5%	19.4%	16.8%	15.1%

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

Strategic Plan 2021-2024

The strategic cycle launched in 2021 reflects Millennium bcp's determination to accelerate transformation and strengthen its position for the future, preparing to face and overcome the challenges that are shaping both the macroeconomic environment and Bank's competitive landscape.

Successfully executing on the key priorities and levers of Millennium bcp's previous Strategic Plan cycle (2018-2021) was crucial for setting the Bank on a solid normalization path by significantly reducing its legacy exposures. It also laid important foundations for the future by substantially accelerating Bank's level of digitization.

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

In Poland, despite a positive operational performance and the ability shown in the swift integration of EuroBank, the bottom-line result has been hindered by negative developments in FX mortgages (despite the Bank having stopped writing new FX mortgages in 2008).

Entering in this cycle, the Bank faced an economic turmoil, whose recovery prospects were expected to bring promising growth opportunities. Greater customer expectations, more digital and e-commerce activity, the increasing threat of tech platforms and digital attackers and the overriding requirement of sustainability were factors that together presented significant challenges but also major opportunities.

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

The Strategic Plan update was designed to preserve relevant priorities from the previous strategic cycle, consolidating the progress made and adding elements consistent with the new framework.

This Strategic Plan reflected Millennium bcp's aspiration to achieve robust profitability and balance sheet position levels and to manage the impact from the crisis caused by the pandemic, while accelerating its competitive differentiation in efficiency and Customer engagement levels, supported by targeted human touch and new mobile/digital solutions and business models, enabled by a highly skilled and effective talent base, while at the same time addressing societal sustainability challenges with a focus on climate change risks and the opportunities that may unfold from their mitigating.

Therefore, the main strategic priorities for Millennium bcp in Portugal have been set out for this cycle, preserving a balance between continuity and the implementation of bolder initiatives to reinforce its competitive edge and innovation in Millennium bcp's positioning:

- Serving the financial and protection needs of Customers with personalized solutions which combine targeted human touch with a leading mobile platform: aiming to expand relevance and develop high engagement relationships that empower our customers in their financial lives. This priority is about serving customers in meeting all of those profitable retail needs in which Millennium holds a leadership position: investment management, bancassurance and personal lending solutions.
- Being a trusted partner for corporate recovery and transformation: supporting customers' pursuit of opportunities driven by EU funds for economic recovery (PRR, PT 2030), while enabling solutions fit for a more digitized, competitive and export-oriented corporate landscape.
- Capital and risk resilience: reinforcing balance sheet and ensuring readiness for the post-pandemic world, strengthening both our risk and capital management practices.
- Best in class efficiency: realizing cost savings enabled by productivity gains already achieved in the previous Cycle by several transformational changes including the full exploitation of mobile and automated capabilities, increased efficiency in the branch network and tech and data-driven process reengineering and automation.
- Data and technology edge: focusing efforts on the implementation of our next-generation data platform while scaling advanced analytics models to gain differentiating mass personalization capabilities, intelligent automation and informed and agile business and regulatory management. In parallel, the Bank will expand the deployment of

its new technology foundations by advancing its cloud platform, using modular IT building blocks augmented by the digital experience platform and new cybersecurity solutions, designed to deliver agility and speed to market, scale, resilience and cost efficiency.

- Capability building and talent renewal: reinforcing Millennium bcp's ability to attract, develop and retain the best talent to embrace modern challenges in critical domains and adapt working practices to reflect the new paradigm while promoting an equal-opportunity environment.
- Sustainability-driven: adapting our business model to increase differentiation towards the communities and Customers' rising expectations of sustainability while capturing associated business opportunities as well as addressing regulatory demands.
- Lastly, Millennium bcp's innovation initiatives enable the Bank to explore broader opportunities, going beyond traditional banking, not only in order to go on delivering a superior customer experience but also to support our income growth and cost-containment goals.

The execution of these priorities in Portugal was combined with consistent initiatives to explore prudently the full growth potential of the international operations, continuously looking for ways to optimize their footprint.

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

Additionally, the Bank continued to invest in increasing its mobile penetration (from 48% to more than 65%) and maintaining its leading digital customer satisfaction (#1 in digital NPS).

Targets for 2024

In this Strategic Plan cycle Millennium bcp’s aims to speed up transition to a position of strength and ready for the future position in Portugal, notwithstanding the risks that shape the macroeconomic environment and the competitive landscape.

Our aspiration can be synthesised as:

i) Achieve robust levels of profitability, asset quality and capital, managing the impact of the crisis caused by the pandemic and the effects of the war in Ukraine and Middle East with consequent prices inflation;

ii) Accelerate Millennium bcp's competitive differentiation in efficiency and Customer engagement, supported by targeted human touch, mobile/ digital solutions and in new business models supported in a talent base of excellence;

iii) Address social, environmental and corporate governance challenges with a focus on the risks arising from climate change and the opportunities associated with the adoption of mitigation and adaptation solutions to this new reality.

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

The successful execution of Millennium bcp"s strategic priorities will reinforce its franchise position and business model sustainability.

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

Ambitious goals aligned with strategic priorities — Group level

	9M 2023	2024
C/I ratio	32%*	~40%
Cost of risk	50 bp	~50 bps
ROE	16.7%	~10%
CET1 ratio	14.9%	>12.5%
NPE ratio	3.6%	~4%
Share of mobile customers	66%	>65%
Growth of high engagement customers (vs. 2020)**	+12.6%	+12%
Average ESG rating***	69%	>80%

*Adjusted cost to income: without the positive one-off effect of 127 million related with the sale of Millennium Financial Services stake (80%).
**Active Customers with card transactions in the previous 90 days or funds > €100 (>MZM 1,000 in Mozambique)
***Average of Top 3 indices (DJSI, CDP and MSCI) | NPE include loans to Customers only.
The bank expects to achieve the strategic objectives in 2024, as measures are being taken in this direction.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Million euros

	Group			Activity in Portugal			International activity		
	Sep. 23	Sep. 22 (restated)	Chg. 23/22	Sep. 23	Sep. 22 (restated)	Chg. 23/22	Sep. 23	Sep. 22 (restated)	Chg. 23/22
INCOME STATEMENT									
Net interest income	2,117.5	1,545.8	37.0 %	1,097.7	670.9	63.6 %	1,019.7	875.0	16.5 %
Dividends from equity instruments	1.2	9.3	(86.9)%	0.5	8.5	(94.1)%	0.7	0.7	(1.9)%
Net fees and commission income	578.5	573.8	0.8 %	419.8	417.7	0.5 %	158.6	156.1	1.6 %
Net trading income	104.4	74.9	39.4 %	-17.8	98.9	(118.0)%	122.3	-23.9	>200%
Other net operating income	-56.5	-176.8	68.0 %	-66.7	-71.3	6.4 %	10.2	-105.5	109.7 %
Equity accounted earnings	47.6	37.6	26.5 %	45.2	38.6	17.1 %	2.4	-1.0	>200%
Net operating revenues	**2,792.7**	**2,064.7**	**35.3 %**	**1,478.7**	**1,163.3**	**27.1 %**	**1,313.9**	**901.4**	**45.8 %**
Staff costs	468.0	431.8	8.4 %	264.2	251.5	5.0 %	203.8	180.3	13.0 %
Other administrative costs	283.4	251.8	12.6 %	140.6	133.5	5.3 %	142.8	118.2	20.8 %
Depreciation	103.2	103.9	(0.6)%	55.1	59.1	(6.8)%	48.1	44.7	7.6 %
Operating costs	**854.6**	**787.4**	**8.5 %**	**460.0**	**444.2**	**3.5 %**	**394.6**	**343.2**	**15.0 %**
Operating costs excluding specific items	842.4	781.4	7.8 %	447.8	438.2	2.2 %	394.6	343.2	15.0 %
Profit before impairment and provisions	**1,938.0**	**1,277.2**	**51.7 %**	**1,018.7**	**719.1**	**41.7 %**	**919.3**	**558.2**	**64.7 %**
Results on modification	-14.8	-318.6	95.3 %	0.0	0.0	— %	-14.8	-318.6	95.3 %
Loans impairment (net of recoveries)	211.4	241.2	(12.3)%	157.7	174.1	(9.4)%	53.7	67.1	(19.9)%
Other impairment and provisions	602.4	532.4	13.2 %	74.2	99.7	(25.6)%	528.2	432.7	22.1 %
Profit before income tax	**1,109.3**	**185.0**	**>200%**	**786.8**	**445.2**	**76.7 %**	**322.6**	**-260.2**	**>200%**
Income taxes	**387.4**	**208.6**	**85.7 %**	**230.2**	**157.2**	**46.5 %**	**157.2**	**51.5**	**>200%**
Current	172.7	75.4	129.0 %	10.3	16.5	(37.3)%	162.3	58.9	175.7 %
Deferred	214.7	133.2	61.1 %	219.9	140.6	56.3 %	-5.2	-7.4	30.2 %
Income after income tax from continuing operations	**722.0**	**-23.6**	**>200%**	**556.6**	**288.0**	**93.2 %**	**165.4**	**-311.7**	**153.1 %**
Income arising from discontinued operations	0.0	1.5	(100.6)%	0.0	0.0	— %	0.0	1.5	(100.0)%
Non-controlling interests	71.2	-112.0	163.6 %	-0.2	-0.3	27.8 %	71.5	-111.7	164.0 %
Net income	**650.7**	**89.8**	**>200%**	**556.8**	**288.4**	**93.1 %**	**93.9**	**-198.5**	**147.3 %**
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	91,169	97,135	(6.1)%	61,589	71,370	(13.7)%	29,580	25,765	14.8 %
Total customer funds	**92,379**	**91,069**	**1.4 %**	**65,639**	**67,173**	**(2.3)%**	**26,740**	**23,896**	**11.9 %**
Balance sheet customer funds	**76,876**	**75,184**	**2.3 %**	**51,742**	**52,610**	**(1.6)%**	**25,134**	**22,574**	**11.3 %**
Deposits and other resources from customers	75,534	73,843	2.3 %	50,399	51,269	(1.7)%	25,134	22,574	11.3 %
Debt securities	1,343	1,341	0.1 %	1,343	1,341	0.1 %	0	0	— %
Off-balance sheet customer funds	**15,502**	**15,885**	**(2.4)%**	**13,897**	**14,563**	**(4.6)%**	**1,605**	**1,322**	**21.4 %**
Assets under management	5,240	5,071	3.3 %	4,205	4,298	(2.2)%	1,035	773	33.9 %
Assets placed with customers	5,519	5,166	6.8 %	5,182	4,876	6.3 %	338	290	16.5 %
Insurance products (savings and investment)	4,743	5,649	(16.0)%	4,510	5,390	(16.3)%	233	259	(10.3)%
Loans to customers (gross)	**56,665**	**58,622**	**(3.3)%**	**39,400**	**41,030**	**(4.0)%**	**17,265**	**17,593**	**(1.9)%**
Individuals	**33,902**	**33,852**	**0.1 %**	**21,065**	**21,101**	**(0.2)%**	**12,837**	**12,751**	**0.7 %**
Mortgage	27,531	27,939	(1.5)%	18,821	18,917	(0.5)%	8,709	9,022	(3.5)%
Personal Loans	6,372	5,913	7.8 %	2,244	2,184	2.7 %	4,128	3,729	10.7 %
Companies	**22,763**	**24,770**	**(8.1)%**	**18,335**	**19,928**	**(8.0)%**	**4,428**	**4,842**	**(8.6)%**
CREDIT QUALITY									
Total overdue loans	629	730	(13.9)%	230	308	(25.2)%	398	422	(5.7)%
Overdue loans by more than 90 days	529	641	(17.5)%	220	296	(25.8)%	309	345	(10.4)%
Overdue loans by more than 90 days / Loans to customers	0.9 %	1.1%		0.6 %	0.7%		1.8 %	2.0%	
Total impairment (balance sheet)	1,553	1,612	(3.7)%	966	1,012	(4.6)%	587	599	(2.1)%
Total impairment (balance sheet) / Loans to customers	2.7 %	2.7%		2.5 %	2.5%		3.4 %	3.4%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	293.8 %	251.6 %		440.0 %	342.1%		189.9 %	173.9 %	
Non-Performing Exposures (NPE)	2,026	2,424	(16.4)%	1,192	1,537	(22.4)%	834	888	(6.1)%
NPE / Loans to customers	3.6 %	4.1%		3.0 %	3.7%		4.8 %	5.0%	
Total impairment (balance sheet) / NPE	76.6 %	66.5%		81.0 %	65.9%		70.4 %	67.5%	
Restructured loans	1,775	2,093	(15.2)%	1,235	1,571	(21.4)%	540	521	3.5 %
Restructured loans / Loans to customers	3.1 %	3.6%		3.1 %	3.8%		3.1 %	3.0%	
Cost of risk (net of recoveries, in b.p.)	50	55		53	57		42	51	

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023 AND 2022

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Interest and similar income	3,190,572	1,878,103
Interest expense and similar charges	(1,073,111)	(332,272)
NET INTEREST INCOME	2,117,461	1,545,831
Dividends from equity instruments	1,216	9,262
Net fees and commissions income	578,458	573,803
Gains/(losses) on financial operations at fair value through profit or loss	(15,326)	8,000
Foreign exchange gains/(losses)	21,043	30,894
Gains/(losses) on hedge accounting	(854)	(1,506)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	99,565	37,550
Other operating income/(losses)	(71,709)	(201,913)
TOTAL OPERATING INCOME	2,729,854	2,001,921
Staff costs	467,976	431,821
Other administrative costs	283,399	251,751
Amortisations and depreciations	103,240	103,856
TOTAL OPERATING EXPENSES	854,615	787,428
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,875,239	1,214,493
Results on modification	(14,829)	—
Impairment of financial assets at amortised cost	(212,653)	(246,385)
Impairment of financial assets at fair value through other comprehensive income	894	1,763
Impairment of other assets	(20,704)	(138,268)
Other provisions	(581,395)	(695,325)
NET OPERATING INCOME	1,046,552	136,278
Share of profit of associates accounted for using the equity method	47,582	37,615
Gains/(losses) on disposal of subsidiaries and other assets	15,215	11,128
NET INCOME BEFORE INCOME TAXES	1,109,349	185,021
Income taxes		
Current	(172,695)	(75,409)
Deferred	(214,684)	(133,227)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	721,970	(23,615)
Net income from discontinued or discontinuing operations	(9)	1,481
NET INCOME AFTER INCOME TAXES	721,961	(22,134)
Net income for the period attributable to:		
Bank's Shareholders	650,715	89,826
Non-controlling interests	71,246	(111,960)
NET INCOME FOR THE PERIOD	721,961	(22,134)
Earnings per share (in Euros)		
Basic	0.055	0.005
Diluted	0.055	0.005

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2023 AND 31 DECEMBER 2022

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
ASSETS		
Cash and deposits at Central Banks	3,525,815	6,022,001
Loans and advances to credit institutions repayable on demand	187,966	213,460
Financial assets at amortised cost		
Loans and advances to credit institutions	1,116,126	963,434
Loans and advances to customers	52,921,349	54,675,793
Debt securities	17,036,087	13,035,582
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,098,527	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	492,084	552,679
Financial assets designated at fair value through profit or loss	30,710	—
Financial assets at fair value through other comprehensive income	8,673,873	7,461,553
Hedging derivatives	82,079	59,703
Investments in associated companies	335,261	314,919
Non-current assets held for sale	81,575	499,035
Investment property	15,144	15,217
Other tangible assets	596,226	574,697
Goodwill and intangible assets	197,241	182,687
Current tax assets	9,706	17,945
Deferred tax assets	2,723,447	2,938,986
Other assets	2,046,023	1,582,455
TOTAL ASSETS	91,169,239	89,876,743
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	1,240,204	1,468,360
Resources from customers	73,373,829	75,430,143
Non-subordinated debt securities issued	2,056,932	1,482,086
Subordinated debt	1,354,493	1,333,056
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	269,007	241,506
Financial liabilities at fair value through profit or loss	3,502,631	1,817,678
Hedging derivatives	137,348	178,000
Provisions	661,981	561,786
Current tax liabilities	173,456	23,680
Deferred tax liabilities	8,964	11,708
Other liabilities	1,542,481	1,391,973
TOTAL LIABILITIES	84,321,326	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	1,551,113	1,272,262
Net income for the period attributable to Bank's Shareholders	650,715	197,386
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,934,674	5,154,653
Non-controlling interests	913,239	782,114
TOTAL EQUITY	6,847,913	5,936,767
TOTAL LIABILITIES AND EQUITY	91,169,239	89,876,743

Alternative performance measures

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

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

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

Million euros

	30 Sep. 23	30 Sep. 22
Loans to customers (net) (1)	55,112	57,010
Balance sheet customer funds (2)	76,876	75,184
(1) / (2)	**71.7%**	**75.8%**

2) Return on average assets (ROA)

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

Million euros

	9M23	9M22 (restated)
Net income (1)	651	90
Non-controlling interests (2)	71	(112)
Average total assets (3)	90,458	95,492
[(1) + (2), annualised] / (3)	**1.1%**	**0.0%**

3) Return on average equity (ROE)

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

Million euros

	9M23	9M22 (restated)
Net income (1)	651	90
Average equity (2)	5,208	5,198
[(1), annualised] / (2)	**16.7%**	**2.3%**

4) Cost to income

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

Million euros

	9M23	9M22 (restated)
Operating costs (1)	855	787
of which: specific items (2)	12	6
Net operating revenues (3)	2,793	2,065
of which: specific items (4)	127	0
[(1) - (2)] / [(3) - (4)]	**31.6%**	**37.8%**

* Specific items: positive impact of 115 million euros, recognised in the first nine months of 2023, including income of 127 million euros related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. recognised in the international activity, mainly as net trading income and costs of 12 million euros recognised as staff costs in the activity in Portugal. In the first nine months of 2022 the impact was negative in the amount of 6 million euros, recognised as staff costs in the activity in Portugal.

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

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

Million euros

	9M23	9M22
Loans to customers at amortised cost, before impairment (1)	56,654	58,585
Loan impairment charges (net of recoveries) (2)	211	241
[(2), annualised] / (1)	**50**	**55**

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

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

Million euros

	30 Sep. 23	30 Sep. 22
Non-Performing Exposures (1)	2,026	2,424
Loans to customers (gross) (2)	56,665	58,622
(1) / (2)	**3.6%**	**4.1%**

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

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

Million euros

		30 Sep. 23	30 Sep. 22
Non-Performing Exposures (1)		2,026	2,424
Loans impairment (balance sheet) (2)		1,553	1,612
	(2) / (1)	**76.6%**	**66.5%**

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.

Accounts and Notes to the Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023 AND 2022

(Thousands of euros)

	Notes	30 September 2023	30 September 2022 (restated)
Interest and similar income	2	3,190,572	1,878,103
Interest expense and similar charges	2	(1,073,111)	(332,272)
NET INTEREST INCOME		2,117,461	1,545,831
Dividends from equity instruments	3	1,216	9,262
Net fees and commissions income	4	578,458	573,803
Gains/(losses) on financial operations at fair value through profit or loss	5	(15,326)	8,000
Foreign exchange gains/(losses)	5	21,043	30,894
Gains/(losses) on hedge accounting	5	(854)	(1,506)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	99,565	37,550
Other operating income/(losses)	6	(71,709)	(201,913)
TOTAL OPERATING INCOME		2,729,854	2,001,921
Staff costs	7	467,976	431,821
Other administrative costs	8	283,399	251,751
Amortisations and depreciations	9	103,240	103,856
TOTAL OPERATING EXPENSES		854,615	787,428
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,875,239	1,214,493
Results on modification	10	(14,829)	—
Impairment of financial assets at amortised cost	11	(212,653)	(246,385)
Impairment of financial assets at fair value through other comprehensive income	12	894	1,763
Impairment of other assets	13	(20,704)	(138,268)
Other provisions	14	(581,395)	(695,325)
NET OPERATING INCOME		1,046,552	136,278
Share of profit of associates accounted for using the equity method	15	47,582	37,615
Gains/(losses) on disposal of subsidiaries and other assets	16	15,215	11,128
NET INCOME BEFORE INCOME TAXES		1,109,349	185,021
Income taxes			
Current	31	(172,695)	(75,409)
Deferred	31	(214,684)	(133,227)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		721,970	(23,615)
Net income from discontinued or discontinuing operations	17	(9)	1,481
NET INCOME AFTER INCOME TAXES		721,961	(22,134)
Net income for the period attributable to:			
Bank's Shareholders		650,715	89,826
Non-controlling interests	44	71,246	(111,960)
NET INCOME FOR THE PERIOD		721,961	(22,134)
Earnings per share (in Euros)			
Basic	18	0.055	0.005
Diluted	18	0.055	0.005

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS PERIODS BETWEEN 1 JULY AND 30 SEPTEMBER 2023 AND 2022

(Thousands of euros)

	3rd Quarter 2023	3rd Quarter 2022 (restated)
Interest and similar income	1,151,766	736,419
Interest expense and similar charges	(408,665)	(175,746)
NET INTEREST INCOME	743,101	560,673
Dividends from equity instruments	41	(3,611)
Net fees and commissions income	191,410	186,220
Gains/(losses) on financial operations at fair value through profit or loss	(21,254)	1,190
Foreign exchange gains/(losses)	10,399	16,083
Gains/(losses) on hedge accounting	(1,677)	2,167
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(7,521)	13,274
Other operating income/(losses)	13,798	(12,587)
TOTAL OPERATING INCOME	928,297	763,409
Staff costs	160,005	147,669
Other administrative costs	98,482	89,182
Amortisations and depreciations	34,627	34,381
TOTAL OPERATING EXPENSES	293,114	271,232
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	635,183	492,177
Results on modification	(3,232)	—
Impairment of financial assets at amortised cost	(66,294)	(63,182)
Impairment of financial assets at fair value through other comprehensive income	780	397
Impairment of other assets	(6,611)	(13,139)
Other provisions	(193,270)	(450,915)
NET OPERATING INCOME	366,556	(34,662)
Share of profit of associates accounted for using the equity method	18,160	17,151
Gains/(losses) on disposal of subsidiaries and other assets	1,893	(972)
NET INCOME BEFORE INCOME TAXES	386,609	(18,483)
Income taxes		
Current	(46,221)	(30,479)
Deferred	(95,159)	(22,391)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	245,229	(71,353)
Net income from discontinued or discontinuing operations	—	2
NET INCOME AFTER INCOME TAXES	245,229	(71,351)
Net income for the period attributable to:		
Bank's Shareholders	227,466	27,642
Non-controlling interests	17,763	(98,993)
NET INCOME FOR THE PERIOD	245,229	(71,351)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023 AND 2022

(Thousands of euros)

	30 September 2023				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	721,970	(9)	721,961	650,715	71,246
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	159,282	—	159,282	99,130	60,152
Reclassification of (gains) / losses to profit or loss (note 5)	9,431	—	9,431	8,088	1,343
Cash flows hedging					
Gains / (losses) for the period	192,375	—	192,375	163,393	28,982
Other comprehensive income from investments in associates and others	(9,620)	—	(9,620)	(9,620)	—
Exchange differences arising on consolidation	(11,143)	—	(11,143)	(21,514)	10,371
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	7,705	—	7,705	7,705	—
Fiscal impact	(90,391)	—	(90,391)	(73,229)	(17,162)
	257,639	—	257,639	173,953	83,686
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period					
Subsidiaries (note 43)	6,337	—	6,337	6,429	(92)
Associates	538	—	538	538	—
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(5,968)	—	(5,968)	(5,968)	—
Actuarial gains / (losses) for the period					
BCP Group Pension Fund	(37,696)	—	(37,696)	(37,696)	—
Pension Funds of foreign subsidiaries and associated companies	3,898	—	3,898	3,859	39
Fiscal impact	16,022	—	16,022	16,035	(13)
	(16,869)	—	(16,869)	(16,803)	(66)
Other comprehensive income / (loss) for the period	240,770	—	240,770	157,150	83,620
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	962,740	(9)	962,731	807,865	154,866

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	30 September 2022 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(23,615)	1,481	(22,134)	89,826	(111,960)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	(312,824)	—	(312,824)	(266,887)	(45,937)
Reclassification of (gains) / losses to profit or loss (note 5)	(14,744)	—	(14,744)	(14,762)	18
Cash flows hedging					
Gains / (losses) for the period	(1,624,957)	—	(1,624,957)	(1,605,198)	(19,759)
Other comprehensive income from investments in associates and others	(655)	—	(655)	(654)	(1)
Exchange differences arising on consolidation	35,543	—	35,543	48,315	(12,772)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	235	—	235	235	—
Fiscal impact	594,793	—	594,793	582,356	12,437
	(1,322,609)	—	(1,322,609)	(1,256,595)	(66,014)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the period					
Subsidiaries (note 43)	(4,488)	—	(4,488)	(4,304)	(184)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	39	—	39	39	—
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund	477,917	—	477,917	477,917	—
Pension Funds of foreign subsidiaries and associated companies	4,432	—	4,432	4,432	—
Fiscal impact	(166,700)	—	(166,700)	(166,731)	31
	311,200	—	311,200	311,353	(153)
Other comprehensive income / (loss) for the period	(1,011,409)	—	(1,011,409)	(945,242)	(66,167)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,035,024)	1,481	(1,033,543)	(855,416)	(178,127)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIODS BETWEEN 1 JULY AND 30 SEPTEMBER 2023 AND 2022

(Thousands of euros)

	3rd Quarter 2023				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	245,229	—	245,229	227,466	17,763
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	32,033	—	32,033	12,131	19,902
Reclassification of (gains)/losses to profit or loss	3,221	—	3,221	3,205	16
Cash flows hedging					
Gains/(losses) for the period	77,088	—	77,088	68,970	8,118
Other comprehensive income from investments in associates and others	2,898	—	2,898	2,896	2
Exchange differences arising on consolidation	(46,412)	—	(46,412)	(19,876)	(26,536)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(304)	—	(304)	(304)	—
Fiscal impact	(28,486)	—	(28,486)	(23,157)	(5,329)
	40,038	—	40,038	43,865	(3,827)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period					
Subsidiaries	(303)	—	(303)	(151)	(152)
Associates	42	—	42	42	—
Changes in own credit risk of financial liabilities at fair value through profit or loss	(7,202)	—	(7,202)	(7,202)	—
Actuarial gains/(losses) for the period					
Pension Funds of foreign subsidiaries and associated companies	78	—	78	39	39
Fiscal impact	2,456	—	2,456	2,443	13
	(4,929)	—	(4,929)	(4,829)	(100)
Other comprehensive income/(loss) for the period	35,109	—	35,109	39,036	(3,927)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	280,338	—	280,338	266,502	13,836

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	3rd Quarter 2022 (restated)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	(71,353)	2	(71,351)	27,642	(98,993)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	57,199	—	57,199	39,252	17,947
Reclassification of (gains)/losses to profit or loss	4,294	—	4,294	4,294	—
Cash flows hedging					
Gains/(losses) for the period	(526,161)	—	(526,161)	(525,059)	(1,102)
Other comprehensive income from investments in associates and others	(9,066)	—	(9,066)	(9,062)	(4)
Exchange differences arising on consolidation	(293)	—	(293)	7,907	(8,200)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	(1,178)	—	(1,178)	(1,178)	—
Fiscal impact	149,422	—	149,422	152,668	(3,246)
	(325,783)	—	(325,783)	(331,178)	5,395
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains/(losses) for the period					
Subsidiaries	3,874	—	3,874	3,983	(109)
Changes in own credit risk of financial liabilities at fair value through profit or loss	(102)	—	(102)	(102)	—
Fiscal impact	(654)	—	(654)	(671)	17
	3,118	—	3,118	3,210	(92)
Other comprehensive income/(loss) for the period	(322,665)	—	(322,665)	(327,968)	5,303
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(394,018)	2	(394,016)	(300,326)	(93,690)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2023 AND 31 DECEMBER 2022

(Thousands of euros)

	Notes	30 September 2023	31 December 2022 (restated)
ASSETS			
Cash and deposits at Central Banks	19	3,525,815	6,022,001
Loans and advances to credit institutions repayable on demand	20	187,966	213,460
Financial assets at amortised cost			
Loans and advances to credit institutions	21	1,116,126	963,434
Loans and advances to customers	22	52,921,349	54,675,793
Debt securities	23	17,036,087	13,035,582
Financial assets at fair value through profit or loss			
Financial assets held for trading	24	1,098,527	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	24	492,084	552,679
Financial assets designated at fair value through profit or loss	24	30,710	—
Financial assets at fair value through other comprehensive income	24	8,673,873	7,461,553
Hedging derivatives	25	82,079	59,703
Investments in associated companies	26	335,261	314,919
Non-current assets held for sale	27	81,575	499,035
Investment property	28	15,144	15,217
Other tangible assets	29	596,226	574,697
Goodwill and intangible assets	30	197,241	182,687
Current tax assets		9,706	17,945
Deferred tax assets	31	2,723,447	2,938,986
Other assets	32	2,046,023	1,582,455
TOTAL ASSETS		91,169,239	89,876,743
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	33	1,240,204	1,468,360
Resources from customers	34	73,373,829	75,430,143
Non-subordinated debt securities issued	35	2,056,932	1,482,086
Subordinated debt	36	1,354,493	1,333,056
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	37	269,007	241,506
Financial liabilities at fair value through profit or loss	38	3,502,631	1,817,678
Hedging derivatives	25	137,348	178,000
Provisions	39	661,981	561,786
Current tax liabilities		173,456	23,680
Deferred tax liabilities	31	8,964	11,708
Other liabilities	40	1,542,481	1,391,973
TOTAL LIABILITIES		84,321,326	83,939,976
EQUITY			
Share capital	41	3,000,000	3,000,000
Share premium	41	16,471	16,471
Other equity instruments	41	400,000	400,000
Legal and statutory reserves	42	316,375	268,534
Reserves and retained earnings	43	1,551,113	1,272,262
Net income for the period attributable to Bank's Shareholders		650,715	197,386
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS		5,934,674	5,154,653
Non-controlling interests	44	913,239	782,114
TOTAL EQUITY		6,847,913	5,936,767
TOTAL LIABILITIES AND EQUITY		91,169,239	89,876,743

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023 AND 2022

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	2,588,164	1,588,400
Commissions received	740,565	745,791
Fees received from services rendered	85,974	78,920
Interests paid	(931,536)	(311,515)
Commissions paid	(151,456)	(126,441)
Recoveries on loans previously written off	14,525	16,158
Payments (cash) to suppliers and employees (*)	(897,795)	(966,307)
Income taxes (paid) / received	(47,270)	(40,030)
	1,401,171	984,976
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(392,644)	(370,870)
Deposits held with purpose of monetary control	241,083	(6,928,235)
Loans and advances to customers receivable / (granted)	1,132,064	(770,176)
Short term trading securities	(188,953)	(52,412)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(47,618)	120,257
Deposits from credit institutions with agreed maturity date	(187,565)	(581)
Loans and advances to customers repayable on demand	(3,652,400)	(798,582)
Deposits from customers with agreed maturity date	3,179,202	5,052,883
	1,484,340	(2,762,740)
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control	108,204	—
Dividends received	9,937	54,263
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	391,589	195,484
Sale of financial assets at fair value through other comprehensive income and at amortised cost	1,673,009	7,260,865
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(87,372,907)	(38,798,345)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	80,404,763	31,364,122
Acquisition of tangible and intangible assets	(73,104)	(68,512)
Sale of tangible and intangible assets	5,666	7,793
Decrease / (increase) in other sundry assets	145,305	(1,446,078)
	(4,707,538)	(1,430,408)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of debt securities	567,053	347
Reimbursement of debt securities	(136,400)	(1,141,907)
Issuance of commercial paper and other securities	33,797	36,072
Reimbursement of commercial paper and other securities	(16,190)	(8,866)
Dividends paid to Bank's shareholders	—	(13,603)
Dividends paid to non-controlling interests	(23,719)	(59,572)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(27,750)	(27,750)
Increase / (decrease) in other sundry liabilities and non-controlling interests (**)	315,870	683,693
	712,661	(531,586)
Exchange differences effect on cash and equivalents	(11,143)	35,543
Net changes in cash and equivalents	(2,521,680)	(4,689,191)
Cash (note 19)	593,033	601,772
Deposits at Central Banks (note 19)	5,428,968	7,194,527
Loans and advances to credit institutions repayable on demand (note 20)	213,460	361,786
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6,235,461	8,158,085
Cash (note 19)	558,445	584,850
Deposits at Central Banks (note 19)	2,967,370	2,538,012
Loans and advances to credit institutions repayable on demand (note 20)	187,966	346,032
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	3,713,781	3,468,894

(*) As at 30 September 2023, this balance includes the amount of Euros 577,000 (30 September 2022: Euros 300,000) related to short-term lease contracts and the amount of Euros 2,840,000 (30 September 2022: Euros 1,763,000) related to lease contracts of low value assets.
(**) As at 30 September 2023, this balance includes the amount of Euros 41,132,000 (30 September 2022: Euros 41,285,000) corresponding to principal payments on lease liabilities.

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023 AND 2022

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non-controlling interests (note 44)	Total equity
BALANCE AS AT 31 DECEMBER 2021	4,725,000	16,471	400,000	259,528	580,304	138,082	6,119,385	942,672	7,062,057
Transition adjustments - Adoption of IFRS 17 and IFRS 9 (note 53)	–	–	–	–	(89,858)	–	(89,858)	–	(89,858)
BALANCE AS AT 1 JANUARY 2022	4,725,000	16,471	400,000	259,528	490,446	138,082	6,029,527	942,672	6,972,199
Net income for the period	–	–	–	–	–	89,826	89,826	(111,960)	(22,134)
Other comprehensive income	–	–	–	–	(945,242)	–	(945,242)	(66,167)	(1,011,409)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	(945,242)	89,826	(855,416)	(178,127)	(1,033,543)
Results application									
Legal reserve	–	–	–	9,006	(9,006)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	138,082	(138,082)	–	–	–
Dividends paid	–	–	–	–	(13,603)	–	(13,603)	–	(13,603)
Interest on Perpetual Subordinated Bonds (Additional Tier 1)	–	–	–	–	(27,750)	–	(27,750)	–	(27,750)
Dividends (a)	–	–	–	–	–	–	–	(59,572)	(59,572)
Other reserves	–	–	–	–	(877)	–	(877)	(30)	(907)
BALANCE AS AT 30 SEPTEMBER 2022	4,725,000	16,471	400,000	268,534	(367,950)	89,826	5,131,881	704,943	5,836,824
Net income for the period	–	–	–	–	–	107,560	107,560	34,138	141,698
Other comprehensive income	–	–	–	–	(75,561)	–	(75,561)	43,063	(32,498)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	(75,561)	107,560	31,999	77,201	109,200
Share capital reduction	(1,725,000)	–	–	–	1,725,000	–	–	–	–
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	–	–	–	–	(9,250)	–	(9,250)	–	(9,250)
Other reserves	–	–	–	–	23	–	23	(30)	(7)
BALANCE AS AT 31 DECEMBER 2022	3,000,000	16,471	400,000	268,534	1,272,262	197,386	5,154,653	782,114	5,936,767
Net income for the period	–	–	–	–	–	650,715	650,715	71,246	721,961
Other comprehensive income	–	–	–	–	157,150	–	157,150	83,620	240,770
TOTAL COMPREHENSIVE INCOME	–	–	–	–	157,150	650,715	807,865	154,866	962,731
Results application									
Legal reserve (note 42)	–	–	–	47,841	(47,841)	–	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	197,386	(197,386)	–	–	–
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	–	–	–	–	(27,750)	–	(27,750)	–	(27,750)
Dividends (a)	–	–	–	–	–	–	–	(23,719)	(23,719)
Other reserves	–	–	–	–	(94)	–	(94)	(22)	(116)
BALANCE AS AT 30 SEPTEMBER 2023	3,000,000	16,471	400,000	316,375	1,551,113	650,715	5,934,674	913,239	6,847,913

(a) Dividends of BIM - Banco Internacional de Moçambique, S.A.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. (the ‘Bank’) is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these interim condensed consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the ‘Group’) and the Group’s interest in associates, for the nine-month periods ended on 30 September 2023 and 2022.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and Bank of Portugal Notice no. 5/2015 (which revoked Bank of Portugal Notice no. 1/2005), the Group’s consolidated financial statements are required to be prepared, since 2005, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies. The interim condensed consolidated financial statements and the accompanying notes were approved on 21 November 2023 by the Bank's Board of Directors and are presented in thousands of euros, rounded to the nearest thousand.

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

The interim condensed consolidated financial statements for the nine-month period ended on 30 September 2023 were prepared for the purpose of recognition and measurement, in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and, therefore, they do not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2022.

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

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2023. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, except for the changes resulting from the adoption of IFRS 17 - Insurance Contracts with reference to 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 - Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders’ options and guarantees.

As the Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., which is dedicated to the management of life insurance and pension funds, on 1 January 2023 Millenniumbcp Ageas made the simultaneous adoption of IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts. It opted for the possibility given to Insurance Companies to defer the application of IFRS9, since the combined implementation with IFRS17 would minimize the distortion of results.

Initial application of IFRS 17 and IFRS 9 requires comparative information. Therefore, Millenniumbcp Ageas made the transition exercise on 1 January 2022, and the impacts resulting from its implementation are detailed in note 53. Application of IFRS 17 – Insurance Contracts, and IFRS9 - Financial Instruments by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

In order to ensure the comparability of information, the Group made the appropriate adjustments in the 2022 consolidated balance sheet and income statement, as detailed in note 53.

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

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

B. Basis of consolidation

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

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

B1. Investments in subsidiaries

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

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

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

B2. Investments in associates

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

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

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

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

B3. Goodwill

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

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

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

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

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

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

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

B4. Purchases and dilution of non-controlling interests

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

B5. Loss of control

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

B6. Investments in foreign subsidiaries and associates

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

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

The income and expenses of these subsidiaries are converted to euros at an approximate rate of the rates on the dates of the transactions, using a monthly average considering the initial and final exchange rates of each month. Exchange differences from the conversion to euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in "Reserves and retained earnings - exchange differences resulting from the consolidation of Group's companies". The exchange rates used by the Group are detailed in note 53.

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

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

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

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

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

B7. Transactions eliminated on consolidation

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

C. Financial instruments (IFRS 9)

C1. Financial assets

C1.1. Classification, initial recognition and subsequent measurement

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

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

The classification is made taking into consideration the following aspects:

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

Business Model Evaluation

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

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

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

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

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

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

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

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

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

C1.1.1. Financial assets at amortised cost

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

Gains or losses generated at the time of derecognition are registered in "Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss".

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

Classification

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

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

Classification

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

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

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

a) “Financial assets held for trading”

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

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

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

c) “Financial assets designated at fair value through profit or loss” (Fair Value Option)

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

Initial recognition and subsequent measurement

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

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

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

C1.2. Reclassification between categories of financial assets

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

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

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

C1.3. Modification and derecognition of financial assets

General principles

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

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

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

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

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

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

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

- if the Group transfers substantially all the risks and benefits arising from owning the financial asset, it shall derecognise the financial asset and recognise separately any rights and obligations created or retained in the transfer, as assets or liabilities;
- if the Group retains substantially all the risks and benefits arising from owning the financial asset, it shall continue to recognise the financial asset;
- if the Group neither transfers nor retains substantially all the risks and benefits arising from owning the financial asset, it shall determine whether it retained control of the financial asset. In this case:
  a) if the Group did not retain control, it shall derecognise the financial asset and recognise separately, as assets or liabilities, any rights and obligations created or retained in the transfer;
  b) if the Group retained control, it shall continue to recognise the financial asset to the extent of its continued involvement in the financial asset.

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

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

Derecognition criteria

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

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

- Creation of a new exposure that results from a debt consolidation, without any of the derecognized instruments having a nominal value higher than 90% of the nominal amount of the new instrument;
- Double extension of the residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of the modification;
- Increase of on balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);

- Change in qualitative features, namely:

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

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

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

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

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

Under the regulatory changes that occurred in Poland and the negotiations with customers holding mortgage loans in foreign currency described in note 56, and which correspond to contractual modifications made in accordance with IFRS 9, when the cash flows resulting from the agreement are subject to modification and a given asset is not derecognised, Bank Millennium adjusts the gross book value of the financial asset and recognises the profit or loss due to the modification in the Income Statement - Results on modification. The adjustment to the gross carrying amount of a financial asset is the difference between the discounted cash flows before and after contract modification.

Loans written-off

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

C1.4. Purchased or originated credit-impaired assets

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

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

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

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

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

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

C1.5.1.1. Financial assets at amortised cost

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

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

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

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

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

C1.5.2. Classification of financial instruments by stages

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

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

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

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

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

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

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

a) Delay over 90 days of material payment:

- Amounts of principal, interest or fees not paid on the due date that, cumulatively, represent:

i) more than Euros 100 (retail) or more than Euros 500 (non-retail); and,

ii) more than 1% of the total debt (direct liabilities).

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

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

b) Signs of low probability of payment:

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

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

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

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

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

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

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

4. The individual analysis includes the following procedures:

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

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

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

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

6. Each of the units referred to in the previous point is responsible for assigning an expectation and a recovery period to exposures relating to customers subject to individual analysis, which must be transmitted to the Risk Office as part of the regular process of collecting information, accompanied by detailed justification of the proposed impairment.
7. The expected recovery shall be represented by a recovery rate of the total outstanding exposure, which may be a weighted rate considering the different recovery prospects for each part of the customer's liabilities.
8. The recovery estimation referred to in the previous point should be influenced by future prospects (forward-looking), contemplating not only a more expected scenario but also alternative scenarios (an unbiased and probability-weighted amount). The application and weighting of the scenarios should be carried out both in a global perspective and in an individualized perspective, the latter when cases that, due to their specificity, have a high degree of uncertainty regarding the expected recovery estimation are identified.
9. The macroeconomic adjustment set out in point 8 should be analysed annually and weighted according to the type of recovery strategy associated with the exposure under analysis:

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

10. It is the responsibility of the units referred to in point 5 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.
11. For the purposes of the preceding paragraphs, the Economic Studies, Sustainability and Cryptoassets Department shall disclose the macroeconomic data that allow the estimations to be made.
12. The decision to consider global impacts related to the going and gone concern scenarios should be made by the Risk Committee, as proposed by the Risk Office.
13. For specific cases with a high degree of uncertainty, the allocation of alternative scenarios should be considered casuistically. Examples of recovery situations with a degree of uncertainty include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In June 2023 the Bank carried out an update of the macroeconomic scenarios and of the corresponded adjustment of the parameters considered in the collective impairment model.

C2. Financial liabilities

C2.1. Classification, initial recognition and subsequent measurement

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

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

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

Classification

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

a) “Financial liabilities held for trading”

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

C2.1.2. Financial guarantees

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

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

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

C2.1.3. Financial liabilities at amortised cost

Classification

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

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

Initial recognition and subsequent measurement

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

C2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

C2.3. Derecognition of financial liabilities

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

C3. Interest recognition

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

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

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

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

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

C4. Hedge accounting

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

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

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

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

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

C4.1. Fair value hedge

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

C4.2. Cash flow hedge

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

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

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

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

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

C4.3. Hedge effectiveness

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

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

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

C5. Embedded Derivatives

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

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

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

D. Securitization operations

D1. Traditional securitizations

As at 30 September 2023, BCP has in Portugal two residential mortgage credit securitization operations, Magellan Mortgages no.3 and no.4, in which the respective portfolios were derecognised from the Bank's individual balance sheet, as the risks and rewards related to the residual portions of the referred transactions, were transferred to institutional investors.

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

The two operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Securitisation Fund, which has financed this purchase through the sale of securitisation units to an Irish-SPE. At the same time, this SPE issued and sold in capital markets the different tranches of bonds.

D2. Synthetic securitizations

As at 30 September 2023, BCP has in Portugal three synthetic securitization operations, with similar characteristics, with reference to credit portfolios granted by the Bank mainly to Small and Medium Enterprises (SMEs).

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

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

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

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

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

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

On 12 July 2023, the Group's subsidiary Millennium Leasing Sp. z o. o. in Poland concluded a transaction of synthetic securitization of lease receivables with transfer of risk within the meaning of Art. 2 point 10) of Regulation (EU) No. 2402/2017 of the European Parliament and of the Council establishing a general framework for securitization and creating a specific framework for simple, transparent and standardized securitization, and amending Directives 2009/65/EC, 2009/138/EC and 2011 /61/EU and Regulations (EC) No. 1060/2009 and (EU) No. 648/2012 as amended ("Securitization Regulation").

As part of the transaction, Millennium Leasing securitized synthetic exposures consisting of receivables arising from lease agreements generated in the ordinary course of business of Millennium Leasing ("Reference Receivables") with a value of PLN 4,028 million (Euros 872 million), including the purchase of credit risk protection covering losses which, according to with transaction documents will be allocated to the Mezzanine Tranche worth PLN 280 million (Euros 61 million), in the form of financed credit linked notes (CLN) issued directly by Millennium Leasing sp. z o.o.

The CLN bonds will be listed on the Vienna Stock Exchange and Millennium Leasing's performance of the obligation to pay interest and redemption of the bonds is secured by debt securities (treasury bonds in the amount of 110% of the issued CLN amount). Pursuant to and subject to the terms of the transaction documents, the principal amount of the CLN bonds will be reduced by the amount of each credit loss allocated to the Mezzanine Tranche following the occurrence of a credit event with respect to the Reference Receivables.

E. Equity instruments

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

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

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

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

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

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

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

F2. Repurchase agreements

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

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

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

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

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

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

G1. Non-operating real estate (INAE)

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

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

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

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

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

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

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

H. Lease transactions (IFRS 16)

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

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

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

Lease definition

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

Impacts from the lessee's perspective

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

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

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

Subsequently, lease payments are measured as follows:

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

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

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

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

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

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

- in the consolidated income statement:

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

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

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

- in the consolidated balance sheet:

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

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

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

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

Impact from the lessor's perspective

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

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

Subleases

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

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

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

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

I. Recognition of income from services and commissions

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

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

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

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

J. Gains/(losses) on financial operations at fair value through profit or loss, Foreign exchange gains/(losses), Hedge accounting gains/(losses) and Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss

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

K. Fiduciary activities

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

L. Other tangible assets

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

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

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

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

M. Investment properties

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

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

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

N. Intangible assets

N1. Research and development expenditure

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

N2. Software

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

O. Cash and cash equivalents

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

P. Offsetting

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

Q. Foreign currency transactions

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

R. Employee benefits

R1. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At the same time, negotiations took place with all the unions subscribed to the Group's Collective Labour Agreements for the revision of the Salary Tables and other clauses of pecuniary expression relative to the years 2023, negotiations that are still ongoing on 30 September 2023. Although no agreement has yet been reached, the Group unilaterally decided to carry out in March 2023, with retroactive to 1 January 2023, a provisional update of the Salary Tables, the value of diuturnities and the Bank's Contributions to SAMS by 3.00%, with the increase from 10.50 euros to 11.50 euros in lunch subsidy, corresponding to a growth of 9.52%. No adjustment was made to the values of the remaining pecuniary expression clauses.

Regarding the revision of the Salary Tables and other clauses of pecuniary expression for 2022, the agreement of unions SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários and SIB – Sindicato Independente da Banca, has not yet been reached on the proposal presented by the Group on 22 June 2022, the content of which corresponds to what was agreed with the other unions, hence the negotiations are still ongoing on 30 September 2023.

R3. Defined contribution plan

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

As at 30 September 2023, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português. In 2022 the indicated requirements were fulfilled, in 2023 the planned annual contribution was accomplished, the expect value of which was recorded in the costs of 2022.

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

R4. Variable remuneration paid to employees

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

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

R5. Share-based compensation plan

As at 30 September 2023, a variable compensation plan with BCP shares is in force for the members of the Executive Committee and for the employees considered Key Function Holders (includes Key Management Members), resulting from the Remuneration Policies for the members of the management and supervisory bodies and for the Employees, both approved for the financial year of 2023 and following years, with the changes that may be approved in each financial year, namely by the General Shareholders' Meeting regarding the Remuneration Policy for the members of the management and supervisory bodies, and by the Board of Directors regarding the Remuneration Policy for Employees.

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

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

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

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

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

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

For the members of the Executive Committee and to the employees considered as Key Function Holders, a long-term variable remuneration system is also foreseen, through which these members may receive variable remuneration fully paid in BCP shares after the end of the assessment period, from 1 January 2022 until 31 December 2025 (from 1 January 2023 until 31 December 2025 to the Employees Key Function Holders), provided that a certain level of performance is achieved in a set of long-term objectives. The amount of the long-term variable remuneration attributed is subject to a deferral period of 5 years for 50% of its value, being 50% of its value paid in the year following the assessment period to which it relates. The number of BCP shares attributed results from their valuation at a price defined in accordance with the approved Remuneration Policy.

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

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

S. Income taxes

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

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

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

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

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

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

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

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

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

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

T. Segmental reporting

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

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

Portugal activity:

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

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

Foreign activity:

- Poland;
- Mozambique;
- Other.

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

U. Provisions, Contingent liabilities and Contingent assets

U1. Provisions

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

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

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

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

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

U2. Contingent assets

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

U3. Contingent liabilities

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

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

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

V. Earnings per share

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

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

W. Insurance contracts

W1. Classification

IFRS 17 is the new accounting standard for insurance contracts, reinsurance contracts and for Investment contracts with discretionary participation features, covering aspects such as recognition and measurement, presentation and disclosure of information, replacing IFRS4 – Insurance contracts.

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

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

W2. Recognition and measurement

IFRS 17 defines new principles for recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and Investment contracts with discretionary participation features. The references below apply to these three types of contracts.

In terms of recognition and measurement, insurance contracts are divided into portfolios, annual cohorts and groups of contracts. In the initial recognition, contracts that have similar risk and can be managed together, must be identified, grouping them into portfolios. For measurement purposes, these portfolios are further subdivided into annual cohorts, according to the issuance year. Each of the cohorts, according to the expected future return, is then divided into the following groups: i) contracts that are onerous at initial recognition; ii) contracts that do not present a significant possibility of subsequently becoming onerous; and iii) remaining contracts in the portfolio.

The liability of an insurance contract begins when one of the following conditions is met: i) beginning of the coverage period of the contract, ii) date on which the first payment is made by the insured and this becomes due or iii) in the case of an onerous contract, when it becomes onerous.

IFRS17 defines 3 measurement models of the insurance liabilities: GMM (General Measurement Model) as a general modal, VFA (Variable Fee Approach) to be applied for investment contracts, which does not include a transfer of significant insurance risk and PAA (Premium Allocation Approach), which can be applied for short term contracts (less than 1 year).

The measurement of the value of a contract is the sum of (except where contracts are being measured using the premium allocation approach): (i) the present value of future cash flows; (ii) a non-financial risk adjustment; and the amount of future profit that is estimated that this contract will generate the Contractual Service Margin (CSM), unless the contract group is onerous. In this case, the estimated loss is recognized immediately.

The liability for future services in contracts measured using the premium allocation approach is based on premiums received, less amounts recognized in profit or loss already incurred in the period.

In terms of the discount rate for determining future cash flows, it should: (i) reflect the time value of money; ii) be consistent with similar ones applied in the market for situations with similar characteristics and iii) exclude the effect of factors that do not affect the future cash flows of the insurance contract.

In the subsequent valuation, the Statement of Financial Position shall include liabilities for insurance contracts, divided into i) liabilities for future services and ii) liabilities for past services. In terms of the Income Statement, it should include: i) income from insurance contracts, ii) expenses from insurance contracts and iii) losses from the financial component of insurance contracts.

W3. Presentation and disclosures

In the Statement of Financial Position should appear in disaggregated form i) insurance contract assets, ii) reinsurance ceded contract assets iii) insurance contracts liabilities and iv) reinsurance ceded contract liabilities.

In terms of the Income Statement, it should be evidenced i) insurance revenue, ii) insurance service expense and iii) Insurance finance result, as well as iv) the net result arising from reinsurance contracts.

Together with the Financial Statements, the standard provides for additional qualitative and quantitative disclosures of i) amounts recognized in the financial statements that fall within the scope of IFRS17; ii) significant judgments and changes to those judgments made with the application of IFRS17 and iii) nature and extent of the risks inherent in contracts that fall within the scope of IFRS17.

For risks falling within the scope of IFRS17, the entity shall analyze: (i) concentration risk, (ii) sensitivity analysis to the most significant risks, (iii) claims development, (iv) credit risk and (v) liquidity risk.

W4. Transition

IFRS 17 is applied retrospectively with exemptions provided for the transition date, exemptions related to the impracticality and complexity involved, for example in the calculation of liabilities, the Contractual Service Margin (CSM) or the Loss Component, or the Reserve of the Financial Component of Insurance/Reinsurance Contracts (“OCI option”) at the transition date. When impractical the Standard provides for the use of the Modified Retrospective Approach or the Fair Value Approach.

X. Insurance or reinsurance intermediation services

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

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

Commissions received for insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions received at a time other than the period to which it relates are recorded as receivables under "Other assets". Commissions received for insurance mediation services are recognized in accordance with the policy described in note I. Recognition of income from services and commissions.

Y. Accounting estimates and judgments in applying accounting policies

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

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

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

Y1. Entities included in the consolidation perimeter

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

Y2. Goodwill impairment

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

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

Y3. Income taxes

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

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

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

In 2022, the Banco Comercial Português, S.A. and the Banco ActivoBank, S.A. exercised the option to apply the new regime, under the terms of which the impairment losses for credit risk relating to exposures analysed on an individual or on a collective basis recognized in accordance with the applicable accounting standards and regulations are fully deductible for the purposes of determining taxable profit, with the exceptions provided for in the Corporate Income Tax Code. The exceptions apply to impairment losses relating to credits and other rights over natural or legal persons who hold, directly or indirectly, more than 10 % of the Bank's capital, over members of its corporate bodies, over companies in which the Bank holds, directly or indirectly, more than 10 % of the capital or over entities with which it is in a situation of special relations.

The Impairment losses and other value corrections for specific credit risk recorded until 31 December 2021 and still not accepted for tax purposes are only deductible up to the amount that, in each tax period, corresponds to the application of the mandatory minimum limits set out in Notice of Bank of Portugal No. 3/95, as amended before its repeal by Notice of Bank of Portugal No. 5/2015, and, between other conditions, provided that they are not credits covered by real estate rights.

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

In the projections of future taxable income, namely for purposes of the analysis of the recoverability of deferred taxes assets carried out with reference to 30 June 2023, the approximation between the accounting and tax rules provided for in the aforementioned Law n.º 98/2019, of 4 September, taking into account the option for applying the new regime exercised in 2022, as well as the changes in terms of the elimination of the time limit on the use of tax losses provided for in said Law no. 24-D/2022, of 30 December.

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

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

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

Y5. Pension and other employees' benefits

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

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

Y6. Financial instruments – IFRS 9

Y6.1. Classification and measurement

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

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

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

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

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

Significant increase in credit risk:

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

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

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

Definition of groups of assets with common credit risk characteristics:

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

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

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

Probability of default:

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

Loss given default:

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

Y6.3. Fair value of derivative financial instruments

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

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

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

Y7. Provisions for legal risk related to foreign currency-indexed mortgage loans (mostly to Swiss franc)

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

The assumptions used by Bank Millennium are essentially based on historical observations and will have to be updated in subsequent periods, which may have a relevant impact on the provision's estimation. The methodology developed by Bank Millennium is based on the following parameters: (i) the number of ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon; (ii) the currently estimated amount of Bank Millennium's potential loss in the event of a specific court judgment; (iii) the probability of obtaining a specific court judgment calculated on the basis of statistics of judgments in cases where Bank Millennium is a party and legal opinions obtained; (iv)in accordance with legal opinions, Bank Millennium does not include in the methodology for calculating provisions the element related to the potential claim for remuneration for the client in connection with the repayments made by him; and (v) estimates involved with amicable settlements with clients, concluded in court or out of court.

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

Z. Subsequent events

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

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

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

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	74,792	14,319
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	48,025	48,893
Loans and advances to customers	2,422,854	1,496,548
Debt securities	348,544	164,282
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	34,464	2,575
Financial assets not held for trading mandatorily at fair value through profit or loss	1,887	4,929
Financial assets designated at fair value through profit or loss	227	—
Interest on financial assets at fair value through other comprehensive income	192,795	105,537
Interest on hedging derivatives	54,462	39,220
Interest on other assets	12,522	1,800
	3,190,572	1,878,103
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(36,414)	33,677
Resources from customers	(624,550)	(253,395)
Non subordinated debt securities issued	(51,200)	(16,973)
Subordinated debt	(62,955)	(48,741)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives associated to financial instruments at fair value through profit or loss	(22,826)	(16,401)
Financial liabilities at fair value through profit or loss		
Non subordinated debt securities issued	(412)	(3,353)
Interest on hedging derivatives	(265,890)	(21,114)
Interest on leasing	(8,754)	(3,920)
Interest on other liabilities	(110)	(2,052)
	(1,073,111)	(332,272)
	2,117,461	1,545,831

The balance Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand has accounted for a positive interest of Euros 11,832,000 (30 September 2022: negative interest Euros 8,862,000) associated with demand deposits with the Bank of Portugal (do not include overnight operations).

The balance Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 40,877,000 (30 September 2022: Euros 35,882,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3. The balance also includes the amount of Euros 61,620,000 (30 September 2022: Euros 50,613,000) related to interest income arising from customers classified in stage 3.

The balance Interest and similar income includes the following amounts related to hedge breakages: Interest on financial assets at amortized cost - Loans and advances to customers Euros 13,899,000 (30 September 2022: Euros 45,815,000), Interest on financial assets at amortized cost - Debt securities Euros 47,796,000 (30 September 2022: Euros 16,950,000), Interest on financial assets at fair value through other comprehensive income Euros 3,849,000 (30 September 2022: Euros 7,842,000).

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 2,202,000 and Euros 500,000, respectively (30 September 2022: Euros 1,881,000 and Euros 752,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

The balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions has recorded, for the nine months periods ended on 30 September 2022, a negative cost of Euros 49,317,000 associated with the TLTRO III operation described in note 33.

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

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Dividends from financial assets through other comprehensive income	1,216	9,262
	1,216	9,262

The balances Dividends from financial assets through other comprehensive income include dividends from shares of Tiicc, Sarl in the amount of Euros 500,000 (30 September 2022: Euros 7,707,000 and Euros 825,000 of Octal Group, Ltd. and Tiicc, Sarl, respectively). This balance also includes income from investment fund units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Fees and commissions received		
Banking services provided	362,398	356,828
Management and maintenance of accounts	126,558	127,550
Bancassurance	92,819	90,964
Operations on securities	49,451	50,762
Guarantees granted	36,781	34,548
Commitments to third parties	3,939	3,812
Management and intervention commissions	17,837	18,083
Other commissions	16,049	15,377
	705,832	697,924
Fees and commissions paid		
Banking services provided by third parties	(96,507)	(96,293)
Securities operations	(5,966)	(6,381)
Guarantees received	(6,349)	(4,507)
Other commissions	(18,552)	(16,940)
	(127,374)	(124,121)
	578,458	573,803

5. Gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Gains/(losses) on financial operations at fair value through profit or loss		
Gains/(losses) on financial assets held for trading	80,589	(178,526)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss	1,748	3,873
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	(97,663)	182,653
	(15,326)	8,000
Foreign exchange gains/(losses)	21,043	30,894
Gains/(losses) on hedge accounting	(854)	(1,506)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	99,565	37,550
	104,428	74,938

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

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Gains/(losses) on financial assets held for trading		
Gains		
Debt securities portfolio	8,399	5,818
Equity instruments	10,402	188
Derivative financial instruments	206,364	339,977
Other operations	956	1,430
	226,121	347,413
Losses		
Debt securities portfolio	(7,222)	(14,909)
Equity instruments	(9,407)	(8,978)
Derivative financial instruments	(128,326)	(501,469)
Other operations	(577)	(583)
	(145,532)	(525,939)
	80,589	(178,526)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	2,725	8,989
Debt securities portfolio	44,455	18,621
Equity instruments	953	12,031
	48,133	39,641
Losses		
Loans and advances to customers	(2,784)	(6,072)
Debt securities portfolio	(43,601)	(29,696)
	(46,385)	(35,768)
	1,748	3,873

(continues)

(continuation)

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	14,020	—
Debt securities issued		
Certificates and structured securities issued	66,412	159,044
Other debt securities issued	163	26,261
	80,595	185,305
Losses		
Debt securities portfolio	(233)	—
Resources from customers	(5,647)	—
Debt securities issued		
Certificates and structured securities issued	(165,177)	—
Other debt securities issued	(7,201)	(2,652)
	(178,258)	(2,652)
	(97,663)	182,653

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

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

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Foreign exchange gains/(losses)		
Gains	2,772,240	2,523,384
Losses	(2,751,197)	(2,492,490)
	21,043	30,894
Gains/(losses) on hedge accounting		
Gains		
Hedging derivatives	128,097	1,289,217
Hedged items	25,110	147,013
	153,207	1,436,230
Losses		
Hedging derivatives	(103,824)	(347,249)
Hedged items	(50,237)	(1,090,487)
	(154,061)	(1,437,736)
	(854)	(1,506)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss		
Gains		
Credit sales	380	13,395
Debt securities portfolio at amortized cost	357	10,466
Debt securities portfolio at fair value through other comprehensive income	1,947	32,526
Debt securities issued	1,164	898
Others	123,044	266
	126,892	57,551
Losses		
Credit sales	(14,887)	(1,043)
Debt securities portfolio at fair value through other comprehensive income	(11,378)	(17,782)
Debt securities issued	(720)	(449)
Others	(342)	(727)
	(27,327)	(20,001)
	99,565	37,550

The balance Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss - Debt securities portfolio at fair value through other comprehensive income - Gains includes the amount of Euros 12,000 (30 September 2022: Euros 479,000) related to gains resulting from the sale of Portuguese Treasury bonds.

The balance “Gains arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss - Others” includes the amount of Euros 121,039,000 (PLN 553.9 million) corresponding to the gains recognized on the sale of 80% of the shares of Millennium Financial Services sp. z o.o., within the scope of the Strategic Insurance Cooperation between Bank Millennium, S.A and the buyers, as described in note 47. The Transaction was finished at the end of March 2023 (after receiving the necessary approval from UOKiK), with Bank Millennium recognizing:

- a gain on the sale of the Entity in the amount of approximately Euros 109.2 million (PLN 499.9 million), corresponding to the payment of the sale price less the book value of the shares sold;

- the valuation of derivative resulting from potential future earnouts payments, in the amount of Euros 11.8 million (PLN 54 million).

6. Other operating income / (losses)

The amount of this account is comprised of

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Operating income		
Gains on leasing operations	2,847	2,600
Income from services provided	22,475	21,811
Rents	1,370	3,109
Sales of cheques and others	6,379	7,298
Other operating income	52,249	39,511
	85,320	74,329
Operating costs		
Donations and contributions	(3,283)	(3,466)
Contribution to the banking sector	(44,807)	(43,484)
Contributions to Resolution Funds	(22,610)	(36,532)
Contribution to the Single Resolution Fund	(17,729)	(25,847)
Contributions to the Deposit Guarantee Fund	(639)	(8,665)
Institutional protection scheme (Poland)	—	(59,111)
Special tax on the Polish banking sector	—	(36,193)
Taxes	(12,849)	(12,036)
Losses on financial leasing operations	(25)	(14)
Other operating costs	(55,087)	(50,894)
	(157,029)	(276,242)
	(71,709)	(201,913)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Remunerations	386,468	348,975
Mandatory social security charges	66,411	71,575
Voluntary social security charges	11,852	8,423
Other staff costs	3,245	2,848
	467,976	431,821

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Water, electricity and fuel	13,204	13,792
Credit cards and mortgage	3,832	4,001
Communications	18,729	18,082
Maintenance and related services	13,228	12,094
Legal expenses	3,778	3,475
Travel, hotel and representation costs	4,986	3,389
Advisory services	27,657	19,989
Training costs	631	772
Information technology services	20,115	33,674
Consumables	5,340	5,504
Outsourcing and independent labour	80,679	56,968
Advertising	18,796	18,221
Rents and leases	20,769	14,437
Insurance	3,655	3,596
Transportation	8,257	7,568
Other specialised services	22,158	20,923
Other supplies and services	17,585	15,266
	283,399	251,751

The balance Rents and leases includes the amount of Euros 577,000 (30 September 2022: Euros 300,000) related to short-term lease contracts and the amount of Euros 2,840,000 (30 September 2022: Euros 1,763,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Amortisations of intangible assets (note 30):		
Software	25,835	27,120
Other intangible assets	3,818	3,060
	29,653	30,180
Depreciations of other tangible assets (note 29):		
Properties	10,738	11,104
Equipment		
Computers	13,491	12,196
Security equipment	718	643
Installations	2,353	2,240
Machinery	1,227	484
Furniture	1,899	2,644
Motor vehicles	3,683	3,418
Other equipment	1,191	1,138
Right-of-use		
Real estate	38,287	39,805
Vehicles and equipment	—	4
	73,587	73,676
	103,240	103,856

10. Results on modification

During the nine months periods ended 30 September 2023, the Group has accounted for in this balance the amount of Euros 14,829,000 relating to contractual modifications made in accordance with IFRS 9, namely those negotiated with customers holding foreign currency-indexed mortgage loans (note 52).

11. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Loans and advances to credit institutions (note 21)		
Charge for the period	210	1,437
Reversals for the period	(676)	(95)
	(466)	1,342
Loans and advances to customers (note 22)		
Charge for the period	610,321	626,602
Reversals for the period	(387,489)	(369,661)
Recoveries of loans and interest charged-off	(14,525)	(16,158)
	208,307	240,783
Debt securities (note 23)		
Associated to credit operations		
Charge for the period	3,101	481
Reversals for the period	—	(93)
	3,101	388
Not associated to credit operations		
Charge for the period	2,242	4,580
Reversals for the period	(531)	(708)
	1,711	3,872
	4,812	4,260
	212,653	246,385

12. Impairment of financial assets at fair value through other comprehensive income

The detail of this balance is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Impairment of financial assets at fair value through other comprehensive income (note 24)		
Charge for the period	425	1,324
Reversals for the period	(1,319)	(3,087)
	(894)	(1,763)

13. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Impairment of investments in associated companies (note 26)		
Charge for the period	–	1,435
	–	1,435
Impairment of non-current assets held for sale (note 27)		
Charge for the period	6,303	26,077
Reversals for the period	(2,830)	(923)
	3,473	25,154
Impairment of goodwill of subsidiaries (note 30)		
Charge for the period	–	102,770
	–	102,770
Impairment of other assets (note 32)		
Charge for the period	14,352	14,424
Reversals for the period	(5,736)	(5,515)
	8,616	8,909
Impairment of real estate and other assets arising from recovered loans (note 32)		
Charge for the period	8,749	–
Reversals for the period	(134)	–
	8,615	–
	20,704	138,268

14. Other provisions

This balance is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Provision for guarantees and other commitments (note 39)		
Charge for the period	29,676	22,717
Reversals for the period	(24,911)	(21,045)
	4,765	1,672
Other provisions for liabilities and charges (note 39)		
Charge for the period	579,224	694,888
Reversals for the period	(2,594)	(1,235)
	576,630	693,653
	581,395	695,325

The balance Other provisions for liabilities and charges - Charge for the period refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 52.

15. Share of profit of associates accounted for using the equity method

The main contributions of the investments accounted for using the equity method are analysed as follows:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Banco Millennium Atlântico, S.A. (note 26)		
Appropriation relating to the current period	1,195	857
Appropriation relating to the previous period	—	(2,924)
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (a)	(230)	(335)
	965	(2,402)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	30,810	18,114
Unicre - Instituição Financeira de Crédito, S.A.	4,376	7,150
SIBS, S.G.P.S, S.A.	7,749	9,947
Banque BCP, S.A.S.	2,273	3,452
Fidelidade Moçambique - Companhia de Seguros S.A.	1,409	1,419
Other companies	—	(65)
	46,617	40,017
	47,582	37,615

(a) Based on the requirements of IAS 29, Angola was considered as a high inflation economy until 31 December 2018, for the purposes of presentation of consolidated financial statements, as described in accounting policy 1 B6. This classification is no longer applied since 1 January 2019.

16. Gains/(losses) on disposal of subsidiaries and other assets

This balance is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Gains /(Losses) on disposal of investments	9,454	(1)
Gains /(Losses) on disposal of other assets	5,761	11,129
	15,215	11,128

As described in note 47, due to the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland, and consequently loss of control over the company, the Group initially measured its remaining non-controlling stake (20%) at fair value, recording a gain of Euros 9,462,000 recorded as Gains /(Losses) on disposal of investments.

The balance Gains /(Losses) on disposal of other assets includes essentially gains on disposal of assets held by the Group and classified as non-current assets held for sale which corresponds to a gain of Euros 3,100,000 (30 September 2022: gain of Euros 13,585,000).

17. Net income from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Banque Privée BCP (Suisse) S.A.		
Gains on disposal of the investment held (price adjustment)	—	1,789
Fidelidade Moçambique - Companhia de Seguros S.A.		
Correction of gains on disposal of the investment held	—	(308)
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.		
Losses (expenses)	(9)	—
	(9)	1,481

Under the agreement entered between Banco Comercial Português, S.A. and Union Bancaire Privée, UBP SA regarding the sale of the entire share capital of Banque Privée BCP (Suisse) S.A. and in accordance with the provisions of IFRS 5, this operation was considered as discontinued in June 2021, and the impact on results presented in a separate line of the income statement named "Net income from discontinued or discontinuing operations".

In 2022, the sale price and the corresponding gains on disposal were positively adjusted. The sale price received may also be adjusted positively or negatively in 2023, depending on the evolution of certain parameters, as is usual in this type of transaction, including those that may result from the variation of stocks and/or flows of assets under management, in pre-determined dates and specified portfolios.

By the end of 2021, the Group, through its subsidiary BIM - Banco Internacional de Moçambique, S.A., sold 70% of the investment held in Seguradora Internacional de Moçambique, S.A. (now designated Fidelidade Moçambique - Companhia de Seguros S.A.), becoming to hold a minority stake of 22%. In accordance with the provisions of IFRS 5, this operation was considered as discontinued and the impact on results presented in a separate line of the income statement named "Net income from discontinued or discontinuing operations".

Possible contingencies are reflected in the sales price received, therefore, this may be adjusted positively or negatively in the future, according to typical adjustments in these kind of transactions including the variation of the value and/or flows of assets under management, in pre-determined dates and for specified assets. By the end of 2022, the period during which price adjustments could be made ended.

18. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Continuing operations		
Net income from continuing operations	721,970	(23,615)
Non-controlling interests	(71,246)	111,960
Appropriated net income from continuing operations	650,724	88,345
Interests on perpetual subordinated bonds (Additional Tier 1)	(27,750)	(27,750)
Adjusted net income from continuing operations	622,974	60,595
Discontinued or discontinuing operations (note 17)		
Net income from discontinued or discontinuing operations	(9)	1,481
Adjusted net income	622,965	62,076
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.055	0.005
from discontinued or discontinuing operations	0.000	0.000
	0.055	0.005
Diluted earnings per share (Euros):		
from continuing operations	0.055	0.005
from discontinued or discontinuing operations	0.000	0.000
	0.055	0.005

As at 30 September 2023, the Bank's share capital amounts to Euros 3,000,000,000 (30 September 2022: Euros 4,725,000,000) and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up. Pursuant to the resolutions adopted at the General Meeting held on 20 December 2022, the Bank registered its new share capital of 3,000,000,000 Euros, maintaining the number of nominatives, book-entry shares without nominal value and of the voting rights.

There were not identified another dilution effects of the earnings per share as at 30 September 2023 and 2022, so the diluted result is equivalent to the basic result.

19. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Cash	558,445	593,033
Central Banks		
Bank of Portugal	1,372,967	3,370,139
Central Banks abroad	1,594,403	2,058,829
	3,525,815	6,022,001

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

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

20. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Credit institutions in Portugal	7,420	2,338
Credit institutions abroad	104,461	112,443
Amounts due for collection	76,085	98,679
	187,966	213,460

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

21. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Loans and advances to Central Banks		
Central Banks abroad	140,955	382,038
	140,955	382,038
Loans and advances to credit institutions in Portugal		
Term deposits	74,997	973
Loans	—	4,250
Other	536	1,068
	75,533	6,291
Loans and advances to credit institutions abroad		
Term deposits	357,953	425,152
Term deposits to collateralise CIRS and IRS operations (*)	82,342	124,746
Other	459,743	26,069
	900,038	575,967
	1,116,526	964,296
Impairment for loans and advances to credit institutions	(400)	(862)
	1,116,126	963,434

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

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

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Balance on 1 January	862	1,187
Transfers	3	—
Impairment charge for the period (note 11)	210	349
Reversals for the period (note 11)	(676)	(673)
Exchange rate differences	1	(1)
Balance at the end of the period	400	862

22. Loans and advances to customers

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

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Mortgage loans	28,217,368	28,658,104
Loans	16,432,589	17,672,581
Finance leases	4,160,736	4,176,329
Factoring operations	2,856,552	3,022,248
Current account credits	890,011	822,473
Overdrafts	1,113,072	1,046,121
Discounted bills	169,164	201,081
	53,839,492	55,598,937
Overdue loans - less than 90 days	100,077	94,063
Overdue loans - Over 90 days	520,862	485,166
	54,460,431	56,178,166
Loans impairment	(1,539,082)	(1,502,373)
	52,921,349	54,675,793

The balance Loans and advances to customers, as at 30 September 2023, is analysed as follows:

(Thousands of euros)

	30 September 2023				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	571,525	—	571,525	(1,281)	570,244
Asset-backed loans	31,488,487	130,885	31,619,372	(513,981)	31,105,391
Other guaranteed loans	5,008,922	70,076	5,078,998	(163,166)	4,915,832
Unsecured loans	7,640,258	298,795	7,939,053	(604,112)	7,334,941
Foreign loans	2,113,012	13,165	2,126,177	(41,434)	2,084,743
Factoring operations	2,856,552	19,345	2,875,897	(47,869)	2,828,028
Finance leases	4,160,736	88,673	4,249,409	(167,239)	4,082,170
	53,839,492	620,939	54,460,431	(1,539,082)	52,921,349

The balance Loans and advances to customers, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	31 December 2022 (restated)				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	583,999	—	583,999	(966)	583,033
Asset-backed loans	32,233,382	123,063	32,356,445	(555,500)	31,800,945
Other guaranteed loans	5,667,532	100,085	5,767,617	(222,449)	5,545,168
Unsecured loans	7,458,312	258,186	7,716,498	(476,885)	7,239,613
Foreign loans	2,457,135	2,451	2,459,586	(34,334)	2,425,252
Factoring operations	3,022,248	16,680	3,038,928	(49,411)	2,989,517
Finance leases	4,176,329	78,764	4,255,093	(162,828)	4,092,265
	55,598,937	579,229	56,178,166	(1,502,373)	54,675,793

The balances Asset-backed loans and Other guaranteed loans follow the subsequent types of guarantees considered:

- Asset-backed loans: Financial collaterals, physical collaterals (movable or immovable) and amounts receivable (income consignment);
- Credit with other guarantees: First-demand guarantees issued by banks or other entities and personal guarantees.

The analysis of loans and advances to customers, as at 30 September 2023, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2023					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	449,809	8,517	458,326	(14,163)	444,163	0.84 %
Fisheries	25,341	3,233	28,574	(3,689)	24,885	0.05 %
Mining	64,683	1,683	66,366	(4,096)	62,270	0.12 %
Food, beverage and tobacco	779,751	8,215	787,966	(24,002)	763,964	1.45 %
Textiles	432,533	10,005	442,538	(43,760)	398,778	0.81 %
Wood and cork	244,988	2,383	247,371	(4,210)	243,161	0.45 %
Paper, printing and publishing	122,013	582	122,595	(3,647)	118,948	0.23 %
Chemicals	741,762	13,220	754,982	(34,192)	720,790	1.39 %
Machinery, equipment and basic metallurgical	1,422,224	33,260	1,455,484	(51,700)	1,403,784	2.67 %
Electricity and gas	239,888	707	240,595	(8,212)	232,383	0.44 %
Water	204,650	481	205,131	(9,147)	195,984	0.38 %
Construction	1,475,717	23,205	1,498,922	(143,019)	1,355,903	2.75 %
Retail business	1,639,712	17,396	1,657,108	(35,265)	1,621,843	3.04 %
Wholesale business	2,070,405	22,052	2,092,457	(65,449)	2,027,008	3.84 %
Restaurants and hotels	1,368,855	15,880	1,384,735	(71,243)	1,313,492	2.54 %
Transports	1,290,747	10,955	1,301,702	(27,979)	1,273,723	2.39 %
Post offices	22,101	250	22,351	(450)	21,901	0.04 %
Telecommunications	344,607	4,033	348,640	(6,751)	341,889	0.64 %
Services						
Financial intermediation	1,584,624	860	1,585,484	(40,428)	1,545,056	2.91 %
Real estate activities	2,029,097	14,388	2,043,485	(51,369)	1,992,116	3.75 %
Consulting, scientific and technical activities	919,438	30,590	950,028	(117,569)	832,459	1.74 %
Administrative and support services activities	496,242	5,999	502,241	(21,643)	480,598	0.92 %
Public sector	725,541	43	725,584	(2,956)	722,628	1.33 %
Education	112,446	746	113,192	(2,006)	111,186	0.21 %
Health and collective service activities	359,464	1,950	361,414	(8,842)	352,572	0.66 %
Artistic, sports and recreational activities	224,983	2,190	227,173	(31,882)	195,291	0.42 %
Other services	248,980	4,171	253,151	(107,533)	145,618	0.47 %
Consumer loans	6,107,115	253,671	6,360,786	(395,058)	5,965,728	11.68 %
Mortgage credit	27,414,608	115,989	27,530,597	(189,120)	27,341,477	50.55 %
Other domestic activities	1,359	196	1,555	(20)	1,535	0.00 %
Other international activities	675,809	14,089	689,898	(19,682)	670,216	1.27 %
	53,839,492	620,939	54,460,431	(1,539,082)	52,921,349	100 %

The analysis of loans and advances to customers, as at 31 December 2022, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2022 (restated)					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	461,680	8,517	470,197	(13,879)	456,318	0.84 %
Fisheries	25,308	3,226	28,534	(2,563)	25,971	0.05 %
Mining	70,970	1,676	72,646	(5,249)	67,397	0.13 %
Food, beverage and tobacco	813,359	11,634	824,993	(26,201)	798,792	1.47 %
Textiles	497,338	8,989	506,327	(17,109)	489,218	0.90 %
Wood and cork	260,175	3,730	263,905	(5,364)	258,541	0.47 %
Paper, printing and publishing	148,937	742	149,679	(3,924)	145,755	0.27 %
Chemicals	862,826	38,334	901,160	(63,538)	837,622	1.60 %
Machinery, equipment and basic metallurgical	1,526,778	25,298	1,552,076	(56,649)	1,495,427	2.76 %
Electricity and gas	229,821	443	230,264	(1,285)	228,979	0.41 %
Water	204,736	452	205,188	(8,371)	196,817	0.37 %
Construction	1,497,114	21,639	1,518,753	(141,991)	1,376,762	2.70 %
Retail business	1,705,882	18,730	1,724,612	(36,848)	1,687,764	3.07 %
Wholesale business	2,225,903	26,755	2,252,658	(67,081)	2,185,577	4.01 %
Restaurants and hotels	1,505,963	15,721	1,521,684	(71,192)	1,450,492	2.71 %
Transports	1,320,236	7,464	1,327,700	(20,751)	1,306,949	2.36 %
Post offices	19,918	254	20,172	(412)	19,760	0.04 %
Telecommunications	411,885	1,508	413,393	(9,411)	403,982	0.74 %
Services						
Financial intermediation	2,047,265	2,149	2,049,414	(44,691)	2,004,723	3.65 %
Real estate activities	1,978,182	10,931	1,989,113	(35,469)	1,953,644	3.54 %
Consulting, scientific and technical activities	969,410	8,232	977,642	(86,718)	890,924	1.74 %
Administrative and support services activities	532,237	4,296	536,533	(57,220)	479,313	0.96 %
Public sector	823,904	—	823,904	(2,545)	821,359	1.47 %
Education	143,930	814	144,744	(14,627)	130,117	0.26 %
Health and collective service activities	378,423	1,029	379,452	(7,108)	372,344	0.68 %
Artistic, sports and recreational activities	236,543	2,128	238,671	(37,124)	201,547	0.43 %
Other services	234,399	2,971	237,370	(101,356)	136,014	0.42 %
Consumer loans	5,775,239	237,160	6,012,399	(369,220)	5,643,179	10.70 %
Mortgage credit	28,012,946	110,809	28,123,755	(181,551)	27,942,204	50.06 %
Other domestic activities	1,377	332	1,709	(38)	1,671	0.00 %
Other international activities	676,253	3,266	679,519	(12,888)	666,631	1.21 %
	55,598,937	579,229	56,178,166	(1,502,373)	54,675,793	100 %

The loan to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and which arise to the marking of operations as being restructured due to financial difficulties of customers. The restructuring may include in a reinforce of guarantees, liquidation of part of the credit and imply an extension of maturities or changes in interest rate. The analysis of the restructured loans, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2023			31 December 2022 (restated)		
	Restructured loans	Impairment (*)	Net amount	Restructured loans	Impairment (*)	Net amount
Agriculture and forestry	11,834	(1,597)	10,237	15,009	(2,216)	12,793
Fisheries	2,776	(2,599)	177	2,772	(1,762)	1,010
Mining	5,957	(1,823)	4,134	1,305	(199)	1,106
Food, beverage and tobacco	22,465	(7,866)	14,599	28,393	(10,112)	18,281
Textiles	9,808	(3,037)	6,771	14,120	(4,981)	9,139
Wood and cork	3,789	(365)	3,424	6,088	(784)	5,304
Paper, printing and publishing	6,888	(1,861)	5,027	8,698	(1,701)	6,997
Chemicals	26,058	(8,414)	17,644	30,146	(11,809)	18,337
Machinery, equipment and basic metallurgical	48,456	(12,234)	36,222	74,637	(22,688)	51,949
Electricity and gas	757	(23)	734	1,133	(255)	878
Water	2,553	(787)	1,766	1,767	(734)	1,033
Construction	145,370	(90,800)	54,570	151,970	(94,787)	57,183
Retail business	28,376	(6,758)	21,618	38,861	(10,085)	28,776
Wholesale business	56,419	(8,436)	47,983	68,474	(13,627)	54,847
Restaurants and hotels	78,578	(21,773)	56,805	97,002	(16,126)	80,876
Transports	4,775	(1,755)	3,020	9,620	(1,767)	7,853
Post offices	72	(29)	43	125	(33)	92
Telecommunications	2,662	(503)	2,159	25,228	(4,066)	21,162
Services						
Financial intermediation	25,588	(1,079)	24,509	54,764	(19,879)	34,885
Real estate activities	85,081	(14,879)	70,202	45,785	(9,927)	35,858
Consulting, scientific and technical activities	182,528	(96,235)	86,293	190,444	(63,606)	126,838
Administrative and support services activities	30,799	(10,287)	20,512	67,941	(46,519)	21,422
Public sector	63,632	(417)	63,215	63,016	(427)	62,589
Education	2,597	(135)	2,462	17,310	(11,358)	5,952
Health and collective service activities	7,885	(1,156)	6,729	8,428	(1,206)	7,222
Artistic, sports and recreational activities	39,762	(25,164)	14,598	19,732	(8,865)	10,867
Other services	10,446	(1,624)	8,822	11,855	(1,601)	10,254
Consumer loans	269,803	(107,820)	161,983	274,500	(99,459)	175,041
Mortgage credit	598,007	(64,763)	533,244	535,948	(69,129)	466,819
Other domestic activities	3	—	3	—	—	—
Other international activities	800	(585)	215	977	(594)	383
	1,774,524	(494,804)	1,279,720	1,866,048	(530,302)	1,335,746

(*)The impairment presented in the table does not include the amounts of impairment calculated using the overlays methodology.

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Balance on 1 January	1,502,373	1,849,284
Charge for the period in net income interest	18,667	32,942
Transfers resulting from changes in the Group's structure	411	—
Other transfers	501	(53,634)
Impairment charge for the period (note 11)	610,321	830,750
Reversals for the period (note 11)	(387,489)	(506,926)
Loans charged-off		
Write-offs	(169,024)	(458,405)
Credit assignments	(43,706)	(189,061)
Exchange rate differences	7,028	(2,577)
Balance at the end of the period	1,539,082	1,502,373

The balance Other transfers included as at 31 December 2022 the amount of Euros 52,794,000 related to impairment for loans that were reclassified to Financial assets not held for trading mandatorily at fair value through profit or loss - Loans and advances to customers at fair value.

According to note 39, regarding the proceedings related to foreign currency-indexed mortgage loans of Bank Millennium the amount of Euros 1,385,343,000 has been written-off from the gross carrying amount of loans portfolio (31 December 2022: Euros 976,782,000).

The analysis of Write-offs, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Agriculture and forestry	950	271
Fisheries	—	1
Mining	—	46
Food, beverage and tobacco	1,034	1,696
Textiles	1,086	1,405
Wood and cork	524	2,083
Paper, printing and publishing	93	141
Chemicals	743	1,425
Machinery, equipment and basic metallurgical	8,602	2,613
Electricity and gas	374	615
Water	46	39
Construction	2,597	9,992
Retail business	1,390	10,324
Wholesale business	2,415	13,782
Restaurants and hotels	575	3,482
Transports	690	6,527
Post offices	102	128
Telecommunications	191	72
Services		
Financial intermediation	20,168	72,244
Real estate activities	198	306
Consulting, scientific and technical activities	2,256	1,119
Administrative and support services activities	34,837	2,839
Education	4	48
Health and collective service activities	166	179
Artistic, sports and recreational activities	181	6,492
Other services	89	240,544
Consumer loans	49,116	69,019
Mortgage credit	1,396	3,581
Other domestic activities	657	838
Other international activities	38,544	6,554
	169,024	458,405

According with the accounting policy described in note 1 C1.3, the Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. Loans written-off are recognised in off-balance sheet accounts.

The analysis of recovered loans and interest occurred during the first nine months of 2023 and 2022, by sector of activity, is as follows:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Agriculture and forestry	—	6
Food, beverage and tobacco	18	27
Textiles	21	37
Wood and cork	33	38
Chemicals	20	73
Machinery, equipment and basic metallurgical	14	150
Construction	628	2,184
Retail business	1,105	705
Wholesale business	1,376	94
Restaurants and hotels	17	61
Transports	269	49
Telecommunications	—	2
Services		
Financial intermediation	617	16
Real estate activities	92	483
Consulting, scientific and technical activities	329	8
Administrative and support services activities	30	20
Education	1	5
Health and collective service activities	1	—
Artistic, sports and recreational activities	20	3
Other services	1,206	4
Consumer loans	8,066	10,637
Mortgage credit	524	119
Other domestic activities	15	21
Other international activities	123	1,416
	14,525	16,158

23. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	175,030	183,260
Commercial paper	1,953,223	1,256,557
Foreign issuers		
Commercial paper	65,222	65,781
	2,193,475	1,505,598
Overdue securities - over 90 days	40	40
	2,193,515	1,505,638
Impairment	(7,778)	(4,676)
	2,185,737	1,500,962
Debt securities held not associated with credit operations		
Bonds issued by public entities (*)		
Portuguese issuers	3,559,203	3,517,560
Foreign issuers	10,557,426	7,317,443
Bonds issued by public companies and other entities		
Portuguese issuers	503,895	248,399
Foreign issuers	155,342	124,438
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	85,429	336,343
	14,861,295	11,544,183
Impairment	(10,945)	(9,563)
	14,850,350	11,534,620
	17,036,087	13,035,582

(*) Includes the negative amount of Euros 365,884,000 (31 December 2022: negative amount of Euros 417,311,000) related to adjustments resulting from the application of fair value hedge accounting.

Under the terms of IFRS 9, the balance Debt securities held not associated with credit operations - Bonds issued by public issuers, includes essentially a portfolio of securities to support Bank's ALM (Asset and Liability Management), whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 30 September 2023 amounts to Euros 9,694,466,000 (31 December 2022: Euros 9,248,707,000).

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

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Debt securities held associated with credit operations		
Agriculture and forestry	2,487	2,496
Mining	81,554	46,403
Food, beverage and tobacco	93,280	79,448
Textiles	49,912	58,555
Wood and cork	17,728	19,630
Paper, printing and publishing	10,430	8,104
Chemicals	138,713	179,516
Machinery, equipment and basic metallurgical	62,506	65,973
Electricity and gas	162,235	165,676
Water	35,525	5,475
Construction	7,841	13,397
Retail business	23,097	20,507
Wholesale business	58,014	56,698
Restaurants and hotels	8,935	8,789
Transports	33,427	36,591
Telecommunications	5,085	9,706
Services		
Financial intermediation	114,527	107,372
Real estate activities	68,984	50,845
Consulting, scientific and technical activities	1,115,740	473,231
Administrative and support services activities	14,571	12,269
Health and collective service activities	4,986	—
Artistic, sports and recreational activities	7,324	10,406
Other services	3,614	4,095
Other international activities	65,222	65,780
	2,185,737	1,500,962
Debt securities held not associated with credit operations		
Electricity and gas	106,656	88,873
Water	39,958	39,704
Services		
Financial intermediation	240,772	460,781
Consulting, scientific and technical activities	356,185	119,297
	743,571	708,655
Government and Public securities	14,106,779	10,825,965
	14,850,350	11,534,620
	17,036,087	13,035,582

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

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Debt securities held associated with credit operations		
Balance on 1 January	4,676	7,059
Charge for the period (note 11)	3,101	8
Reversals for the period (note 11)	—	(2,393)
Exchange rate differences	1	2
Balance at the end of the period	7,778	4,676
Debt securities held not associated with credit operations		
Balance on 1 January	9,563	8,743
Charge for the period (note 11)	2,242	3,329
Reversals for the period (note 11)	(531)	(2,779)
Loans charged-off	(357)	—
Exchange rate differences	28	270
Balance at the end of the period	10,945	9,563

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

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

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	631,587	338,813
Equity instruments	51,597	51,540
Trading derivatives	415,343	376,244
	1,098,527	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	5,111	20,929
Debt instruments	472,556	504,200
Equity instruments	14,417	27,550
	492,084	552,679
Financial assets designated at fair value through profit or loss		
Debt instruments	30,710	—
	30,710	—
Financial assets at fair value through other comprehensive income		
Debt instruments	8,649,420	7,434,152
Equity instruments	24,453	27,401
	8,673,873	7,461,553
	10,295,194	8,780,829

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 30 September 2023, is analysed as follows:

(Thousands of euros)

	30 September 2023				
	At fair value through profit or loss				
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments					
Bonds issued by public entities					
Portuguese issuers	49,266	–	30,710	2,442,296	2,522,272
Foreign issuers	61,036	–	–	2,356,879	2,417,915
Bonds issued by public companies and other entities					
Portuguese issuers	–	51	–	389,768	389,819
Foreign issuers	10,852	–	–	1,056,571	1,067,423
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	107,918	–	–	990	108,908
Foreign issuers	402,515	–	–	2,402,916	2,805,431
Shares of foreign companies (a)	–	21,726	–	–	21,726
Investment fund units (b)	–	450,779	–	–	450,779
	631,587	472,556	30,710	8,649,420	9,784,273
Equity instruments					
Shares					
Portuguese companies	164	–	–	16,157	16,321
Foreign companies	38	14,417	–	8,296	22,751
Other securities	51,395	–	–	–	51,395
	51,597	14,417	–	24,453	90,467
Trading derivatives	415,343	–	–	–	415,343
	1,098,527	486,973	30,710	8,673,873	10,290,083

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

As at 30 September 2023, the balances Financial assets held for trading include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 4, referred in note 1 D, in the amount of Euros 68,000 (31 December 2022: Euros 74,000).

Within the scope of economic hedging accounting, the securities accounted for in Financial assets designated at fair value through profit or loss are covered by the "Treasury Bond Certificates October 2025" issued by Banco Comercial Português, S.A. which are recorded in Financial liabilities designated at fair value through profit or loss (note 38).

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	31 December 2022 (restated)			
	At fair value through profit or loss			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	21,450	—	2,448,636	2,470,086
Foreign issuers	8,353	—	2,916,098	2,924,451
Bonds issued by other entities				
Portuguese issuers	—	51	542,765	542,816
Foreign issuers	74	—	897,146	897,220
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	308,936	—	993	309,929
Foreign issuers	—	—	628,514	628,514
Shares of foreign companies (a)	—	19,387	—	19,387
Investment fund units (b)	—	484,762	—	484,762
	338,813	504,200	7,434,152	8,277,165
Equity instruments				
Shares				
Portuguese companies	—	—	18,811	18,811
Foreign companies	24	27,550	8,590	36,164
Other securities	51,516	—	—	51,516
	51,540	27,550	27,401	106,491
Trading derivatives	376,244	—	—	376,244
	766,597	531,750	7,461,553	8,759,900

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

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

On balance sheet, the changes occurred in impairment of financial assets at fair value through other comprehensive, are analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Balance on 1 January	1,067	1,092
Transfers to fair value changes (note 43)	894	5,024
Impairment through profit and loss (note 12)	425	545
Reversals through profit and loss (note 12)	(1,319)	(5,569)
Exchange rate differences	14	(25)
Balance at the end of the period	1,081	1,067

The accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 4,273,000 and is recognised against Fair value reserves (31 December 2022: Euros 5,270,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 30 September 2023, is analysed as follows:

(Thousands of euros)

	30 September 2023			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,684,182	(182,552)	(59,334)	2,442,296
Foreign issuers	5,432,680	(3,042,114)	(33,687)	2,356,879
Bonds issued by other entities				
Portuguese issuers	573,107	(182,552)	(787)	389,768
Foreign issuers	1,161,512	(77,583)	(27,358)	1,056,571
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	992	–	(2)	990
Foreign issuers	2,402,955	–	(39)	2,402,916
	12,255,428	(3,484,801)	(121,207)	8,649,420
Equity instruments				
Shares				
Portuguese companies	23,151	–	(6,994)	16,157
Foreign companies	19,721	–	(11,425)	8,296
	42,872	–	(18,419)	24,453
	12,298,300	(3,484,801)	(139,626)	8,673,873

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

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	31 December 2022 (restated)			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,721,263	(182,643)	(89,984)	2,448,636
Foreign issuers	3,007,189	—	(91,091)	2,916,098
Bonds issued by other entities				
Portuguese issuers	566,480	(19,099)	(4,616)	542,765
Foreign issuers	1,023,516	(83,632)	(42,738)	897,146
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	994	—	(1)	993
Foreign issuers	628,509	—	5	628,514
	7,947,951	(285,374)	(228,425)	7,434,152
Equity instruments				
Shares				
Portuguese companies	33,448	—	(14,637)	18,811
Foreign companies	19,799	—	(11,209)	8,590
	53,247	—	(25,846)	27,401
	8,001,198	(285,374)	(254,271)	7,461,553

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

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Unsecured loans	2,880	17,217
Overdue loans - less than 90 days	166	554
Overdue loans - Over 90 days	2,065	3,158
	5,111	20,929

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 30 September 2023, is as follows:

(Thousands of euros)

	30 September 2023			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Mining	–	6	–	6
Paper, printing and publishing	46,703	–	–	46,703
Chemicals	3,978	3	–	3,981
Machinery, equipment and basic metallurgical	2,338	3	–	2,341
Electricity and gas	60,506	–	–	60,506
Water	13,190	–	–	13,190
Construction	–	166	–	166
Wholesale business	–	260	–	260
Restaurants and hotels	–	1,399	–	1,399
Transports	41,975	–	–	41,975
Telecommunications	38,465	4,334	–	42,799
Services				
Financial intermediation	3,510,486	48,271	501,643	4,060,400
Consulting, scientific and technical activities	107,952	103	–	108,055
Administrative and support services activities	18,337	6,227	–	24,564
Public sector	11,235	–	531	11,766
Other services	–	26	–	26
	3,855,165	60,798	502,174	4,418,137
Government and Public securities	5,456,603	–	–	5,456,603
	9,311,768	60,798	502,174	9,874,740

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2022, is as follows:

(Thousands of euros)

	31 December 2022 (restated)			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Mining	—	5	—	5
Paper, printing and publishing	45,562	2	—	45,564
Chemicals	—	2	—	2
Machinery, equipment and basic metallurgical	2,302	6	—	2,308
Electricity and gas	44,627	—	—	44,627
Water	9,460	—	—	9,460
Construction	4,934	2	—	4,936
Retail business	20,503	2	—	20,505
Wholesale business	6,456	260	—	6,716
Restaurants and hotels	—	1,401	—	1,401
Transports	29,491	—	—	29,491
Telecommunications	38,869	4,401	—	43,270
Services				
Financial intermediation	1,533,154	54,477	532,567	2,120,198
Consulting, scientific and technical activities	303,036	103	—	303,139
Administrative and support services activities	26,691	8,629	—	35,320
Public sector	—	—	325	325
Other services	3,465	5,054	3,386	11,905
Other international activities	—	18	—	18
	2,068,550	74,362	536,278	2,679,190
Government and Public securities	5,704,466	—	—	5,704,466
	7,773,016	74,362	536,278	8,383,656

25. Hedging derivatives

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

(Thousands of euros)

	30 September 2023		31 December 2022 (restated)	
	Assets	Liabilities	Assets	Liabilities
Swaps	82,079	137,348	59,703	178,000

26. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Portuguese credit institutions	49,572	49,228
Foreign credit institutions	128,373	170,045
Other Portuguese companies	164,608	131,477
Other foreign companies	40,418	30,432
	382,971	381,182
Impairment	(47,710)	(66,263)
	335,261	314,919

The balance Investments in associated companies, as at 30 September 2023, is analysed as follows:

(Thousands of euros)

	30 September 2023		
	Global value of participation	Impairment of investments in associated companies	Book value of participation
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	102,165	–	102,165
Banco Millennium Atlântico, S.A.	75,399	(29,699)	45,700
Banque BCP, S.A.S.	52,974	–	52,974
SIBS, S.G.P.S, S.A.	62,443	–	62,443
Fidelidade Moçambique - Companhia de Seguros S.A.	12,987	–	12,987
Unicre - Instituição Financeira de Crédito, S.A.	49,572	–	49,572
Webspectator Corporation	18,011	(18,011)	–
Millennium Financial Services Sp. z o.o.	9,420	–	9,420
	382,971	(47,710)	335,261

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

The balance Investments in associated companies, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	31 December 2022 (restated)		
	Global value of participation	Impairment of investments in associated companies	Book value of participation
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	75,968	–	75,968
Banco Millennium Atlântico, S.A.	119,180	(48,252)	70,928
Banque BCP, S.A.S.	50,865	–	50,865
SIBS, S.G.P.S, S.A.	55,509	–	55,509
Fidelidade Moçambique - Companhia de Seguros S.A.	12,421	–	12,421
Unicre - Instituição Financeira de Crédito, S.A.	49,228	–	49,228
Webspectator Corporation	18,011	(18,011)	–
	381,182	(66,263)	314,919

The Group's companies included in the consolidation perimeter are presented in note 54, as well as the main indicators of the most relevant ones.

The movements occurred in Impairment of investments in associated companies are analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Balance on 1 January	66,263	78,268
Transfers from Other provisions (Banco Millennium Atlântico, S.A.) (note 39)	—	5,000
Impairment charge for the period (note 13)	—	1,435
Impairment write-off (Banco Millennium Atlântico, S.A.)	—	(16,787)
Exchange rate differences	(18,553)	(1,653)
Balance at the end of the period	47,710	66,263

27. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023			31 December 2022 (restated)		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	68,610	(21,911)	46,699	326,577	(90,699)	235,878
Assets belong to investments funds and real estate companies	20,346	(4,326)	16,020	266,544	(46,497)	220,047
Assets for own use (closed branches)	3,577	(1,251)	2,326	20,556	(6,626)	13,930
Equipment and other	20,990	(4,950)	16,040	22,117	(5,743)	16,374
Other assets	490	—	490	12,806	—	12,806
	114,013	(32,438)	81,575	648,600	(149,565)	499,035

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

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

The Group has a strategy for sale these assets, consistent with the characteristic of each asset as well as with the breakdown of underlying valuations. However, considering the formal constraints, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Group having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Group has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market. The Group requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The changes occurred in Impairment of non-current assets held for sale are analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Balance on 1 January	149,565	190,714
Transfers	(89,978)	—
Charge for the period (note 13)	6,303	78,318
Reversals for the period (note 13)	(2,830)	(1,116)
Amounts charged-off	(30,742)	(119,073)
Exchange rate differences	120	722
Balance at the end of the period	32,438	149,565

28. Investment property

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

29. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Real estate	668,838	670,000
Equipment		
Computer equipment	342,767	334,864
Security equipment	67,666	67,687
Interior installations	151,859	149,986
Machinery	48,934	47,283
Furniture	84,433	84,516
Motor vehicles	35,384	32,529
Other equipment	30,478	28,224
Right of use		
Real estate	379,828	366,363
Vehicles and equipment	—	431
Work in progress	11,749	21,279
Other tangible assets	35	39
	1,821,971	1,803,201
Accumulated depreciation		
Relative to the current period (note 9)	(73,587)	(98,916)
Relative to the previous periods	(1,152,158)	(1,129,588)
	(1,225,745)	(1,228,504)
	596,226	574,697

The balance Real Estate includes the amount of Euros 107,833,000 (31 December 2022: Euros 108,616,000) related to real estate held by the Group's real estate investment funds.

The balance Right-of-use essentially corresponds to real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the lease term of each contract, as described in the accounting policy 1 H.

The changes occurred in the caption Other tangible assets during the first nine months of 2023 are analysed as follows:

(Thousands of euros)

	2023					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 September
Real estate	670,000	1,262	(10,984)	6,963	1,597	668,838
Equipment:						
Computer equipment	334,864	9,531	(7,369)	4,748	993	342,767
Security equipment	67,687	140	(404)	180	63	67,666
Interior installations	149,986	624	(1,424)	2,507	166	151,859
Machinery	47,283	106	(245)	1,486	304	48,934
Furniture	84,516	356	(957)	453	65	84,433
Motor vehicles	32,529	6,867	(4,408)	183	213	35,384
Other equipment	28,224	19	(216)	2,130	321	30,478
Right of use						
Real estate	366,363	126,962	(115,340)	—	1,843	379,828
Vehicles and equipment	431	—	(441)	—	10	—
Work in progress	21,279	9,780	(169)	(19,492)	351	11,749
Other tangible assets	39	—	—	—	(4)	35
	1,803,201	155,647	(141,957)	(842)	5,922	1,821,971
Accumulated depreciation						
Real estate	(406,065)	(10,738)	9,157	317	(979)	(408,308)
Equipment:						
Computer equipment	(286,978)	(13,491)	7,329	166	(616)	(293,590)
Security equipment	(63,350)	(718)	400	27	(47)	(63,688)
Interior installations	(133,154)	(2,353)	1,379	21	(107)	(134,214)
Machinery	(39,524)	(1,227)	205	(298)	(222)	(41,066)
Furniture	(79,007)	(1,899)	936	227	(50)	(79,793)
Motor vehicles	(18,457)	(3,683)	3,700	(52)	(156)	(18,648)
Other equipment	(22,660)	(1,191)	207	(44)	(257)	(23,945)
Right of use						
Real estate	(178,839)	(38,287)	55,608	—	(936)	(162,454)
Vehicles and equipment	(431)	—	441	—	(10)	—
Other tangible assets	(39)	—	—	—	—	(39)
	(1,228,504)	(73,587)	79,362	364	(3,380)	(1,225,745)
	574,697	82,060	(62,595)	(478)	2,542	596,226

The changes occurred in the caption Other tangible assets during 2022 are analysed as follows:

(Thousands of euros)

	2022 (restated)					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	708,803	2,442	(37,606)	(6,690)	3,051	670,000
Equipment:						
Computer equipment	337,457	15,238	(31,600)	12,186	1,583	334,864
Security equipment	67,542	844	(1,372)	382	291	67,687
Interior installations	148,532	1,339	(1,880)	1,198	797	149,986
Machinery	49,455	611	(2,068)	(380)	(335)	47,283
Furniture	84,923	440	(3,583)	2,371	365	84,516
Motor vehicles	29,703	7,033	(4,869)	306	356	32,529
Other equipment	30,711	180	(2,223)	107	(551)	28,224
Right of use						
Real estate	352,346	35,010	(20,114)	(8)	(871)	366,363
Vehicles and equipment	505	—	(65)	—	(9)	431
Work in progress	20,656	24,408	(1,133)	(22,808)	156	21,279
Other tangible assets	38	—	—	—	1	39
	1,830,671	87,545	(106,513)	(13,336)	4,834	1,803,201
Accumulated depreciation						
Real estate	(428,656)	(14,917)	31,982	5,702	(176)	(406,065)
Equipment:						
Computer equipment	(300,560)	(16,375)	31,432	(116)	(1,359)	(286,978)
Security equipment	(63,723)	(862)	1,337	152	(254)	(63,350)
Interior installations	(131,897)	(3,007)	1,828	446	(524)	(133,154)
Machinery	(41,681)	(1,535)	1,997	1,427	268	(39,524)
Furniture	(78,344)	(2,717)	3,543	(1,232)	(257)	(79,007)
Motor vehicles	(17,743)	(4,636)	4,189	(53)	(214)	(18,457)
Other equipment	(23,811)	(1,498)	2,222	12	415	(22,660)
Right of use						
Real estate	(142,996)	(53,365)	17,094	1	427	(178,839)
Vehicles and equipment	(501)	(4)	65	—	9	(431)
Other tangible assets	(38)	—	—	—	(1)	(39)
	(1,229,950)	(98,916)	95,689	6,339	(1,666)	(1,228,504)
	600,721	(11,371)	(10,824)	(6,997)	3,168	574,697

30. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	104,021	102,655
Euro Bank, S.A. (Poland)	41,585	41,038
Others	10,185	10,182
	155,791	153,875
Impairment		
Bank Millennium, S.A. (Poland)	(104,021)	(102,655)
Others	(9,880)	(9,880)
	(113,901)	(112,535)
	41,890	41,340
Intangible assets		
Software	273,773	277,205
Other intangible assets	76,940	73,607
	350,713	350,812
Accumulated amortisation		
Charge for the period (note 9)	(29,653)	(40,334)
Charge for the previous periods	(165,709)	(169,131)
	(195,362)	(209,465)
	155,351	141,347
	197,241	182,687

The changes occurred in the caption Goodwill and intangible assets, during the first nine months of 2023, are analysed as follows:

(Thousands of euros)

	2023					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 30 September
Goodwill - Differences arising on consolidation	153,875	—	—	—	1,916	155,791
Impairment for goodwill	(112,535)	—	—	—	(1,366)	(113,901)
	41,340	—	—	—	550	41,890
Intangible assets						
Software	277,205	44,405	(46,958)	(2,379)	1,500	273,773
Other intangible assets	73,607	14	—	2,379	940	76,940
	350,812	44,419	(46,958)	—	2,440	350,713
Accumulated depreciation						
Software	(146,799)	(25,835)	45,427	271	(879)	(127,815)
Other intangible assets	(62,666)	(3,818)	—	(271)	(792)	(67,547)
	(209,465)	(29,653)	45,427	—	(1,671)	(195,362)
	141,347	14,766	(1,531)	—	769	155,351
	182,687	14,766	(1,531)	—	1,319	197,241

The changes occurred in the caption Goodwill and intangible assets during 2022 are analysed as follows:

(Thousands of euros)

	2022 (restated)					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	159,431	–	(2,512)	–	(3,044)	153,875
Impairment for goodwill	(11,931)	(102,770)	2,512	–	(346)	(112,535)
	147,500	(102,770)	–	–	(3,390)	41,340
Intangible assets						
Software	234,192	72,441	(25,315)	(3,664)	(449)	277,205
Other intangible assets	70,823	1,213	(1,037)	4,073	(1,465)	73,607
	305,015	73,654	(26,352)	409	(1,914)	350,812
Accumulated depreciation						
Software	(136,360)	(36,168)	24,859	419	451	(146,799)
Other intangible assets	(59,942)	(4,166)	1,027	(828)	1,243	(62,666)
	(196,302)	(40,334)	25,886	(409)	1,694	(209,465)
	108,713	33,320	(466)	–	(220)	141,347
	256,213	(69,450)	(466)	–	(3,610)	182,687

31. Income tax

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

(Thousands of euros)

	30 September 2023			31 December 2022 (restated)		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	861,511	–	861,511	982,465	–	982,465
Employee benefits	735,398	–	735,398	835,619	–	835,619
	1,596,909	–	1,596,909	1,818,084	–	1,818,084
Deferred taxes depending on the future profits						
Impairment losses (b)	444,964	–	444,964	438,430	(50,303)	388,127
Tax losses carried forward	185,214	–	185,214	188,693	–	188,693
Employee benefits	55,848	(136,622)	(80,774)	50,770	(136,019)	(85,249)
Financial assets at fair value through other comprehensive income	648,587	(123,238)	525,349	729,416	(134,154)	595,262
Derivatives	–	(5,126)	(5,126)	–	(5,482)	(5,482)
Intangible assets	1,043	–	1,043	1,143	–	1,143
Other tangible assets	9,174	(3,228)	5,946	8,693	(3,380)	5,313
Others	101,981	(61,023)	40,958	111,336	(89,949)	21,387
	1,446,811	(329,237)	1,117,574	1,528,481	(419,287)	1,109,194
Total deferred taxes	3,043,720	(329,237)	2,714,483	3,346,565	(419,287)	2,927,278
Offset between deferred tax assets and deferred tax liabilities	(320,273)	320,273	–	(407,579)	407,579	–
Net deferred taxes	2,723,447	(8,964)	2,714,483	2,938,986	(11,708)	2,927,278

(a) Special Regime applicable to deferred tax assets

(b) The amounts as at 30 September 2023 and 31 December 2022 include deferred tax assets related with credit impairments non-accepted fiscally of which credits were written-off, according to the expectation that the use of such impairments will be deductible for the purposes of determining taxable income for the tax periods in which the legal conditions required for their tax deductibility are met.

As at 30 September 2023, the balance deferred tax assets amounts to Euros 2,723,447,000, of which Euros 2,562,834,000 are related to the Bank's activity. The deferred taxes assets relating to the individual activity include a net amount of Euros 490,464,000 resulting from losses on cash flow hedging derivatives operations of interest rate risk recognized in other comprehensive income, whose average maturity of operations is 3.4 years and Euros 475,461,000 which depends on the existence of future profitable profits (deferred tax assets not eligible under the special regime applicable to deferred tax assets, approved by Law No. 61/2014, of 26 August), including:

- Euros 305,087,000 (net value) related to impairment losses; and

- Euros 162,400,000 resulting from reportable tax losses recorded for the years 2016 and 2020.

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank that took place on 15 October 2014 approved the Bank's accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from not deduction of expenses and negative equity variations with impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the period's taxation commencing on or after 1 January 2016, nor to deferred tax assets to these associates.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the Corporate income tax Code and in relevant separate tax legislation, up to the limit of the taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted because of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP Group, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,463,302,000 (31 December 2022: Euros 1,599,199,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In case of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity, and a special reserve corresponding to 110% of the tax credit must also be constituted and, simultaneously, constituting conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter or included in the same group of entities for which are applied the Special Tax Regime for Groups of Companies) or reimbursed by the State.

Pursuant to the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law No. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by Ordinance no. 259/2016, of 4 October, about the control and use of tax credits, and by the Ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. Law No. 98/2019, of 4 September, establishes a deadline for the acquisition of the referred rights of the State by the shareholders, after which the Management Board of the issuing bank is obliged to promote the record of the capital increase by the amount resulting from the exercise of the conversion rights. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 3 years after the confirmation date of the conversion of the deferred tax asset into tax credit by the Portuguese Tax and Customs Authority. The issuing entity shall deposit in favour of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset with each other, and the deferred tax assets and liabilities related to income taxes levied by the same fiscal authority over the same taxable entity.

The current tax rate for Banco Comercial Português, S.A. is analysed as follows:

	30 September 2023	31 December 2022 (restated)
Income tax	21%	21%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than 1,500,000 to 7,500,000	3%	3%
From more than 7,500,000 to 35,000,000	5%	5%
More than 35,000,000	9%	9%

The deferred tax rate related to the Bank's tax losses is 21%, in 2023 (31 December 2022: 21%).

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 31.3% (31 December 2022: 31.3%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 32% in Mozambique and 0% (exemption) in the Cayman Islands.

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

The reporting period for tax losses carried forward in Poland and in Mozambique it is 5 years.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under corporate income tax (IRC), in which it's the dominant company. The remaining companies covered by the RETGS are Banco ActivoBank, S.A., Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., BCP África, S.G.P.S. Lda., Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal Lda. and Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A. In 2023 and 2022, the application of RETGS was maintained.

The balance deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses of loans accounted for until 31 December 2014.

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

In 2022, the Banco Comercial Português, S.A. and the Banco ActivoBank, S.A. exercised the option to apply the new regime, under the terms of which the impairment losses for credit risk relating to exposures analysed on an individual or on a collective basis recognized in accordance with the applicable accounting standards and regulations are fully deductible for the purposes of determining taxable profit, with the exceptions provided for in the Corporate Income Tax Code. The exceptions apply to impairment losses relating to credits and other rights over natural or legal persons who hold, directly or indirectly, more than 10 % of the Bank's capital, over members of its corporate bodies, over companies in which the Bank holds, directly or indirectly, more than 10 % of the capital or over entities with which it is in a situation of special relations.

The Impairment losses and other value corrections for specific credit risk recorded until 31 December 2021 and still not accepted for tax purposes are only deductible up to the amount that, in each tax period, corresponds to the application of the mandatory minimum limits set out in Notice of Bank of Portugal No. 3/95, as amended before its repeal by Notice of Bank of Portugal No. 5/2015, and, between other conditions, provided that they are not claims covered by real estate rights.

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

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Y3 and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred taxes assets is based on the projection of results for the period between 2023 and 2032. The projected results before taxes for the years 2023, 2024 and 2025 are consistent with the budget approved by the Board of Directors of the Bank in December 2022, which incorporates the priorities arising from the Strategic Plan 2021-2024. The assessment carried out on 30 June 2023 also considered, among other aspects, the impacts arising from the update of market interest rates and the most recent macroeconomic projections.

The abandonment of negative interest rates, which imposed a burden on banks, is favourably reflected in projected profitability and convergence towards medium/long-term metrics and trends consistent with commercial positioning and the coveted capture of efficiency gains, established in Strategic Plan approved by the corporate bodies, highlighting:

- the improvement in the net interest income, which mainly reflects the increase in market interest rates and also benefits from the preservation of the deposit base, the effort to increase credit focusing on certain segments and also the reinvestment of assets at the new interest rates;

- the increase in commission income based on efficient and judicious management of commissioning and pricing;

- the reduction of the cost of risk for levels in line with the Bank's current activity, with a lesser impact from the historical portfolios of NPE, foreclosed assets and FRE (Corporate Restructuring Funds), consolidating the reduction of these exposures achieved over the last years;

- capturing efficiency gains enhanced by digitalization, reflected in the control of operating costs, after the staff reduction carried out in 2021;

- the Bank's results in the first half of the year showed an overall positive performance compared to the approved budget. The perspectives regarding the macroeconomic and financial return, although without significant changes, has also evolved favourably. These circumstances and the assessment of their potential effect on projections of results reinforce the conclusion that all deferred taxes assets recognized with reference to 31 December 2022 are recoverable.

To estimate taxable net income for the periods of 2023 to 2032, the following main assumptions were considered:

- The rules of the new tax regime of credit impairment were applied. In the application of these rules, the following assumptions were considered, in general terms:

a) the impairment losses for credit risk related to exposures analysed on an individual or collective basis, recognised in accordance with the applicable accounting and regulatory standards, were considered deductible for tax purposes;

b) impairment reversals created up to 31 December 2021 not accepted for tax purposes were estimated based on the Non-Performing Assets Reduction Plan 2022-2024 submitted to the supervisory authority in March 2022, and also on the basis of the average percentage of reversal observed in the last years from 2016 to 2022;

c) the referred average percentages were calculated separately, depending on whether or not there was a mortgage guarantee, the eligibility for purposes of the special regime applicable to deferred tax assets and according to the customers' classification as Non-Performing Exposures (NPE).

- The deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations;

- Impairment reversals of non-financial assets not accepted for tax purposes were projected considering the expected periods of disinvestment in certain real estate assets. For the remaining assets without a forecasted term for disinvestment, the reversals were estimated based on the average percentage of reversal observed in the years from 2016 to 2022. Non-deductible expenses related to the reinforcement of impairment of non-financial assets were estimated on the based on the average percentage of amounts not deducted for tax purposes in the years from 2016 to 2022, compared to the amounts of reinforcements net of impairment recorded in those years;

- The deductions related to employee benefits were projected based on their estimated payments or deduction plans, in accordance with information provided by the pension fund actuary;

- The realization of changes in the fair value of real estate investment funds was projected based on the information available in the regulations of the funds in question in relation to the period foreseen for the respective liquidation.

According to the estimate of future taxable income, the deferred taxes assets recorded as at 30 June 2023 and 31 December 2022 are adequate under the IAS 12 requirements. This analysis has not been updated with reference to 30 September 2023.

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

(Thousands of euros)

Tax losses carried forward	30 September 2023	31 December 2022 (restated)
2014	161,906	161,895
2015	2	2
2016	284,887	286,419
2017	2,773	3,530
2018	118,295	118,295
2019	24,071	24,265
2020	6,288	3,337
2021	205,076	207,294
2022	24,386	21,080
2023	8,363	—
	836,047	826,117

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 September 2023, is analysed as follows:

(Thousands of euros)

	30 September 2023		
	Net income for the period	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(120,954)	—	—
Employee benefits	(79,889)	(20,332)	—
	(200,843)	(20,332)	—
Deferred taxes depending on the future profits			
Impairment losses	6,243	(1,310)	1,601
Tax losses carried forward (a)	(3,698)	—	219
Employee benefits	(28,261)	32,680	56
Financial assets at fair value through other comprehensive income	—	(86,135)	16,222
Derivatives	—	—	356
Intangible assets	(116)	—	16
Other tangible assets	641	—	(8)
Others	11,350	745	(15,070)
	(13,841)	(54,020)	3,392
	(214,684)	(74,352)	3,392
Current taxes			
Current period	(173,001)	(17)	—
Correction of previous periods	306	—	—
	(172,695)	(17)	—
	(387,379)	(74,369)	3,392

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 September 2022, is analysed as follows:

(Thousands of euros)

	30 September 2022 (restated)		
	Net income for the period	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(6,095)	—	—
Employee benefits	(18,728)	—	—
	(24,823)	—	—
Deferred taxes depending on the future profits			
Impairment losses	(133,339)	—	(6,532)
Tax losses carried forward (a)	5,585	(5,119)	1,472
Employee benefits	(3,673)	(161,638)	(224)
Financial assets at fair value through other comprehensive income	—	594,883	(9,448)
Derivatives	—	—	(530)
Intangible assets	(296)	—	(74)
Other tangible assets	1,149	—	19
Others	22,170	(17)	8,039
	(108,404)	428,109	(7,278)
	(133,227)	428,109	(7,278)
Current taxes			
Current period	(76,190)	(16)	—
Correction of previous periods	781	—	—
	(75,409)	(16)	—
	(208,636)	428,093	(7,278)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity changes recorded in reserves that contribute to the calculation of taxable income.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Net income before income taxes	1,109,349	185,021
Current tax rate (%)	31.5%	31.5%
Expected tax	(349,445)	(58,282)
Non-deductible impairment and provisions (a)	(104,268)	(114,364)
Mandatory contributions to the banking sector (b)	(16,739)	(25,513)
Results of companies accounted by the equity method	14,995	11,857
Interests on other equity instruments (c)	8,741	8,741
Effect of the tax rate difference (d)	43,730	(15,893)
Effect of recognition/derecognition net of deferred taxes (e)	14,650	(11,484)
Non-deductible costs and other corrections	137	(3,670)
Correction of previous periods	1,368	523
Autonomous tax	(548)	(551)
Total	(387,379)	(208,636)
Effective rate (%)	34.9%	112.8%

(a) In 2023 includes the negative amount of Euros 88,273,000 (2022: negative Euros 64,527,000) related to the impact of the non-deductibility for tax purposes of the provisions related to legal risks associated with the mortgage loans portfolio granted in foreign currency by Bank Millennium, such as the negative amount of Euros 19,032,000 (2022: negative euros 10,200,000) relating on the impact of the non-deductibility for tax purposes of the net reinforcement of provisions for risks and charges registered with Banco Comercial Português. In 2022 includes the negative amount of Euros 32,227,000 regarding the goodwill impairment associated to this subsidiary.

(b) Refers to mandatory contributions to the banking sector in Portugal (contribution to the banking sector and additional solidarity on the banking sector) and in Poland.

(c) Relates to the impact of the deduction for taxable income purposes of interest paid in respect of perpetual bonds representing subordinated debt issued in 2019.

(d) In 2023 this balance includes the amount of Euros 14,361,000 (2022: Euros 15,558,000) related with the effect of the taxation of 20% tax on interests of Mozambique's public debt securities and the amount of Euros 28,849,000 (2022: negative Euros 30,617,000) related to the effect of the difference in the tax rate on profits in Poland, which is 19%, on a net income before income tax.

(e) In 2023 includes the amount of Euros 29,469,000 related to the recognition of deferred tax assets related to temporary differences associated with potential losses in specialised credit recovery funds and the negative amount of Euros 12,275,000 (2022: negative Euros 10,906,000) related to the non-recognition/derecognition of deferred tax assets of tax losses.

32. Other assets

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Deposit account applications	60,091	51,371
Capital supplies	186,180	178,725
Obligations with post-employment benefits	574,893	593,494
Debtors for futures and options transactions	119,954	191,290
Real estate and other assets arising from recovered loans	382,568	—
Debtors		
Residents		
Receivables from real estate, transfers of assets and other securities	125,284	111,693
Prosecution cases / agreements with the Bank	11,961	12,163
SIBS	3,367	3,521
Others	23,716	66,744
Non-residents	39,331	30,584
Amounts due for collection	78,719	80,024
Interest and other amounts receivable	84,287	69,613
Amounts receivable on trading activity	172,938	3,234
Amounts due from customers	54,107	51,229
Artistic patrimony	28,796	28,796
Prepaid expenses	29,536	23,654
Subsidies receivables	6,569	10,764
Other recoverable tax	8,146	9,082
Gold and other precious metals	3,577	3,640
Capital supplementary contributions	165	165
Associated companies	206	145
Sundry assets	347,620	254,276
	2,342,011	1,774,207
Impairment for other assets	(295,988)	(191,752)
	2,046,023	1,582,455

As at 30 September 2023, the detail of the item Real estate and other assets arising from recovered loans is analysed as follows:

(Thousands of euros)

	30 September 2023		
	Gross value	Impairment	Net value
Real estate			
Assets arising from recovered loans	181,602	(56,065)	125,537
Assets belong to investments funds and real estate companies	173,983	(34,835)	139,148
Assets for own use (closed branches)	13,926	(6,133)	7,793
Equipment	1,298	(673)	625
Other assets	11,759	—	11,759
	382,568	(97,706)	284,862

The changes occurred in Impairment of other assets, with the exception of impairment for Real estate and other assets arising from recovered loans are analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Balance on 1 January	191,752	260,199
Transfers resulting from changes in the Group's structure	—	(1,038)
Other transfers	(1,053)	908
Charge for the period (note 13)	14,352	17,699
Reversals for the period (note 13)	(5,736)	(7,047)
Amounts charged-off	(1,156)	(78,835)
Exchange rate differences	123	(134)
Balance at the end of the period	198,282	191,752

The changes occurred in impairment for Real Estate and other assets arising from recovered loans, are analysed as follow:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Balance on 1 January	—	—
Transfers	90,838	—
Charge for the period (note 13)	8,749	—
Reversals for the period (note 13)	(134)	—
Amounts charged-off	(1,767)	—
Exchange rate differences	20	—
Balance at the end of the period	97,706	—

33. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Resources and other financing from Central Banks		
Bank of Portugal	150,033	592,740
Central Banks abroad	109,898	14,736
	259,931	607,476
Resources from credit institutions in Portugal		
Sight deposits	46,631	92,493
Term Deposits	66,744	151,244
	113,375	243,737
Resources from credit institutions abroad		
Repayable on demand	79,269	74,890
Term deposits	135,421	152,385
Loans obtained	265,577	293,387
CIRS and IRS operations collateralised by deposits (*)	112,189	92,299
Sales operations with repurchase agreement	265,607	—
Other resources	8,835	4,186
	866,898	617,147
	1,240,204	1,468,360

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

As at 31 December 2022, the item Resources and others financing from Central Banks – of Portugal included a total amount associated with the TLTRO III program of Euros 600,000,000, having been repaid early in January 2023. Considering the financing characteristics and the nature of the respective lender, the Bank accounted for the TLTRO III operation under IFRS9. The Bank considered that the operation constitutes a variable rate financing, indexed to the Deposit Facility Rate of the European Central Bank (ECB), having fulfilled the necessary criteria for it. Specifically for the period between 24 June 2020 and 23 June 2022, the Bank complied with the conditions required for the application, to each of the two tranches of the financing, of a maximum interest rate of -1%. Consequently, it recognised in the financial statements, for the referred interest counting period, the rate of -1%. For the period between 24 June and 31 December 2022, the rate resulting from the provisions of the regulation applied for the calculation in the different subperiods.

34. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Deposits from customers		
Repayable on demand	45,021,224	48,673,569
Term deposits	22,463,377	19,816,079
Saving accounts	5,080,306	6,315,759
Treasury bills and other assets sold under repurchase agreement	86,577	—
Cheques and orders to pay	661,966	564,369
Other	60,379	60,367
	73,373,829	75,430,143

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

35. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Bonds	113,093	53,799
Medium term notes (MTN)	1,849,661	1,347,967
Securitisations	126,593	142,062
	2,089,347	1,543,828
Corrections to the value of liabilities subject to hedging operations	(63,995)	(66,860)
Deferred cost expenses	(10,989)	(12,523)
Interests to pay	42,569	17,641
	2,056,932	1,482,086

As described on note 47, in the third quarter of 2023, Bank Millennium (Poland) issued non-preferred senior notes listed on the Luxembourg Stock Exchange, with a total value of Euros 500 million (Euros 400 million issued on 18 September 2023 and Euros 100 million on 27 September 2023. All issued notes mature on 18 September 2027 (with the possibility of early redemption on 18 September 2026). These notes issue have been organised under the EMTN Programme on the basis of main Prospectus approved on 25 August 2023 by the *Commission de Surveillance du Secteur Financier*.

36. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Bonds		
Non-Perpetual	1,381,206	1,376,856
Corrections to the value of liabilities subject to hedging operations	(60,789)	(72,040)
Deferred cost expenses	(2,168)	(2,436)
Interests to pay	36,244	30,676
	1,354,493	1,333,056

As at 30 September 2023, the subordinated debt issues are analysed as follows:

(Thousands of euros)

	30 September 2023					
Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	166,300	176,302	139,230
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	431,367	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	273,327	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	135,147	133,700
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	9.25%	157,899	155,928	54,798
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	8.94%	187,224	182,378	64,975
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,354,493	1,142,703

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

(ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5-year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

(iii) Interest rate of 4%, per annum, during the first 5 years and 6 months (corresponding to a spread of 4.065% over the average of the mid-swap rates of 5 and 6 years). At the end of the first 5 years and 6 months the interest rate will be reset to maturity based on the 5-year mid swaps rate prevailing at that time plus the Spread.

(iv) Fixed annual interest rate of 8.75% during the first 5.25 years. The annual interest rate from year 5.25 onwards was set at the 5-year mid-swap rate plus a 6.051%.

As at 31 December 2022, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	31 December 2022 (restated) Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	166,300	164,044	164,175
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	428,740	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	274,350	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	130,932	133,700
Grupo Bank Millennium						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	9.7%	149,521	150,475	98,956
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	9.6%	177,290	184,471	117,334
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,333,056	1,264,165

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

(ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5-year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

(iii) Interest rate of 4%, per annum, during the first 5 years and 6 months (corresponding to a spread of 4.065% over the average of the mid-swap rates of 5 and 6 years). At the end of the first 5 years and 6 months the interest rate will be reset to maturity based on the 5-year mid swaps rate prevailing at that time plus the Spread.

(iv) Fixed annual interest rate of 8.75% during the first 5.25 years. The annual interest rate from year 5.25 onwards was set at the 5-year mid-swap rate plus a 6.051%.

37. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Short selling securities	32,899	1,022
Trading derivatives (note 24)		
Swaps	136,228	170,165
of which: Embedded derivatives	—	8
Options	89,340	60,901
of which: Embedded derivatives	83,088	53,487
Forwards	10,536	9,418
Others	4	—
	236,108	240,484
	269,007	241,506

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

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Deposits from customers (*)	2,159,773	476,671
Certificates	959,226	850,681
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	383,632	490,326
	3,502,631	1,817,678

(*) Deposits from customers whose remuneration is indexed to a set of shares and/or indices.

39. Provisions

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Provision for guarantees and other commitments	113,633	110,754
Other provisions for liabilities and charges	548,348	451,032
	661,981	561,786

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

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Balance on 1 January	110,754	110,649
Transfers	(1,989)	(708)
Charge for the period (note 14)	29,676	27,864
Reversals for the period (note 14)	(24,911)	(26,939)
Exchange rate differences	103	(112)
Balance at the end of the period	113,633	110,754

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

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Balance on 1 January	451,032	348,095
Other transfers	3,236	(5,504)
Charge of the period for restructuring costs	—	4,414
Charge for the period (note 14)	579,224	569,226
Reversals for the period (note 14)	(2,594)	(1,854)
Amounts charged-off	(32,650)	(116,874)
Allocation to loan's portfolio (note 22)	(448,157)	(344,052)
Exchange rate differences	(1,743)	(2,419)
Balance at the end of the period	548,348	451,032

Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

In 2021, Bank Millennium changed the accounting policy regarding the recognition of provisions for future claims related to active CHF mortgage loans in the balance sheet. As a result of changes in market conditions, such as the growing number of unfavourable court judgments declaring the entire agreement or certain provisions of these credits to be invalid, the Bank does not expect that all contractual cash flows related to these loans will be recovered. As a result, Bank Millennium allocates provisions for future claims and recognizes them as a reduction of the gross carrying amount of loans for which a decrease in future cash flows is expected, in accordance with paragraph B5.4.6 of IFRS 9 "Financial Instruments" (previously provisions for future claims used to be recognized in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"). As a result of the above change, the approach applied in accordance with IAS 37 will be continued only regarding claims relating to already repaid (or almost fully repaid) receivables not recognised in Bank Millennium's balance sheet.

As at 30 September 2023, the Loans and advances to customers portfolio in CHF has a gross amount of Euros 2,244,926,000 (31 December 2022: Euros 2,477,851,000).

As at 30 September 2023, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 1,626,835,000 (PLN 7,516,140,000), of which 1,385,343,000 (PLN 6,400,425,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 22) and Euros 241,492,000 (PLN 1,115,715,000) are presented under Provisions.

With reference to 31 December 2022, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 1,152,457,000 (PLN 5,395,344,000), of which Euros 976,782,000 (PLN 4,572,901,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 22) and Euros 175,676,000 (PLN 822,443,000) are presented under Provisions.

The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

40. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Interests and other amounts payable	163,903	163,843
Operations to be settled - foreign, transfers and deposits	192,036	212,208
Credit insurance received and to accrued	52,441	62,740
Holidays, subsidies and other remuneration payable	67,922	55,132
Transactions on securities to be settled	151,723	4,514
Public sector	35,829	43,628
Creditors		
Rents to pay	216,731	185,163
Deposit account and other applications	111,183	89,386
Suppliers	39,133	35,649
From factoring operations	30,746	41,618
For futures and options transactions	10,967	73,394
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	10,974	10,819
Associated companies	—	21
Other creditors		
Residents	36,770	66,158
Non-residents	82,511	70,590
Deferred income	10,547	10,155
Other administrative costs payable	5,986	4,763
Other liabilities	323,079	262,192
	1,542,481	1,391,973

41. Share capital, Share premium and Other equity instruments

As at 30 September 2023, the Bank's share capital amounts to Euros 3,000,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up. Pursuant to the resolutions adopted at the General Meeting held on 20 December 2022, the Bank registered its new share capital of 3,000,000,000 Euros, maintaining the number of nominatives, book-entry shares without nominal value and of the voting rights.

As at 30 September 2023, the Share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 30 September 2023, the Other equity instruments in the amount of Euros 400,000,000 corresponds to 2,000 subordinated perpetual bonds (Additional Tier 1), issued on 31 January 2019, with a nominal value of Euros 200,000 each. This issue was classified as an equity instrument in accordance with the specific rules of IAS 32 and accounting policy 1.E. This operation without fixed term has the option of early repayment by the Bank as from the end of the 5th year, and an annual interest rate of 9.25% during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

42. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. In accordance with the proposal for the appropriation of net income for the 2022 financial year approved at the General Shareholders' Meeting held on 24 May 2023, the Bank increased its legal reserves in the amount of Euros 47,841,000, thus, as at 30 September 2023 the Legal Reserves amount to Euros 316,375,000 (31 December 2022: Euros 268,534,000).

In accordance with the current Portuguese legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20% of their net annual profits depending on the nature of their economic activity and are recognised in Other reserves and retained earnings in the Bank's consolidated financial statements (note 43).

43. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 24)		
Debt instruments (*)	(121,207)	(228,425)
Equity instruments	(18,419)	(25,846)
Of associated companies and other changes	(1,782)	7,838
Cash-flow hedge	(1,581,334)	(1,744,727)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(5,786)	182
	(1,728,528)	(1,990,978)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	33,114	58,780
Equity instruments	1,543	1,550
Cash-flow hedge	493,192	540,755
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	1,811	(57)
	529,660	601,028
	(1,198,868)	(1,389,950)
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(83,795)	(92,629)
BIM - Banco Internacional de Moçambique, S.A.	(136,231)	(139,373)
Banco Millennium Atlântico, S.A.	(177,442)	(143,989)
Others	2,036	2,073
	(395,432)	(373,918)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	50,021	42,316
Others	(3,965)	(3,965)
	46,056	38,351
Other reserves and retained earnings	3,099,357	2,997,779
	1,551,113	1,272,262

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

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 C.

The variation in the fair value of cash flow hedges reflects the economic impact on these hedges of the pronounced increase in market interest rates, an effect that is more than offset by the economic impact on the fair value of liabilities that are more sensitive to such an increase and that are accounted for at amortized cost.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Fair value changes		
Debt instruments	(36,644)	(98,139)
Equity instruments	2,288	2,380
Cash-flow hedge	(14,299)	(43,281)
Other	7	7
	(48,648)	(139,033)
Deferred taxes		
Debt instruments	6,876	18,531
Equity instruments	(473)	(467)
Cash-flow hedge	2,716	8,223
	9,119	26,287
	(39,529)	(112,746)
Exchange differences arising on consolidation	(176,935)	(187,306)
Actuarial losses (net of taxes)	1,773	1,742
Other reserves and retained earnings	1,127,930	1,080,424
	913,239	782,114

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	30 September 2023	31 December 2022 (restated)	30 September 2023	30 September 2022 (restated)
Bank Millennium Group	717,834	585,618	50,226	(134,974)
BIM - Banco Internacional de Moçambique Group	173,173	174,041	21,243	23,322
Other subsidiaries	22,232	22,455	(223)	(308)
	913,239	782,114	71,246	(111,960)

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Guarantees granted		
Guarantees	3,785,799	4,144,220
Stand-by letter of credit	74,042	57,084
Open documentary credits	274,267	258,591
Bails and indemnities	135,420	135,718
	4,269,528	4,595,613
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	24,326	1,621
Irrevocable credit lines	4,790,321	4,880,858
Securities subscription	27,860	41,285
Other irrevocable commitments	157,711	153,982
Revocable commitments		
Revocable credit lines	6,023,582	5,834,056
Bank overdraft facilities	841,576	998,886
Other revocable commitments	149,689	128,025
	12,015,065	12,038,713
Guarantees received	28,496,019	29,552,693
Commitments from third parties	12,554,191	13,453,876
Securities and other items held for safekeeping	80,268,264	75,348,414
Securities and other items held under custody by the Securities Depository Authority	81,436,628	82,314,713
Other off balance sheet accounts	146,044,948	131,084,605

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 39).

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

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

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

46. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;

- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During the first nine months of 2023 and in the financial year of 2022, no credits were sold to corporate restructuring funds.

The amounts accumulated as at 30 September 2023, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação FCR (a)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (b)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (b)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (c)	113,665	113,653	109,599	(4,054)
	800,954	633,593	612,688	(20,905)

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

The amounts accumulated as at 31 December 2022, related to these operations, are analysed as follows:

(Thousands of euros)

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Reestruturação Empresarial FCR	84,112	82,566	83,212	646
Fundo Recuperação FCR (a)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (b)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (b)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (c)	113,665	113,653	109,599	(4,054)
	885,066	716,159	695,900	(20,259)

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

On 29 June 2023, all of the participation units held by BCP in the Fundo Reestruturação Empresarial FCR were sold, as a result the Group no longer held a position in that Fund.

As at 30 September 2023, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	30 September 2023		
	Senior securities	Junior securities	
	Participation units (note 24)	Capital supplies (note 32)	Total
Fundo Recuperação FCR			
Gross value	169,203	88,851	258,054
Impairment and other fair value adjustments	(138,609)	(88,851)	(227,460)
	30,594	—	30,594
Fundo Aquarius FCR			
Gross value	119,631	—	119,631
Impairment and other fair value adjustments	(12,248)	—	(12,248)
	107,383	—	107,383
Discovery Real Estate Fund			
Gross value	157,716	—	157,716
Impairment and other fair value adjustments	4,568	—	4,568
	162,284	—	162,284
Fundo Vega FCR			
Gross value	49,115	89,992	139,107
Impairment and other fair value adjustments	(10,082)	(89,992)	(100,074)
	39,033	—	39,033
Total Gross value	495,665	178,843	674,508
Total impairment and other fair value adjustments	(156,371)	(178,843)	(335,214)
	339,294	—	339,294

As at 30 September 2023, the book value of these assets considers the last Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

As at 31 December 2022, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2022 (restated)		
	Senior securities	Junior securities	
	Participation units (note 24)	Capital supplies (note 32)	Total
Fundo Reestruturação Empresarial FCR			
Gross value	60,963	–	60,963
Impairment and other fair value adjustments	(37,966)	–	(37,966)
	22,997	–	22,997
Fundo Recuperação FCR			
Gross value	169,033	85,018	254,051
Impairment and other fair value adjustments	(134,767)	(85,018)	(219,785)
	34,266	–	34,266
Fundo Aquarius FCR			
Gross value	119,631	–	119,631
Impairment and other fair value adjustments	(11,527)	–	(11,527)
	108,104	–	108,104
Discovery Real Estate Fund			
Gross value	157,716	–	157,716
Impairment and other fair value adjustments	(1,801)	–	(1,801)
	155,915	–	155,915
Fundo Vega FCR			
Gross value	48,762	86,379	135,141
Impairment and other fair value adjustments	(9,899)	(86,379)	(96,278)
	38,863	–	38,863
Total Gross value	556,105	171,397	727,502
Total impairment and other fair value adjustments	(195,960)	(171,397)	(367,357)
	360,145	–	360,145

As at 31 December 2022, the book value of these assets considers the last Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

Project Crow

At the end of December 2022, the designated sale process for the Crow Project was completed, which included the sale to a related company of Davidson Kempner Capital Management LP (Purchaser) of 3 hotel assets belonging to the Fundo Recuperação and the sale of all shares/units of participation of the FLITPTREL and Fundo Recuperação Turismo funds, together with the assets directly and indirectly held by these two funds, with the exception of a set of assets that were transferred to the sellers and which, in the case of Banco Comercial Português, S.A. include the investment held in a Venture capital fund, in 2 real estate funds and in a company, as detailed in the table below.

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Financial assets not held for trading mandatorily at fair value through profit or loss (note 24)		
Fundo Turismo Algarve, FCR	50,270	50,426
Lusofundo - Fundo de Investimento Imobiliário Fechado	18,797	26,429
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	9,560	12,091
	78,627	88,946
Non-current assets held for sale (note 27)		
Imoserit, S.A.*	—	17,919
Other assets (note 32)		
Imoserit, S.A.*	18,018	—
	96,645	106,865

* previous FLITPTREL Tires, S.A.

47. Relevant events occurred in the first nine months of 2023

Banco Comercial Português, S.A. informs about issue of senior preferred debt securities eligible for MREL

Banco Comercial Português, S.A. (“Bank”) hereby informs that it 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 Euros 500 million, will have 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.

Bank Millennium S.A. (Poland) informs about the conclusion of subscription of non-preferred senior notes issued under the EMTN Programme

The Bank Millennium S.A. Management Board hereby informs that on 11 September 2023 it concluded the subscription for 4-year non-preferred senior notes of the total nominal value of Euros 400 million, exceeding 10% of the Bank Millennium Group's equity capitals. On 18 September 2023 these notes were admitted to trading on a regulated market, on the Luxembourg Stock Exchange.

On 20 September 2023 Bank Millennium S.A. concluded the subscription for 4-year non-preferred senior notes of the total nominal value of Euros 100 million, which were admitted to trading on a regulated market, on the Luxembourg Stock Exchange on 27 September 2023.

All issued notes mature on 18 September 2027 (with the possibility of early redemption on 18 September 2026).

These notes issue have been organised under the EMTN Programme on the basis of main Prospectus approved on 25 August 2023 by the *Commission de Surveillance du Secteur Financier*. The notes will be consolidated and will form a single series with a total nominal value of Euros 500 million.

Banco Comercial Português, S.A. informs about the upgrade to Investment Grade of senior debt ratings by Fitch Ratings

Banco Comercial Português, S.A. (“BCP” or “Bank”) informs that Fitch Ratings upgraded BCP's long-term senior unsecured debt ratings to Investment Grade, from BB+ to BBB-, following the upgrade of the long-term Issuer Default Rating (IDR) from BB+ to BBB- and the Viability Rating (VR) from bb+ to bbb-. 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 litigations 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.

Banco Comercial Português, S.A. informs about the upgrade to Investment Grade of senior debt ratings by S&P Global

Banco Comercial Português, S.A. (“BCP” or “Bank”) informs that S&P Global Ratings upgraded BCP's senior unsecured debt ratings to Investment Grade, from BB+/B to BBB-/A-3. 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 stable Outlook reflects the expectation that the Bank can defend its solid domestic retail franchise and financial profile over the next 18-24 months and the fact that possible further unpredictable government interventions in the Polish market would have a manageable effect on the bank's capitalization, which will remain adequate.

S&P Global Ratings also raised the ratings on BCP's Additional Tier 1 and Tier 2 instruments by two notches.

MREL requirements

Banco Comercial Português, S.A. ("BCP" or the "Bank") informs that it has been notified 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 Bank 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.

BCP complies to the currently applicable MREL requirement, both as a percentage of the TREA (also including the applicable CBR) and as a percentage of the LRE.

The MREL requirements, now communicated to the BCP resolution group described above, are in line with the 2021-24 Strategic Plan and are accommodated by the ongoing funding plan.

Banco Comercial Português, S.A. informs about 2023 EU-Wide Stress Test Results

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).

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.

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.

Bank Millennium Minimum requirements for own funds and liabilities subject to write down or conversion (MREL)

The Bank Millennium manages MREL indicators in a manner analogous to capital adequacy management.

The Bank Millennium received in June 2023 the joint decision of the resolution authorities obliging to meet MREL requirements. At the moment of communication of the decision, the Bank Millennium at the consolidated level is obliged to meet the minimum MREL-TREA requirements of 14.42% and MREL-TEM of 4.46%. The minimum subordination MREL-TREA was set at 14.28% and MREL-TEM 4.44%. At the same time, the above-mentioned decision sets updated minimum requirements that must be met by 31 December 2023, at the level of 18.89% and 5.91% (consolidated MREL-TREA and MREL-TEM).

In addition to these MREL levels, the Bank Millennium also needs to meet MREL with Combined Buffer Requirement (currently 2.75%).

MREL	30.06.2023	31.03.2023*	30.06.2022
MREL-TREA ratio	**14.93 %**	**14.26 %**	**15.16 %**
Minimum required level MREL-TREA	14.42 %	15.60 %	15.60 %
Surplus(+) / Deficit(-) of MREL-TREA (p.p.)	0.51 %	-1.34 %	-0.44 %
Minimum required level including Combined Buffer Requirement (CBR)	17.17 %	18.35 %	18.35 %
Surplus(+) / Deficit(-) of MREL-TREA+CBR (p.p.)	-2.24 %	-4.09 %	-3.19 %
MREL-TEM ratio	**5.87%**	**5.76%**	**6.78%**
Minimum required level of MREL-TEM	4.46 %	4.46 %	3.00 %
Surplus(+) / Deficit(-) of MREL-TEM (p.p.)	1.41 %	1.30 %	3.78 %

* All data for quarterly periods presented in these condensed interim consolidated financial statements of the Group have not been audited or reviewed by a statutory auditor.

Regarding the MREL requirements both MREL-TREA and MREL-TEM, the Bank Millennium Group presents a surplus compared to the level required as at the reporting date, but does not yet meet the MREL-TREA requirement, considering the combined buffer requirement.

As informed in the Current Report no. 19/2023, in June 2023 the Bank Guarantee Fund took an administrative decision under the terms of Articles 96a - 96d of the Bank Guarantee Fund Act, prohibiting the Bank from distributing profits in excess of the maximum distributable amount related to the minimum requirement for own funds and eligible liabilities (M-MDA).

After the improvement in the capital ratios above described, the Bank Millennium´s priority is to take further necessary steps towards meeting the MREL requirements, taking also into consideration the level required after the end of the interim period on 31 December 2023. The Bank Millennium plans to cover the shortfall by the end of 2023 through a combination of organic capital generation, optimization of risk weighted assets (including securitisations) and the issue of debt instruments, if required and market conditions allow. Having reference to that, the Bank Millennium prepared a Eurobond Issue Programme of the total nominal value not higher than Euros 3 billion, what was communicated in a current report in January 2022.

Resolutions of the Annual General Meeting of Banco Comercial Português, S.A.

Banco Comercial Português, S.A. concluded on 24 May 2023, 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:

Item One – Approval of the individual and consolidated Annual Report, balance sheet and financial statements of 2022, and the Corporate Governance Report, that includes a chapter on the remuneration of the management and supervisory bodies and the Sustainability Report;

Item Two – Approval of the proposal for the appropriation of profit concerning the 2022 financial year;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

Item Four – Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies and the repeal of the regulation of reform of the Executive Directors;

Item Five – Approval of the update of the policy for selection and appointment of the Statutory Auditor or audit firm and the hiring of non-prohibited non-audit services, under the terms of the legislation in force;

Item Six – Approval of the acquisition and sale of own shares and bonds.

Approval of the application of article 352 (2) of the CRR

On 24 March 2023, BCP was notified of the favourable decision of the supervisory authority on the request for the application of article 352 (2) of the CRR for the exclusion of the calculation of weighted assets for market risk of certain structural exchange positions for hedging of regulatory ratios against changes in exchange rates. The change has an estimated impact on the fully implemented CET1 ratio of around 50 basis points and of around 70 basis points in the total capital ratio.

Signing of conditional agreement concerning the sale of Millennium Financial Services sp.zo.o. and strategic insurance cooperation

The Management Board of Bank Millennium S.A. informed that following necessary corporate approvals, on 13 February 2023, Bank Millennium executed the agreement (the "Agreement") for the sale of 80% of the shares (the “Shares”) in Millennium Financial Services sp. z o.o. (the “Company”) to Towarzystwo Ubezpieczeń na Życie Europa S.A. which acquires 72% of the Company’s shares and Towarzystwo Ubezpieczeń Europa S.A. which acquires 8% of the Company’s shares (collectively the "Buyers").

Bank Millennium concluded also with the Buyers and the Company certain agreements concerning exclusive insurance distribution model, including a cooperation agreement, distribution agreements and agency agreements (the "Strategic Insurance Cooperation"). The Strategic Insurance Cooperation provides for long term (10 years) bancassurance liaison in relation specified insurance products linked to loans offered by Bank Millennium.

On 29 March 2023, 80% of the shares (the "Shares") of Millennium Financial Services sp. z o.o. (the "Company") from the Bank to Towarzystwo Ubezpieczeń in Życie Europa S.A. which acquired 72% of the Company's shares and to Towarzystwo Ubezpieczeń Europa S.A. which acquired 8% of the Company's shares, as well as the payment of the price for the Shares to Bank Millennium S.A. The impacts of the Transaction are reflected in note 5 - Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss and note 16 - Gains/(losses) on disposal of subsidiaries and other assets.

The sale of the Shares by Bank Millennium S.A. to the Buyers constitutes the conclusion of the Transaction, resulting in the recognition of the corresponding positive financial result and triggers the commencement of the Strategic Insurance Cooperation between the Bank and the Buyers, as described above.

48. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies and Corporate; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target “Mass Market” customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;
- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies and Corporate segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;
- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment, in order to defend the value and managing credit risk, in a sustainable medium and long term perspective;
- Trade Finance Department, which coordinates the business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);

The Private Banking segment, for the purposes of geographical segments, comprises:

- Private Banking Division in Portugal, which ensures the monitoring of clients with high net worth, based on a commitment to excellence and a personalized relationship with clients;
- Wealth Management Division, which provides advisory customer services and portfolio management for clients in the Private Banking network and the affluent segment.

For the purposes of business segments also includes Millennium bcp Bank & Trust in Cayman Islands (entity liquidated in 2022) that is considered Foreign Business on geographical segmentation.

All other businesses not previously discriminated are allocated to the Other segment (Portugal) and include centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other amounts not allocated to segments.

Foreign Business includes the following segments:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;

- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and

- Other, which includes the contribution of the associate in Angola and the contribution of the discontinued operation in Cayman Islands.

B. Business Segments

For the purposes of business segments reporting, Foreign Business segment comprises the Group's operations developed in other countries already mentioned excluding the activity of Millennium bcp Bank & Trust in the Cayman Islands (entity liquidated) which, in this context, is considered in Private Banking segment.

Business segments activity

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit in Portugal were calculated considering the allocation process, based on the regulatory solvency criteria.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 30 September 2023, 31 December 2022 and 30 September 2022 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

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

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 30 September 2023. Information relating to prior periods is restated whenever it occurs changes in the internal organization of the entity susceptible to change the composition of the reportable segments (business and geographical) or relevant changes in the dynamics of allocation of indirect revenues and costs, as described in the previous paragraph, ensuring the comparability of the information provided in the reported periods.

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

As at 30 September 2023, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	30 September 2023						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Net interest income	643,524	1,019,713	1,663,237	145,533	26,249	282,442	2,117,461
Net fees and commissions income	325,942	158,621	484,563	104,875	24,200	(35,180)	578,458
Other net income	9,270	10,244	19,514	8,164	27	(84,199)	(56,494)
Net gains arising from trading activity (2)	1,737	122,264	124,001	118	65	(19,756)	104,428
Dividends from equity instruments	—	716	716	—	—	500	1,216
Share of profit of associates under the equity method	—	2,375	2,375	—	—	45,207	47,582
Net operating revenue	980,473	1,313,933	2,294,406	258,690	50,541	189,014	2,792,651
Operating expenses	264,127	394,637	658,764	46,264	11,302	138,285	854,615
Results on modification (3)	—	(14,829)	(14,829)	—	—	—	(14,829)
Impairment for credit and financial assets (4)	(33,332)	(53,624)	(86,956)	(121,872)	(542)	(2,855)	(212,225)
Other impairments and provisions (5)	(98)	(528,284)	(528,382)	—	—	(73,251)	(601,633)
Net income before income tax	682,916	322,559	1,005,475	90,554	38,697	(25,377)	1,109,349
Income tax	(213,753)	(157,177)	(370,930)	(28,343)	(12,112)	24,006	(387,379)
Net income after income tax from continuing operations	469,163	165,382	634,545	62,211	26,585	(1,371)	721,970
Income arising from discontinued operations	—	—	—	—	—	(9)	(9)
Net income for the period	469,163	165,382	634,545	62,211	26,585	(1,380)	721,961
Non-controlling interests	—	(71,469)	(71,469)	—	—	223	(71,246)
Net income for the period attributable to Bank's Shareholders	469,163	93,913	563,076	62,211	26,585	(1,157)	650,715

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

(3) Includes the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency, hitherto accounted for in other impairments and provisions.

(4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(5) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 30 September 2023, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	30 September 2023						
	Commercial banking						
	Retail in Portugal	Foreign business	Total	Companies and Corporate in Portugal	Private banking	Other	Consolidated
BALANCE SHEET							
Cash and Loans and advances to credit institutions	13,839,573	2,692,326	16,531,899	1,660,148	2,314,399	(15,676,539)	4,829,907
Loans and advances to customers (1)	26,119,633	16,678,433	42,798,066	11,562,113	346,850	405,168	55,112,197
Financial assets (2)	—	9,204,665	9,204,665	—	—	16,017,847	25,222,512
Other assets	—	1,004,953	1,004,953	—	—	4,999,670	6,004,623
Total Assets	39,959,206	29,580,377	69,539,583	13,222,261	2,661,249	5,746,146	91,169,239
Resources from credit institutions (3)	209,110	165,395	374,505	1,457,238	—	(591,539)	1,240,204
Resources from customers (4)	37,705,606	25,134,149	62,839,755	10,167,850	2,510,329	15,668	75,533,602
Debt securities issued (5)	1,198,902	619,504	1,818,406	1,587	132,669	1,447,128	3,399,790
Other financial liabilities (6)	—	574,907	574,907	—	—	1,185,941	1,760,848
Other liabilities (7)	—	1,083,730	1,083,730	—	—	1,303,152	2,386,882
Total Liabilities	39,113,618	27,577,685	66,691,303	11,626,675	2,642,998	3,360,350	84,321,326
Total Equity	845,588	2,002,692	2,848,280	1,595,586	18,251	2,385,796	6,847,913
Total Liabilities and Equity	39,959,206	29,580,377	69,539,583	13,222,261	2,661,249	5,746,146	91,169,239
Number of employees	3,603	9,458	13,061	439	106	2,127	15,733

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and loans to customers at fair value through profit or loss.

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2022, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	30 September 2022 (restated)						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Net interest income	444,570	873,997	1,318,567	154,339	13,569	59,356	1,545,831
Net fees and commissions income	314,382	156,086	470,468	108,776	24,343	(29,784)	573,803
Other net income	18,125	(119,459)	(101,334)	35,559	(15)	(124,995)	(190,785)
Net gains arising from trading activity (2)	4,104	(23,957)	(19,853)	90	229	94,472	74,938
Dividends from equity instruments	—	730	730	—	—	8,532	9,262
Share of profit of associates under the equity method	—	(984)	(984)	—	—	38,599	37,615
Net operating revenue	781,181	886,413	1,667,594	298,764	38,126	46,180	2,050,664
Operating expenses	245,865	342,290	588,155	43,447	11,751	144,075	787,428
Impairment for credit and financial assets (3)	(28,198)	(66,840)	(95,038)	(147,619)	412	(1,035)	(243,280)
Other impairments and provisions (4)	(284)	(737,524)	(737,808)	—	—	(97,127)	(834,935)
Net income before income tax	506,834	(260,241)	246,593	107,698	26,787	(196,057)	185,021
Income tax	(158,639)	(51,483)	(210,122)	(33,709)	(8,365)	43,560	(208,636)
Net income after income tax from continuing operations	348,195	(311,724)	36,471	73,989	18,422	(152,497)	(23,615)
Income arising from discontinued operations	—	(308)	(308)	—	1,789	—	1,481
Net income for the period	348,195	(312,032)	36,163	73,989	20,211	(152,497)	(22,134)
Non-controlling interests	—	111,652	111,652	—	—	308	111,960
Net income for the period attributable to Bank's Shareholders	348,195	(200,380)	147,815	73,989	20,211	(152,189)	89,826

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) 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.

(3) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2022, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	31 December 2022 (restated)						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	13,202,529	3,208,230	16,410,759	2,049,107	2,336,011	(13,596,982)	7,198,895
Loans and advances to customers (1)	26,110,904	16,983,242	43,094,146	12,166,559	346,853	590,126	56,197,684
Financial assets (2)	—	5,458,513	5,458,513	—	—	14,895,710	20,354,223
Other assets	—	942,640	942,640	—	—	5,183,301	6,125,941
Total Assets	39,313,433	26,592,625	65,906,058	14,215,666	2,682,864	7,072,155	89,876,743
Resources from credit institutions (3)	259,996	158,808	418,804	2,209,963	—	(1,160,407)	1,468,360
Resources from customers (4)	37,053,686	23,173,054	60,226,740	10,430,254	2,524,083	2,725,737	75,906,814
Debt securities issued (5)	1,201,403	52,066	1,253,469	—	141,613	1,428,011	2,823,093
Other financial liabilities (6)	—	535,648	535,648	—	—	1,216,914	1,752,562
Other liabilities (7)	—	907,471	907,471	—	—	1,081,676	1,989,147
Total Liabilities	38,515,085	24,827,047	63,342,132	12,640,217	2,665,696	5,291,931	83,939,976
Total Equity	798,348	1,765,578	2,563,926	1,575,449	17,168	1,780,224	5,936,767
Total Liabilities and Equity	39,313,433	26,592,625	65,906,058	14,215,666	2,682,864	7,072,155	89,876,743
Number of employees	3,519	9,491	13,010	444	140	2,149	15,743

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and loans to customers at fair value through profit or loss.

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates);

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2023, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	30 September 2023								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Net interest income	643,524	145,533	26,249	282,442	1,097,748	867,447	152,266	—	2,117,461
Net fees and commissions income	325,942	104,875	24,200	(35,180)	419,837	129,342	29,279	—	578,458
Other net income	9,270	8,164	27	(84,199)	(66,738)	8,100	2,144	—	(56,494)
Net gains arising from trading activity [2]	1,737	118	65	(19,756)	(17,836)	110,050	12,214	—	104,428
Dividends from equity instruments	—	—	—	500	500	716	—	—	1,216
Share of profit of associates under the equity method	—	—	—	45,207	45,207	—	1,410	965	47,582
Net operating revenue	980,473	258,690	50,541	189,014	1,478,718	1,115,655	197,313	965	2,792,651
Operating expenses	264,127	46,264	11,302	138,285	459,978	302,519	92,118	—	854,615
Results on modification [3]	—	—	—	—	—	(14,829)	—	—	(14,829)
Impairment for credit and financial assets [4]	(33,332)	(121,872)	(542)	(2,855)	(158,601)	(45,294)	(8,330)	—	(212,225)
Other impairments and provisions [5]	(98)	—	—	(73,251)	(73,349)	(522,221)	(6,063)	—	(601,633)
Net income before income tax	682,916	90,554	38,697	(25,377)	786,790	230,792	90,802	965	1,109,349
Income tax	(213,753)	(28,343)	(12,112)	24,006	(230,202)	(130,140)	(27,037)	—	(387,379)
Net income after income tax from continuing operations	469,163	62,211	26,585	(1,371)	556,588	100,652	63,765	965	721,970
Income arising from discontinued operations	—	—	—	(9)	(9)	—	—	—	(9)
Net income for the period	469,163	62,211	26,585	(1,380)	556,579	100,652	63,765	965	721,961
Non-controlling interests	—	—	—	223	223	(50,226)	(21,243)	—	(71,246)
Net income for the period attributable to Bank's Shareholders	469,163	62,211	26,585	(1,157)	556,802	50,426	42,522	965	650,715

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

(3) Includes the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency, hitherto accounted for in other impairments and provisions.

(4) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(5) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 30 September 2023, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	30 September 2023								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	13,839,573	1,660,148	2,314,399	(15,676,539)	2,137,581	1,542,566	1,149,760	—	4,829,907
Loans and advances to customers (1)	26,119,633	11,562,113	346,850	405,168	38,433,764	16,013,359	665,074	—	55,112,197
Financial assets (2)	—	—	—	16,017,847	16,017,847	8,541,733	662,966	(34)	25,222,512
Other assets	—	—	—	4,999,670	4,999,670	721,973	237,407	45,573	6,004,623
Total Assets	39,959,206	13,222,261	2,661,249	5,746,146	61,588,862	26,819,631	2,715,207	45,539	91,169,239
Resources from other credit institutions (3)	209,110	1,457,238	—	(591,539)	1,074,809	129,533	35,862	—	1,240,204
Resources from customers (4)	37,705,606	10,167,850	2,510,329	15,668	50,399,453	23,067,946	2,066,203	—	75,533,602
Debt securities issued (5)	1,198,902	1,587	132,669	1,447,128	2,780,286	619,504	—	—	3,399,790
Other financial liabilities (6)	—	—	—	1,185,941	1,185,941	574,907	—	—	1,760,848
Other liabilities (7)	—	—	—	1,303,152	1,303,152	989,162	94,568	—	2,386,882
Total Liabilities	39,113,618	11,626,675	2,642,998	3,360,350	56,743,641	25,381,052	2,196,633	—	84,321,326
Total Equity	845,588	1,595,586	18,251	2,385,796	4,845,221	1,438,579	518,574	45,539	6,847,913
Total Liabilities and Equity	39,959,206	13,222,261	2,661,249	5,746,146	61,588,862	26,819,631	2,715,207	45,539	91,169,239
Number of employees	3,603	439	106	2,127	6,275	6,899	2,559	0	15,733

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and loans to customers at fair value through profit or loss.

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 September 2022, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	30 September 2022 (restated)								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Net interest income	444,570	154,339	12,597	59,356	670,862	730,286	143,711	972	1,545,831
Net fees and commissions income	314,382	108,776	24,318	(29,784)	417,692	129,797	26,289	25	573,803
Other net income	18,125	35,559	19	(124,995)	(71,292)	(121,457)	1,998	(34)	(190,785)
Net gains arising from trading activity (2)	4,104	90	208	94,472	98,874	(38,580)	14,623	21	74,938
Dividends from equity instruments	—	—	—	8,532	8,532	730	—	—	9,262
Share of profit of associates under the equity method	—	—	—	38,599	38,599	—	1,419	(2,403)	37,615
Net operating revenue	781,181	298,764	37,142	46,180	1,163,267	700,776	188,040	(1,419)	2,050,664
Operating expenses	245,865	43,447	10,829	144,075	444,216	259,924	82,366	922	787,428
Impairment for credit and financial assets (3)	(28,198)	(147,619)	412	(1,035)	(176,440)	(57,743)	(9,097)	—	(243,280)
Other impairments and provisions (4)	(284)	—	—	(97,127)	(97,411)	(730,368)	(721)	(6,435)	(834,935)
Net income before income tax	506,834	107,698	26,725	(196,057)	445,200	(347,259)	95,856	(8,776)	185,021
Income tax	(158,639)	(33,709)	(8,365)	43,560	(157,153)	(25,539)	(25,944)	—	(208,636)
Net income after income tax from continuing operations	348,195	73,989	18,360	(152,497)	288,047	(372,798)	69,912	(8,776)	(23,615)
Income arising from discontinued operations	—	—	—	—	—	—	(308)	1,789	1,481
Net income for the period	348,195	73,989	18,360	(152,497)	288,047	(372,798)	69,604	(6,987)	(22,134)
Non-controlling interests	—	—	—	308	308	134,974	(23,322)	—	111,960
Net income for the period attributable to Bank's Shareholders	348,195	73,989	18,360	(152,189)	288,355	(237,824)	46,282	(6,987)	89,826

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

(3) Includes impairment of financial assets at amortised cost for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(4) Includes impairment of non-current assets held for sale, impairment of investments in associated companies, goodwill impairment, impairment of other assets and other provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2022, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	31 December 2022 (restated)								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	13,202,529	2,049,107	2,336,011	(13,596,982)	3,990,665	2,193,520	1,014,710	—	7,198,895
Loans and advances to customers (1)	26,110,904	12,166,559	346,853	590,126	39,214,442	16,355,525	627,717	—	56,197,684
Financial assets (2)	—	—	—	14,895,710	14,895,710	4,506,830	951,716	(33)	20,354,223
Other assets	—	—	—	5,183,301	5,183,301	641,572	230,266	70,802	6,125,941
Total Assets	39,313,433	14,215,666	2,682,864	7,072,155	63,284,118	23,697,447	2,824,409	70,769	89,876,743
Resources from other credit institutions (3)	259,996	2,209,963	—	(1,160,407)	1,309,552	155,411	3,397	—	1,468,360
Resources from customers (4)	37,053,686	10,430,254	2,524,083	2,725,737	52,733,760	20,941,241	2,231,813	—	75,906,814
Debt securities issued (5)	1,201,403	—	141,613	1,428,011	2,771,027	52,066	—	—	2,823,093
Other financial liabilities (6)	—	—	—	1,216,914	1,216,914	535,648	—	—	1,752,562
Other liabilities (7)	—	—	—	1,081,676	1,081,676	839,464	68,007	—	1,989,147
Total Liabilities	38,515,085	12,640,217	2,665,696	5,291,931	59,112,929	22,523,830	2,303,217	—	83,939,976
Total Equity	798,348	1,575,449	17,168	1,780,224	4,171,189	1,173,617	521,192	70,769	5,936,767
Total Liabilities and Equity	39,313,433	14,215,666	2,682,864	7,072,155	63,284,118	23,697,447	2,824,409	70,769	89,876,743
Number of employees	3,519	444	140	2,149	6,252	6,987	2,504	0	15,743

(1) Includes loans to customers at amortised cost net of impairment, debt instruments at amortised cost associated to credit operations net of impairment and loans to customers at fair value through profit or loss.

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

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

(Thousands of euros)

	30 September 2023	30 September 2022 (restated)
Net contribution		
Retail banking in Portugal	469,163	348,195
Companies and Corporate	62,211	73,989
Private Banking	26,585	18,360
Foreign business (continuing operations)	165,382	(311,662)
Non-controlling interests (1)	(71,469)	111,652
	651,872	240,534
Income arising from discontinued or discontinuing operations	—	1,481
	651,872	242,015
Amounts not allocated to segments		
Net interest income - bonds portfolio	230,444	58,407
Net interest income - other (2)	51,997	948
Foreign exchange activity	17,898	51,569
Gains / (losses) arising from sales of subsidiaries and other assets	2,617	(19,551)
Equity accounted earnings	45,207	38,599
Impairment and other provisions (3)	(76,105)	(98,162)
Operational costs	(138,285)	(144,075)
Gains on sale of Portuguese public debt	(7,347)	(15,907)
Gains on sale of foreign public debt	(396)	30,478
Mandatory contributions	(72,584)	(88,530)
Loans sale	(14,507)	12,351
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(787)	1,513
Taxes (5)	24,006	43,560
Income from discontinued operations	(9)	—
Non-controlling interests	223	308
Others (6)	(63,529)	(23,697)
Total not allocated to segments	(1,157)	(152,189)
Consolidated net income	650,715	89,826

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland and in Mozambique.

(2) Includes net interest income arising from internal transfer of liquidity, interest rate risk, cost of whosale funding and others.

(3) Includes impairments for non-current assets held for sale, impairments for other assets, provisions for administrative infractions, various contingencies and other impairments and/or provisions not allocated to business segments.

(4) Includes gains/(losses) from corporate restructuring funds.

(5) Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items.

(6) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments.

49. Solvency

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV/CRR).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, goodwill and other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value, adjustments related to minimum commitment with collective investments undertakings, insufficient coverage for non-performing exposures and with the amount of securitisation positions, eligible for deduction as an alternative to a 1 250 % risk weight. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The non-controlling interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Single Resolution Fund, the fair value of the collateral for irrevocable commitments from the Deposits Guarantee Fund and the additional coverage for non-performing exposures, are also deducted, due to a SREP (Supervisory Review and Evaluation Process) recommendation.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and non-controlling interests related to minimum level 1 additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the non-controlling interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax assets already recorded on the balance sheet of 1 January 2014, according to the new regulation, which period ends in 2023.

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

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2023 Minimum Capital Requirements								
		of which:				of which:		
BCP Consolidated	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	9.41%	4.50%	1.41%	3.25%	9.41%	4.50%	1.41%	3.50%
T1	11.38%	6.00%	1.88%	3.25%	11.38%	6.00%	1.88%	3.50%
Total	14.00%	8.00%	2.50%	3.25%	14.00%	8.00%	2.50%	3.50%

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

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

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

(Thousands of euros)

	30 September 2023	31 December 2022 (restated)
Common equity tier 1 (CET1)		
Share capital	3,000,000	3,000,000
Share Premium	16,471	16,471
Reserves and retained earnings	2,381,876	1,715,797
Non-controlling interests eligible to CET1	468,317	433,767
Regulatory adjustments to CET1	61,332	276,422
	5,927,996	5,442,457
Tier 1		
Capital Instruments	400,000	400,000
Non-controlling interests eligible to AT1	90,385	96,341
	6,418,381	5,938,798
Tier 2		
Subordinated debt	1,022,930	1,047,875
Non-controlling interests eligible to Tier 2	240,277	271,800
Other	49,035	20,240
	1,312,242	1,339,915
Total own funds	7,730,623	7,278,713
RWA - Risk weighted assets		
Credit risk	34,956,747	36,265,788
Market risk	532,058	2,611,404
Operational risk	4,178,551	4,178,551
CVA	67,693	47,016
	39,735,049	43,102,759
Capital ratios		
CET1	14.9%	12.6%
Tier 1	16.2%	13.8%
Tier 2	3.3%	3.1%
Total own funds	19.5%	16.9%

The presented amounts include the accumulated net income.

50. Mozambique's sovereign debt

Following a period of deceleration in economic activity and increase of inflation, reduction of Republic of Mozambique rating, depreciation of Metical and decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate since December 2015, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue a strict liquidity management, emphasis on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, existing debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an IMF statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique and the terms of reference for an external audit were agreed.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

On 14 December 2017, in a statement from the IMF staff, after the end of the mission held between 30 November and 13 December 2017, it was reiterated the need for the Mozambican State to provide missing information. In the statement of the Mozambican Attorney General's Office dated 29 January 2018, it is mentioned, among other things, that the Public Prosecutor submitted to the Administrative Court, on 26 January 2018, a complaint regarding the financial responsibility of public managers and companies participated by the State, participants in the execution and management of contracts for financing, supplying and providing services related to debts not disclosed to the IMF.

In the statements dated of 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique specifically "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique. In November 2018, the Ministry of Economy and Finance of the Republic of Mozambique announced that it has reached an agreement in principle on the key commercial terms of a proposed restructuring transaction related to this debt securities with four members of the Global Group of Mozambique Bondholders. The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders for the proposed restructuring, is conditional on the parties reaching an agreement on mutually satisfactory documentation setting out the detailed terms of the restructuring including implementation, and the mentioned Ministry obtaining all necessary approvals, including Parliamentary and government approvals of Mozambique.

On 6 September 2019, the Ministry of Economy and Finance of the Republic of Mozambique announced the approval by 99.95% of the Bondholders of a written decision containing the terms and conditions of the restructuring proposal. The Group has no exposure to this debt.

In May 2020, the Constitutional Council of the Republic of Mozambique issued a Judgment, declaring the nullity of the acts related with the loans contracted by Proindicus, SA ("Proindicus") and Mozambique Asset Management, MAM, SA ("MAM"), and the respective sovereign guarantees granted by the Government in 2013 and 2014, respectively, and on 19 October 2020, the dissolution of the two companies was registered based on an order issued by the Judicial Court of the City of Maputo.

In the context of the liquidation of Proindicus and MAM, the Liquidator published, on 3 May 2022, an announcement in the Jornal de Notícias de Moçambique, through which the creditors of those companies are notified to submit, within thirty days counted from the said publication, the supporting documents of their credits. Following the publication of the said announcement, BIM and BCP submitted, on 1 June 2022, their credit claims on Proindicus and MAM, respectively. However, with respect to Proindicus, the BIM's credit claim is prejudiced by the settlement mentioned below.

An action brought on 27 February 2019 (amended on 30 April 2020), by the Republic of Mozambique (represented by the Attorney General of the Republic) against the arranger and originating lender of the loan to Proindicus and other entities, by which the Republic of Mozambique requested, inter alia, the declaration of nullity of the sovereign guarantee of the Mozambican State to the Proindicus loan. Following this lawsuit, on 27 April 2020, the Banco Internacional de Moçambique (BIM) filed a lawsuit, in the London Commercial Court, against the arranger and lender of the loan to Proindicus, claiming, inter alia, payment of BIM's exposure to the Proindicus, in the event that the said sovereign guarantee of the State of Mozambique to Proindicus was, in a court of law declared null and void.

However, on 30 September 2023, the Republic of Mozambique and the arranger and originating lender of the loan to Proindicus announced that they have settled amicably the legal proceedings in London concerning the loan to Proindicus and associated guarantee. This settlement was subscribed by the majority lenders of the said credit facility, including BIM. The signing parties to the agreement have mutually released each other from any liabilities and claims relating to the loan to Proindicus.

Regarding MAM, as far as we are aware, no lawsuit with the same purpose was brought by the Republic of Mozambique at the London Commercial Court. However, it is expected that, in the context of ongoing legal proceedings, that several creditors of MAM (including BCP) have filed, at the London Commercial Court, against MAM and the Republic of Mozambique in order to recover their credits, the question of the validity of the sovereign guarantee of the Mozambican State to the MAM loan will be raised by the Republic of Mozambique. By the Court decision these lawsuits must be judged trough a unitary trial that is scheduled to start on 3 October 2023 over twelve weeks period.

According to public information made available by the IMF, there are defaults on credits granted to non-state Mozambican companies' and guaranteed by the Mozambican State. Considering the above-mentioned developments related to these credits, although the Ministry of Economy and Finance of the Republic of Mozambique has submitted in November 2018 new proposals regarding this matter and interactions are ongoing between the Government of Mozambique, the IMF and the creditors with the objective of finding a solution to the aforementioned debt guaranteed by the State of Mozambique, which had not been previously disclosed to the IMF, a solution that changes the ex-approved a solution that would change the Group's current expectations, reflected in the financial statements, on: (i) the ability of the Government of Mozambique and public companies to repay their debts and commitments assumed; and (ii) the development of the activity of its subsidiary Banco Internacional de Moçambique (BIM).

As at 30 September 2023, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 345,814,000 (31 December 2022: Euros 347,559,000), with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 136,231,000 (31 December 2022: negative amount of Euros 139,373,000). BIM's contribution to consolidated net income for the first nine months of 2023, attributable to the shareholders of the Bank, amounts to Euros 44,820,000 (30 September 2022: Euros 46,682,000).

As at 30 September 2023, the subsidiary BIM's exposure to the State of Mozambique and to the Central Bank includes public debt securities denominated in Metical classified as Financial assets measured at amortised cost - Debt instruments in the gross amount of MZN 41,096,531,000 corresponding to Euros 608,612,000 (31 December 2022: MZN 57,909,918,000 corresponding to Euros 849,306,000) and Financial assets at fair value through other comprehensive income in the gross amount of MZN 3,796,945,000 corresponding to Euros 56,230,000 (31 December 2022: MZN 7,090,486,000 corresponding to Euros 103,989,000).

Additionally, BIM has also registered as at 30 September 2023, in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 18,110,094,000 corresponding to Euros 268,198,000 (31 December 2022: MZN 19,081,523,000 corresponding to Euros 279,849,000) and in the balance Guarantees granted revocable and irrevocable commitments, an amount of MZN 1,026,143,000 corresponding to Euros 15,177,000 (31 December 2022: MZN 4,818,871,000 corresponding to Euros 70,704,000).

51. Contingent liabilities and other commitments

In accordance with accounting policy 1.U3, the main contingent liabilities and other commitments under IAS 37 are the following:

1. In 2012, the Portuguese Competition Authority ("PCA") initiated an administrative proceeding relating to competition restrictive practices (no. PRC 2012/9). On 6 March 2013, unannounced inspections were conducted in the premises of Banco Comercial Português, S.A. ("BCP" or "Bank") and other credit institutions, where documentation was seized to investigate allegations of a commercially sensitive information exchange between Portuguese banks.

The administrative proceeding was subject to judicial secrecy by the PCA, as the publicity of the process would not be compatible with the interests of the investigation and with the rights of the investigated companies. On 2 June 2015, the Bank was notified of the PCA's statement of objections ("SO") in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in a commercially sensitive information exchange between other fourteen banks related to retail credit products, namely housing, consumer and small and medium enterprises credit products.

The proceedings, including the deadline to submit a response to the SO, were suspended for several months between 2015 and 2017, following the appeals lodged by some defendants (including the Bank) before the Portuguese Competition, Regulation and Supervision Court ("Competition Court") on procedural grounds (namely, on the right to have access to confidential documents which were not used as evidence by the Authority – for several months, the PCA denied the Defendant' right to have access to confidential documents not used as evidence). In the end of June 2017, the suspension on the deadline to reply to the SO was lifted.

On 27 September 2017, BCP submitted its reply to the statement of objections. A non-confidential version of the Bank's defence was sent to the PCA, at the latter's request, on 30 October 2017. The witnesses indicated by the Bank were interrogated by the PCA in December 2017 (although without the presence of BCP's legal representatives).

In May 2018, the PCA refused the BCP's application for confidential treatment of some of the information in the Bank's reply to the SO, having also imposed that the Bank protects the confidential information of the co-defendants (providing a summary of the information). On 1 June 2018, the Bank filed an appeal with the Competition Court, which, upholding the appeal, concluded that the PCA infringed on the right to a prior hearing. Complying with the judgment, in November 2018, the PCA notified the Bank of its intention to deny the application for confidential treatment of some of the information included in the Bank's defence; subsequently, in January 2019, it requested BCP to provide summaries for the co-defendants' confidential information. The Bank filed an appeal before the Competition Court, which ruled in favour of BCP, as it considered that the elaboration by the Bank of summaries for its co-defendants' confidential information an illegitimate burden.

In April 2019, at the PCA's request, BCP declared to be in favour of the re-examination of its witnesses, requested in its defence and previously held. The witnesses were re-inquired on 16-17 April 2019 with the presence of the Bank's legal representatives.

The PCA denied the request of BCP to be allowed to conduct cross-examination of the witnesses appointed by its co-defendants. The Bank appealed to the Competition Court, which denied the appeal, through a decision which was latter upheld by the Lisbon Court of Appeal. BCP then lodged an appeal before the Portuguese Constitutional Court for breach of the constitutional right of defence. The Constitutional Court dismissed the appeal on 29 April 2021, on the grounds that the requested cross-examination was not required by the Portuguese Constitution, at that stage of the proceedings. On 12 August 2020, the Bank lodged a complaint before the European Court of Human Rights on this matter.

On 2 July 2019, the Bank submitted its observations to the PCA's report on complementary evidence measures.

On 3 June 2019, BCP was notified of the partial dismissal of the complementary evidence measures it had requested in its reply to the SO, which it judicially contested. By judgment of September 2019, the Competition Court declared the nullity of the PCA's decision, for breach of the right of the parties to be heard on the PCA's draft decision. The Bank appealed to the Lisbon Court of Appeal in what concerned the limitation by the Competition Court of the effects of the nullity declaration of the PCA's decision. Although this appeal was ultimately admitted by the panel of judges of the Lisbon Court of Appeal, it ends up being denied.

In order to give compliance to BCP's right to be heard, the PCA notified the BCP of its intention to reject the above-mentioned complementary evidence measures. Following BCP's observations in November 2019, the PCA adopted its final decision rejecting the measures, which was judicially contested by the BCP in December 2019. In March 2020, the Competition Court rejected the appeal. This judgment was upheld by the Lisbon Court of Appeal in October 2020.

On 9 September 2019, the PCA adopted its final decision in this proceeding, fining the Bank in a Euros 60 million fine for its alleged participation in an information exchange system with its competitors in the housing, consumer and SME credit segments. The BCP considers that the Decision contains serious factual and legal errors, having, on 21 October 2019, filed an appeal before the Competition Court requesting the annulation of the Decision and the suspensory effect of the appeal. On 8 May 2020, BCP's appeal was admitted. On 8 June 2020, the BCP submitted a request before the Court, claiming that the rule according to which appeals do not have, in principle, suspensory effect violates the Portuguese Constitution, submitting elements aimed at demonstrating considerable harm in the advance provisional payment of the fine, and offering a guarantee in lieu (indicating the respective percentage of the fine to be offered as a guarantee). On 14 December 2020, a hearing was held before the Competition Court, and a consensual solution was reached between the PCA and the defendant banks, including BCP, as to the dosimetry (i.e., 50% of the amount of the fine) and the forms of the guarantee to be provided, in order for the appeal of the PCA's decision to have suspensory effect. On 21 December 2020, BCP submitted a bank guarantee issued by the BCP, which was accepted by the Competition Court. On 1 March 2021, the Competition Court notified BCP that the guarantee had been presented in a timely manner and in the agreed form, and, as a result, attributed suspensory effect to the appeal. By order of 20 March 2021, the Competition Court lifted the judicial secrecy and informed the appellants that the trial would, in principle, start in September 2021.

On 9 July 2020, the BCP requested the Court to declare the nullity of the fining decision of the PCA for failure to assess the economic and legal context, as determined by the recent case-law of the Court of Justice of the European Union. The Competition Court clarified that this and other prior questions would not be assessed before the hearing phase.

On 13 January 2021, BCP was notified of an application submitted by "Associação Ius Omnibus – Nova Associação de Consumidores" to the Competition Court asking it to have access to a non-confidential version of the file, based on the need to assert the “rights to indemnification of the consumers whose rights and interests it represents, and the possible exercise and proof of those rights in the context of an action for damages”. On the same date, BCP was notified by the Competition Court of its decision authorizing the news agency "Lusa" to access the file of the administrative phase of the case. BCP appeal of this decision to the Appeal Court of Lisbon, on 25 January 2021 and opposed to the request of "Ius Omnibus" on 2 February 2021.

On 20 March 2021, the Competition Court determined: (i) the lifting of the judicial secrecy; (ii) the forwarding to the Public Prosecutor of the appeal of BCP against the decision of the Competition Court relating to "Lusa", for reply; (iii) the provisional start date of the judgement hearing on September 2021, having requested suggestions by the co-appellants for venues.

By decision of 9 April 2021 of the Competition Court, a preparatory hearing took place on 30 April 2021 for discussion of issues precedent to the begging of the judgment hearings, in which the procedures relating to the treatment of confidential information of the co-appellants in the appeals was defined, as well as the conditions relating to access to file. The Competition Court also set forth preliminary dates for the judgement hearing and scheduled a preparatory hearing for 7 July 2021.

On 28 June 2021, BCP was notified by the Competition Court to reply to the requests submitted by some of the co-appellants and confirm that all confidential information had been duly eliminated from non-confidential versions submitted by each co-appellant. The Competition Court also determined that the hearing of 7 July 2021 was cancelled and its object would be transferred to the next hearing date (6 September 2021).

On 8 July 2021, BCP presented its reply to the notification of 28 June 2021, having also requested confirmation in relation to the scheduling of the judgement hearing, namely confirmation of whether it was actually scheduled for 6 September 2021 the preparatory hearing and the start of the judgement hearing sessions.

Several representatives of the banks raised the question of the possible unconstitutionality of the seizure proceedings of e-mail messages used as evidence in the PCA’s decision, which objection appeal will now take place. This issue was raised bearing in mind the recent Decision of the Constitutional Court no. 687/2021 on the administrative offence case no. 225/15.4YUSTR-W. A petition on this matter was filed with the Court on 10 October 2021, requesting the Court to take a position on the matter before the beginning of the trial. The Court issued an order rejecting the banks' request to rule on those nullities raised by them, having refused to prohibit the use during the judgment of electronic messages seized, allowing witnesses to be confronted with their content. The requesting banks lodged an appeal against this order, which was admitted by the Lisbon Court of Appeal.

On 28 April 2022, TCRS ("*Tribunal da Concorrência, Regulação e Supervisão*") handed down a decision under the scope of Proc. 225/15.4YUSTR-W, regarding the appeal to challenge the decision of the Portuguese Competition Authority of September 2019 (PRC/2012/09), which imposed fines on a number of banking institutions for alleged violation of competition rules in virtue of participating in a process of exchanging information on mortgage loans, consumer credit and credit to SMEs.

In this extensive decision, TCRS lists the facts given as proven, bearing in mind the testimonial evidence produced and the documents attached to the case file, both in the administrative phase and in the trial, however, at this stage, the TCRS does not yet conclude by the legal framework of the facts as proven, nor, consequently, by the imposition of fines, having the TCRS instead chosen to make the reference for a preliminary ruling to the Court of Justice of the European Union (CJEU) in order to answer two preliminary questions that it sets out, requesting that this reference follows further terms in the form of an accelerated procedure, taking into account the risk of prescription. It should be noted that it is not up to the CJEU to adjudicate on the case, but only to interpret the rules of community law by answering in abstract to the questions submitted to it by the referring court.

CJEU rejected TCRS's request for an accelerated procedure and for priority to be given in the assessment of this case, hence CJEU's assessment must be given within the normal deadline for these prejudicial proceedings, after which the judgment of this Court will then be concluded.

The Bank has been notified by the CJEU to, if it wishes, submit its written observations, and must do so by 2 September 2022.

The Bank forwarded its observations to the CJEU on 1 September 2022.

On 22 June 2023 the Oral Hearing was held at the CJEU, and the parties' lawyers made their presentations and answered the questions that the Judge and the Advocate-General wished to raise.

It was scheduled for 5 October 2023 for the Advocate-General to read his Conclusions.

It is estimated that about two or three months after that reading, the CJEU will deliver its judicial ruling.

If this judicial ruling so determines, the trial may be "reopened" for some additional evidence to be produced. This not being the case, the CRSC will deliver the corresponding sentence, which can also be appealed to the Lisbon Court of Appeal and the Constitutional Court.

After receiving an answer from the CJEU, it is expected that the CRSC will be able to issue a Judgment, where it may cancel, confirm, reduce or increase the fine applied by the CA (Competition Authority) to the Bank.

On the appeal submitted, and at the trial hearing, arguments of fact and law were presented, which we believe to be solid and sufficient to justify the acquittal of BCP from the conviction against it. However, given the complexity of the case, its several legal and extra-legal implications, and the position that the CRSC has already taken on the facts, it is not possible to anticipate the final decision of the case.

The Bank does not anticipate that this lawsuit may result in any responsibility that could have impact on the respective financial statements.

The Advocate General's conclusions were made public on 5 October 2023:

1) Article 101 TFEU must be interpreted as meaning that it does not preclude the classification as a restriction of competition by object of an exchange between competitors of information concerning the commercial conditions applicable to transactions (in particular, current and future credit spreads and risk variables) and production figures for home loan offers, corporate lending offers and consumer credit offers in the banking sector, where such a practice has artificially increased transparency and reduced uncertainty as to the functioning of the market.

2) Article 101 TFEU does not preclude such classification where it has been impossible to identify or establish any gain in efficiency or any uncertain or positive effect on competition resulting from that exchange of information.

The Advocate General's conclusions are not in the nature of a judgement by the CJEU, they are not binding on the Court of Justice, and it is therefore necessary to await the subsequent delivery of the CJEU judgement which in that case will set out the interpretation of Community law on the questions referred to it for a preliminary ruling by the Competition, Regulation and Supervision Court in case no. 225/15.4YUSTR-W.

2. On 7 June 2022, the Bank was notified by the Court to contest a lawsuit brought by Fundação José Berardo and José Manuel Rodrigues Berardo against Banco Comercial Português, S.A., Caixa Geral de Depósitos, S.A., Novo Banco, S.A. and Banco Espírito Santo, S.A., in liquidation.

In this lawsuit, the Plaintiffs allege that they incurred in a mistake regarding the endogenous situation of the defendant banks and the financial system, without which they would have sold the pledged shares and paid their loans. If this is not the case, the plaintiffs request the defendant banks to be ordered to pay compensation to Fundação José Berardo for damages caused by breach of contract, since the moment when they should have been sold in execution of the pledge due to failure to verify coverage ratios until the moment when they were sold, that is, the difference between the price at which the pledged shares would have been sold on the dates of coverage ratios default and the price at which they were actually sold, plus interest and all other loan charges since those dates, in any case the global amount of compensation not being less than Euros 800,000,000. In any case, the plaintiffs ask the defendant banks to be jointly condemned to pay José Manuel Rodrigues Berardo compensation for moral damages, in the already calculated amount of Euros 100,000,000 and also in the amount that is settled as soon as the full extent of the damages is known.

In the meantime, through Order No. 8765/2022 of Mr. Secretary of State for the Presidency of the Council of Ministers, published in Republic Diary, Series 2, part C, of 19 July 2022, the Plaintiff of this lawsuit, Fundação José Berardo, was declared extinct. This decision was legally contested by the José Berardo Foundation, and in April 2023, the Administrative and Fiscal Court of Funchal cancel the decision that ordered its extinction. Dissatisfied, the Portuguese State appealed against this latter and is awaiting the outcome.

The lawsuit was contested on 27 September 2022 and is awaiting subsequent terms.

The Bank does not anticipate that this lawsuit may result in any responsibility that could have impact on the respective financial statements.

3. On 3 January 2018, Bank Millennium received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman), in which the OPCC Chairman found infringement by Bank Millennium of the rights of consumers. In the opinion of the OPCC Chairman the essence of the violation is that Bank Millennium informed consumers (it regards 78 agreements) in responses to their complaints, that the court verdict stating the abusiveness of the provisions of the loan agreement regarding exchange rates does not apply to them. According to the position of the OPCC Chairman the abusiveness of contract's clauses determined by the court in the course of abstract control is constitutive and effective for every contract from the beginning. As a result of the decision, Bank Millennium was obliged to:

1) send information on the UOKiK's decision to the said 78 clients;

2) place the information on decision and the decision itself on the website and on Twitter;

3) to pay a fine amounting to PLN 20.7 million (Euros 4.5 million).

Bank Millennium lodged an appeal within the statutory time limit.

On 7 January 2020, the first instance court dismissed Bank Millennium's appeal in its entirety. Bank Millennium appealed against the judgment within the statutory deadline. The court presented the view that the judgment issued in the course of the control of a contractual template (in the course of an abstract control), recognizing the provisions of the template as abusive, determines the abusiveness of similar provisions in previously concluded contracts. Therefore, the information provided to consumers was incorrect and misleading. As regards the penalty imposed by OPCC, the court pointed out that the policy of imposing penalties by the Office had changed in the direction of tightening penalties and that the court agrees with this direction.

In Bank Millennium's assessment, the Court should not assess Bank Millennium's behaviour in 2015 from the perspective of today's case-law views on the importance of abstract control (it was not until January 2016 that the Supreme Court's resolution supporting the view of the OPCC Chairman was published), the more penalties for these behaviours should not be imposed using current policy. The above constitutes a significant argument against the validity of the judgment and supports the appeal which Bank Millennium submitted to the Court of second instance.

The second instance court, in its judgment of 24 February 2022, completely revoked the decision of the OPCC Chairman. On 31 August 2022, the OPCC Chairman lodged a cassation appeal to the Supreme Court. Bank Millennium believes that the prognosis regarding the litigation chances of winning the case before the Supreme Court is positive.

Bank Millennium (along with other banks) is also a party to the dispute with OPCC, in which the OPCC Chairman recognized the practice of participating banks, including Bank Millennium, in an agreement aimed at jointly setting interchange fee rates charged on transactions made with Visa and Mastercard cards as restrictive of competition, and by decision of 29 December 2006 imposed a fine on Bank Millennium in the amount of PLN 12.2 million (Euros 2.6 million). Bank Millennium, along with other banks, appealed the decision.

In connection with the judgment of the Supreme Court and the judgment of the Court of Appeal in Warsaw of 23 November 2020, the case is currently pending before the court of first instance - the Court of Competition and Consumer Protection. Bank Millennium has created a provision in the amount equal to the imposed penalty.

4. On 22 September 2020, Bank Millennium received decision of the Chairman of the Office for Protection of Competition and Consumers (OPCC Chairman) recognising clauses stipulating principles of currency exchange applied in the so-called anti-spread annex as abusive and prohibited the use thereof.

Penalty was imposed upon Bank Millennium in the amount of PLN 10.5 million (Euros 2.3 million). Penalty amount takes account of two mitigating circumstances: cooperation with the Office for Protection of Competition and Consumers and discontinuation of the use of provisions in question.

Bank Millennium was also requested, after the decision becomes final and binding, to inform consumers, by registered mail, to the effect that the said clauses were deemed to be abusive and therefore not binding upon them (without need to obtain court’s decision confirming this circumstance) and publish the decision of the case on Bank Millennium’s website.

In the decision justification delivered in writing the OPCC Chairman stated that FX rates determined by Bank Millennium were determined at Bank Millennium’s discretion (on the basis of a concept, not specified in any regulations, of average inter-bank market rate). Moreover, client had no precise knowledge on where to look for said rates since provision referred to Reuters, without precisely defining the relevant site.

Provisions relating to FX rates in Bank Millennium’s tables were challenged since Bank Millennium failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC Chairman also indicated that in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC Chairman deemed to be insufficient.

Bank Millennium appealed against the said decision within statutory term.

On 31 March 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On 23 May 2022, the Chairman of the OPCC filed an appeal. On 26 October 2022, the Court of Appeals changed the judgment of the court of first instance and shared the position of the Chairman of the OPCC as to the abusiveness of the provisions regarding the determination of exchange rates in the annexes concluded with foreign currency borrowers. On 21 November 2022, the Court of Appeal, at the request of Bank Millennium, suspended the execution of the judgment until the end of the cassation proceedings. On 30 January 2023 Bank Millennium filled a cassation appeal to the Supreme Court.

5. Bank Millennium is a defendant in two court proceedings in which the subject of the dispute is the amount of the interchange fee. The total value of claims submitted in these cases is PLN 729.2 million (Euros 157.8 million). The proceedings with the highest value of the submitted claim are brought by PKN Orlen SA, in which the plaintiff demands payment of PLN 635.7 million (Euros 137.6 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In this case, Bank Millennium was sued jointly with another bank and card organizations. In the case brought by LPP S.A. the charges are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated for the years 2008-2014. In this case, Bank Millennium was sued jointly with another bank. According to current estimates of the risk of losing a dispute in these matters, Bank Millennium did not create a provision. In addition, we point out that Bank Millennium participates as a side intervener in four other proceedings regarding the interchange fee. Other banks are the defendant. Plaintiffs in these cases also accuse banks of acting as part of an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2008-2014.

- A lawsuit brought up by shareholder of PCZ S.A. in bankruptcy (PHM, then the European Foundation for Polish-Belgian Cooperation - EFWP-B, currently called The European Foundation for Polish-Kenyan Cooperation) against Bank Millennium S.A., worth of the dispute PLN 521.9 million (Euros 113 million) with statutory interest from 5 April 2016 until the day of payment. The plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw; the suit was served to Bank Millennium on 4 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by Bank Millennium and consisting in the wrong interpretation of the Agreement for working capital loan concluded between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand. Bank Millennium is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of Bank Millennium, Bank Millennium's attorney submitted a binding copy of final verdict of Appeal Court in Wrocław favourable to Bank Millennium, issued in the same legal state in the action brought by PCZ SA against Bank Millennium. On 10 May 2023, the Court of first instance announced a judgment dismissing the claim in its entirety. The verdict is not final, the plaintiff filed an appeal, the date of the appeal hearing has not yet been set.

As at 30 September 2023, the total value of the subjects of the other litigations in which the Group's companies appeared as defendant, stood at PLN 5,127.7 million (Euros 1,109.9 million) (excluding the class actions described below and in note 52). In this group the most important category are cases related with FX loans mortgage portfolio and cases related to forward transactions (option cases).

6. On 3 December 2015 a class action was served on Bank Millennium. A group of Bank Millennium's debtors (454 borrowers party to 275 loan agreements) is represented by the Municipal Consumer Ombudsman in Olsztyn. The plaintiffs demanded payment of the amount of PLN 3.5 million (Euros 0.8 million), claiming that the clauses of the agreements, pertaining to the low down payment insurance, are unfair and thus not binding. Plaintiff extended the group in the court letter filed on 4 April 2018, therefore the claims increased from PLN 3.5 million (Euros 0.8 million) to over PLN 5 million (Euros 1.1 million).

Actual status:

On 1 October 2018, the group's representative corrected the total amount of claims pursued in the proceedings and submitted a revised list of all group members, covering the total of 697 borrowers – 432 loan agreements. The value of the subject of the dispute, as updated by the claimant, is PLN 7,371,107.94 (Euros 1,595,443.4).

By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing. The hearing date was set for 18 October 2024.

As at 30 September 2023, there were also 149 individual court cases regarding LTV (loans-to-value) insurance (cases in which only a claim for the reimbursement of the commission or LTV insurance fee is presented).

7. On 13 August 2020, Bank Millennium received lawsuit from the Financial Ombudsman. The Financial Ombudsman, in the lawsuit, demands that Bank Millennium and the Insurer (TU Europa) be ordered to discontinue performing unfair market practices involving, as follows:

- presenting the offered loan repayment insurance as protecting interests of the insured in case when insurance structure indicates that it protects Bank Millennium's interests;

- use of clauses linking the value of insurance benefit with the amount of borrower's debt;

- use of clauses determining the amount of insurance premium without prior risk assessment (underwriting);

- use of clauses excluding insurer's liability for insurance accidents resulting from earlier causes.

Furthermore, the Ombudsman requires Bank Millennium to be ordered to publish, on its website, information on use of unfair market practices.

The lawsuit does not include any demand for payment, by Bank Millennium, of any specified amounts. Nonetheless, if the practice is deemed to be abusive it may constitute grounds for future claims to be filed by individual clients.

The case is being examined by the court of first instance.

8. By 30 September 2023, Bank Millennium recorded the receipt of 39 lawsuits by borrowers of mortgage loans in PLN for reimbursement of benefits provided under the loan agreement. The borrowers' allegations focus on the WIBOR ratio as an incomprehensible, unverifiable element affecting the consumer's liability, as well as the issue of insufficient information on the effects of variable interest rates provided to the consumer by the bank before the conclusion of the contract.

Based on publicly available information, it can be assumed that there will be an increase in the number of lawsuits concerning mortgage loans in PLN. This phenomenon affects the entire sector of banking services. It is possible that a "new business model" will be created in the area of law firms, which consists in questioning mortgage contracts containing a variable interest rate clause based on the WIBOR reference index.

The Polish Financial Supervision Authority (KNF) announced that it had assessed the ability of the WIBOR interest rate reference index to measure the market and economic realities. The KNF stated that the WIBOR interest rate reference index is capable of measuring the market and economic realities for which it was established. According to the Commission's assessment, the WIBOR ratio responds appropriately to changes in liquidity conditions, changes in central bank rates and economic realities.

On 26 July 2023, the Polish Financial Supervision Authority (KNF) presented its position on legal and economic issues related to mortgage loan agreements in Polish currency in which the WIBOR interest rate reference index is used. This position can be used in court proceedings and can then be treated as an 'amicus curiae' opinion. The Polish Financial Supervision Authority stated that the WIBOR reference index meets all legal requirements. In the opinion of the Polish Financial Supervision Authority, there are no grounds to question the credibility and legality of WIBOR, in particular in the context of the use of this indicator in mortgage loan agreements in the Polish currency.

9. On 1 October 2015, a set of entities connected to a group with debts in default to BCP amounting to Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against BCP, after receiving the Bank's notice for mandatory payment, a lawsuit requesting that:

a) the court declares that two of the defendants are mere fiduciary owners of 340,265,616 BCP shares, since they acted pursuant to a request made by the Bank for the making of the respective purchases, and also that the court orders the cancellation of the registration of those shares in the name of those companies;

b) the court declares the nullity of the financing agreement established between the plaintiffs and the Bank, due to relative simulation;

c) the court sentences the Bank, in accordance with the legal regime of the mandate without representation, to become liable for the amounts due to the institution, abstaining from requesting those amounts to the plaintiffs and to refund them the cost they incurred while complying with that mandate, namely, Euros 90,483,816.83 regarding Banco Espírito Santo, S.A. (BES) and Euros 52,021,558.11 regarding Caixa Geral de Depósitos, S.A. (CGD), plus default interests;

d) the amount of the lawsuit determined by the plaintiffs is Euros 317,200,644.90;

e) the Bank opposed and presented a counter claim, wherein it requests the conviction, namely, of a plaintiff company in the amount of Euros 185,169,149.23 for the loans granted, plus default interests and stamp tax.

The court issued a curative act and already ascertained the factual basis that are proven and that must be proven.

The expertise was carried out and the expert report was submitted. There is a deadline for completing and concluding the expert report, in its final version, since the Bank presented a complaint about various aspects of the expert's report, in its first version.

The expertise was carried out and the expert report submitted.

In November 2022 the Bank complained about the Experts' Report: (i) they considered documents that the Court had ordered to be removed from the proceedings, which had not been done due to the Court's inertia, (ii) they considered written notes on documents, that may have been written by Mr. Gois Ferreira, and (iii) they did not consider much information that was contained in the statements, and (iv) they made errors in the calculation of interest and the amount of financing granted. In view of the experts' new reply, BCP claimed all the expertise, in March 2023. For the Court's final decision, BCP added, in June this year, thousands of documents supporting its position.

10. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the Article 145-C (1.b) of the Decree-law no. 298/92, of 31 December 1992, as amended (the “Banking Law”), which entailed, *inter alia*, the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming, on that date, the sole shareholder. Further, in accordance with information published on the Resolution Fund’s website, the Resolution Fund borrowed Euros 4,600 million, of which Euros 3,900 million were granted by the Portuguese State and Euros 700 million by a group of credit institutions, including the Bank.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "*eventual negative effects of future decisions regarding the resolution process that may result in liabilities or contingencies*".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to be taken, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the BES liquidation process is over, if it is verified that the creditors, whose credits were not transferred to Novo Banco, would take on a higher loss than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

On 31 May 2019, the Liquidation Committee of BES presented a list of all the acknowledged and a list of the non-acknowledged creditors before the court and the subsequent terms of the proceedings. These lists detail that the total acknowledged credits, including capital, remunerative and default interest amounts to Euros 5,056,814,588, of which Euros 2,221,549,499 are common credits and Euros 2,835,265,089 are subordinated claims, and no guaranteed or privileged claims exist. Both the total number of acknowledged creditors and the total value of the acknowledged credits and their ranking will only be ultimately determined upon the definitive judicial judgment of the verification and ranking of credits to be given in the liquidation proceedings.

According to the Resolution Fund's 2022 Annual Report, the Resolution Fund filed an appeal against the list of creditors with the Judicial Court of the District of Lisbon, requesting the recognition of its claims. The appeal was upheld, and the Liquidation Committee of BES filed an appeal. In 2023, the Lisbon Court of Appeal rejected the appeal filed by the Liquidation Committee of BES and, in favour of the position defended by the Resolution Fund, confirmed the decision of the Court of First Instance and the recognition, in the amount of Euros 1,242,568.9 thousand of the credits claimed by the Resolution Fund as privileged credits. In February 2023, the Liquidation Committee of BES filed a review appeal with the Supreme Court of Justice, which decision is expected during 2023.

On 11 August 2023, the BES Liquidation Committee announced that this amount had been recognized and qualified as privileged by a judgment of the Supreme Court of 11 July 2023. On 10 August 2023, an order was issued in the BES liquidation proceedings, which reads as follows: "(...) On 11 July 2023, the Supreme Court of Justice dismissed the appeal filed by the Banco Espírito Santo, S.A. bankruptcy estate, recognizing that the Resolution Fund's claim is privileged in these proceedings. This means that only the Resolution Fund, as a creditor, will have its claim satisfied from the funds available to the Banco Espírito Santo, S.A. bankruptcy estate (...)".

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 20 of the Resolution Fund's annual report of 2022, *"Legal actions related to the application of resolution measures have no definitive legal precedents, which makes it impossible to use case law in its evaluation, as well as to obtain a reliable estimate of the associated contingent financial impact. (…) The Resolution Fund, supported by legal advice of the attorneys for these actions, and in light of the legal and procedural information available so far, considers that there is no evidence to cast doubt on their belief that the probability of success is higher than the probability of failure".*

According to note 22 of the Resolution Fund's annual report of 2022, *"In addition to the Portuguese courts, it is important to take into account the litigation of Novo Banco, S.A., in other jurisdictions, being noteworthy, for its materiality and respective procedural stage, the litigation in the Spanish jurisdiction. Regarding litigation in the Spanish jurisdiction, during the years 2018 to 2022, 12 (decisions) have become final and unappealable condemning Novo Banco, Spanish branch, as well as four sentences in relation to which due compensation has been requested from the Resolution Fund".*

On 31 March 2017, Banco de Portugal communicated the sale of Novo Banco, where it states the following: *"Banco de Portugal today selected Lone Star to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction. Under the terms of the agreement, Lone Star will inject a total of Euros 1,000 million in Novo Banco, of which Euros 750 million at completion and Euros 250 million within a period of up to 3 years. Through the capital injection, Lone Star will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital".*

The terms agreed also included a Contingent Capital Agreement (CCA), under which the Resolution Fund, as a shareholder, undertakes to make capital injections if certain cumulative conditions are met related to the performance of a specific portfolio of assets and to the capital ratios of Novo Banco going forward.

If these conditions are met, the Resolution Fund may be called upon to make a payment to Novo Banco for the lesser of the accumulated losses in the covered assets and the amount necessary to restore the capital ratios at the agreed levels. Any capital injections to be carried out pursuant to this contingent mechanism are limited to an absolute cap. The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund, to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

On 18 October 2017, following the resolution of the Council of Ministers no. 151-A/2017 of 2 October 2017, Banco de Portugal communicated the conclusion of the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, followed by a further capital increase of Euros 250 million by the end of 2017. Upon completion of the transaction, the status of Novo Banco as a bridge institution ceased, fully complying with the purposes of the resolution of BES.

On 26 February 2018, the European Commission published the non-confidential version of its decision regarding the approval of State aid underlying Novo Banco's sale process. This statement identifies the three support measures by the Resolution Fund and the Portuguese State that are part of the sale agreement associated with a total gross book value of around Euros [10-20] billion(1) that revealed significant uncertainties regarding adequacy in provisioning(2):

(i) Contingent Capital Agreement (CCA) which allows Lone Star to reclaim, from the Resolution Fund, funding costs, realised losses and provisions related to an ex-ante agreed portfolio of existing loan stock, up to a maximum of Euros 3.89 billion, subject to a capital ratio trigger (CET1 below 8%-13%) as well as to some additional conditions(1)(2)(3);

(ii) underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount necessary (but no more than Euros 400 million). The amount that can be reclaimed by the Resolution Fund under the CCA is subject to the cap of Euros 3.89 billion(2);

(iii) in case the Supervisory Review and Evaluation Process ("SREP") total capital ratio of Novo Banco falls below the SREP total capital requirement, the Portuguese State will provide additional capital in certain conditions and through different instruments(2). According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the risk of triggering the additional capital mechanism (capital backstop), up to Euros 1.6 billion, provided for in the commitments made by the Portuguese State to ensure the viability of NB, exists".*

According to the 1st half 2023 earnings presentation from Novo Banco's, Novo Banco still has Euros 485 million under the MCC in addition to the Euros 209 million included in the capital call for 2021. The mechanism is in place until December 2025, date that can be extended, under certain conditions, by one additional year.

(1) Exact value not disclosed by the European Commission for confidentiality reasons

(2) As referred to in the respective European Commission Decision

(3) According to 2018 Novo Banco's earnings institutional presentation, the "minimum capital condition" is (i) CET1 or Tier 1 < CET1 or Tier 1 SREP requirement plus a buffer for the first three years (2017-2019); (ii) CET1 < 12%

According to a statement issued by the Resolution Fund on 13 February 2023, *"the Ministry of Finance has disclosed that the European Commission intends to consider the restructuring process of Novo Banco as completed. The information disclosed today confirms the successful restructuring of Novo Banco, resulting from the combined execution of the restructuring plan agreed in 2017, under the sale transaction conducted by Banco de Portugal, and the sale agreements, namely the CCA, under which the Resolution Fund transferred to Novo Banco Euros 485 million, less than the maximum amount set in the contract (Euros 3,890 million). The completion of the restructuring of Novo Banco (…) is also another indicator that Novo Banco should not need to request any further payment to the Resolution Fund under the CCA, without prejudice to the ongoing litigation or that still may occur regarding the amounts already requested by Novo Banco in relation to past years and that the Resolution Fund considers that are not due"*. On the same day, Banco de Portugal issued the following statement *"The conclusion of the Novo Banco restructuring process also results in the end of the backstop mechanism, which provided for the possibility, which was always considered remote, of the Portuguese State providing extraordinary support to Novo Banco in extreme scenarios. This mechanism protected Novo Banco and the national financial system from more adverse scenarios, which did not materialize. With the end of the backstop, the financial risk for the Portuguese State is eliminated"*.

According to the 2018 Resolution Fund's annual report, the Resolution Fund and Novo Banco have agreed that a Verification Agent - an independent entity which is essentially responsible for clarifying any differences that may exist between Novo Banco and the Resolution Fund regarding the set of calculations inherent to the CCA or regarding the practical application of the principles stipulated in the contract - is in charge of confirming that the perimeter of the mechanism is correct and that the balance sheet values of Novo Banco are being correctly reflected in the mechanism, as well as verifying the underlying set of calculations, namely by confirming the correct calculation of losses and the reference value of the assets. According to the 2022 Resolution Fund's annual report, the Resolution Fund follows the work carried out by the Verification Agent, while specific analyses are being requested.

The Resolution Fund disclosed on 17 June 2019 a set of clarifications related to the payment due in 2019 under the CCA with Novo Banco, namely:

- For payments from the Resolution Fund to be made (limited to a maximum of Euros 3,890 million over the lifetime of the mechanism), losses on the assets under the contingent mechanism should be incurred and the capital ratios of Novo Banco should stand below the agreed reference thresholds;

- The payment to be made by the Resolution Fund corresponds to the lower of the accumulated losses on the assets covered and the amount necessary to restore the capital ratios above the minimum reference threshold;

- The reference capital ratios are, in 2017, 2018 and 2019, linked to the regulatory requirements applicable to Novo Banco (CET1 ratio of 11.25% and Tier 1 ratio of 12.75%), but, as from 2020, the reference ratio will correspond to a CET1 ratio of 12%;

- The initial reference value of the portfolio comprising the CCA was, as of 30 June 2016, Euros 7,838 million (book value of the associated assets, net of impairments);

- The value of the portfolio, as at 31 December 2022, amounted to Euros 1.1 billion (book value, net of impairments), according to Novo Banco's annual 2022 report.

According to a notice issued by the Resolution Fund on 4 June 2020, the *"Resolution Fund and Novo Banco have initiated an arbitration procedure to clarify the treatment that should be given, under the CCA, of the effects of Novo Banco's decision to waive the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on credit institutions' own funds. This issue falls within the scope of the implementation of the CCA, which sets the maximum amount of payments to be made by the Resolution Fund at Euro 3,890 million. Thus, even if the arbitration procedure were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of Euros 3,890 million in accordance with the CCA. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of Euros 3,890 million"*.

According to Resolution Fund's annual report of 2022, *"the award of the Arbitration Court, constituted under the aegis of the International Chamber of Commerce, was known at the end of October 2021, and was favourable to the Resolution Fund. The Arbitration Court considered that (...) the financial impact on Novo Banco's own funds could not be covered by the CCM. The value of the dispute at the date of the award amounted to Euros 169 million, an amount that the Resolution Fund would have had to pay to Novo Banco if the Arbitration Court's award had not been favourable"*.

Additionally, regarding the intervention of the Resolution Fund concerning the transitional regime of the implementation of the dynamic component of IFRS 9, Novo Banco estimates a positive impact on its own funds in the amount of Euros 171 million (which implies a reduction in the capital requirements that Novo Banco intended to pass on to the CCM in the amount of Euros 161.6 million). Accordingly, the Resolution Fund initiated a second arbitration proceeding, also under the aegis of the International Chamber of Commerce, with a view to settling the difference between the parties. This process is in progress, and it is estimated that an award will be rendered YE 2023 or first half of 2024.

According to a statement by the Resolution Fund on 3 September 2020, following the payment made in May 2019 by the Resolution Fund to Novo Banco in compliance with the CCA, a special audit determined by the Government was carried out. The information was presented by the independent entity that carried out the special audit, showed that Novo Banco has been operating with a strong influence of the vast legacy of non-productive assets, originated in BES, which resulted in impairment charges and provisions, but have also contributed to rendering Novo Banco's internal procedures more robust. Regarding the exercise of the powers of the Resolution Fund under the CCA, the audit results reflect the adequacy of the principles and the adopted criteria.

According to Resolution Fund's annual report of 2022, the procedure relating to the payment to Novo Banco regarding 2020 accounts has been concluded, concluding that a payment of Euros 112 million was due to Novo Banco from the Resolution Fund which had remained pending further verification. Therefore, that amount was paid to Novo Banco, in December 2021.

According to Resolution Fund's annual report of 2022, Novo Banco submitted to the International Chamber of Commerce a request for arbitration to have recognized the right to receive an aggregate amount of Euros 165,441.9 thousand (divestment of Novo Banco's activity in Spain in the amount of Euros 147,441.9 thousand and valuation differences regarding a set of assets held by Novo Banco in the amount of Euros 18,000 thousand) which the Resolution Fund considered, and considers, not to merit the coverage of the CCM.

On 3 May 2021, following the request of the Portuguese parliament in October 2020 to review the operations and management of Novo Banco that led to the need to transfer funds from the Resolution Fund to Novo Banco, the Resolution Fund announced that the audit report conducted by Tribunal de Contas ("Court of Auditors") was released. The Court of Auditors concluded that the public financing of Novo Banco through the CCA contributed to the stability of the financial system, particularly as it avoided the bank's liquidation and reduced systemic risk. According to the Resolution Fund, the audit does not identify any impediment to the fulfilment of commitments and contracts arising from BES's resolution process, initiated in August 2014.

On 9 September 2020, BCP informed that it has decided not to continue with the legal proceeding before the General Court of the European Union with a view to partially annul the European Commission's decision regarding its approval of the CCA of Novo Banco.

According to Novo Banco's 1st Half 2023 report (note 30), Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August, according to which, the deferred tax assets recorded until 31 December 2015 can be converted into tax credits when the taxable entity reports an annual net loss, in accordance to the proportion of the amount of the said net loss to total equity at the individual company level, A special reserve was established with an amount identical to the tax credit approved, increased by 10%. The conversion rights are securities that entitle the State to require Novo Banco to increase its share capital by incorporating the amount of the special reserve and consequently issuing and delivering free of charge ordinary shares. The shareholders have the right to acquire the conversion rights attributed to the Portuguese State.

According to the Resolution Fund's 2022 annual report, under the terms of the sale of Novo Banco, the 75% of the share capital of Novo Banco held by Nani Holdings is not affected by the dilution associated with the Special Regime applicable to deferred tax assets (REIAD).

On 17 December 2021, Novo Banco, carried out a capital increase in the amount of Euros 154,907.3 thousand, through the conversion of the rights that had been attributed to the State due to the conversion of the deferred tax assets of Novo Banco, into tax credits, with reference to the 2015 tax period, under the REIAD. As of that date, the State became a shareholder of Novo Banco, having been attributed a participation corresponding to 1.56% of the share capital. Later, on 4 November 2022, Novo Banco made a further capital increase of Euros 249,753 thousand conferred the State an additional stake of 4.13% in Novo Banco.

In addition, according to Novo Banco's 1st Half 2023 report, a capital increase of Euros 263.183 was carried out in April 2023 through a rights conversion related to 2018 and 2019, which gave the State an additional stake of 6.27% in Novo Banco.

According to Novo Banco's 1st Half 2023 report, Lone Star owns 75% of Novo Banco, the Resolution Fund 13.04%, and the Portuguese State 11.96%.

Still according to the same source, it is estimated that the aggregate effect of the application of the REAID, for the period from 2015 to 2020, could result in the State's holding in Novo Banco reaching 15.84% and the Resolution Fund's holding being reduced to 9.16%.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal announced that Banif *"was failing or likely to fail"* and started an urgent resolution process of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management. The largest portion of the assets that were not sold, were transferred to an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, having the Resolution Fund as the sole shareholder. For that matter, Oitante issued bonds representing debt in the amount of Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee. The operation also involved State aid, of which Euros 489 million were provided by the Resolution Fund, which was funded by a loan granted by the State.

On 4 July 2022, Oitante - 100% owned by the Resolution Fund - completed the process of repayment of the bonds issued in connection with the resolution of BANIF. Oitante's debt, which initially amounted to Euros 746 million, was thus fully repaid. With the repayment of the debt, the Resolution Fund's responsibility as guarantor also ceases, as well as the Portuguese State's responsibility as provider of a counter-guarantee.

On 16 January 2023, the Liquidation Committee of Banif announced a list of all the acknowledged and a list of the non-acknowledged creditors. According to the Resolution Fund's 2022 annual report, the Resolution Fund holds a claim on Banif of Euros 489 million, which has a higher claim ranking provided for in article 166-A of the RGICSF. Under the judicial liquidation process of Banif, which was initiated following the resolution, the independent evaluator estimates that the level of recovery of the financial support made available by the Resolution Fund, as having a higher ranking at the end of the liquidation, is expected to be 7.6%.

On 12 January 2021, Banco de Portugal was informed that the Administrative and Fiscal Court of Funchal dismissed a lawsuit involving several disputes associated to Banif's resolution measures applied by Banco de Portugal. In its decision, the Court determined the legality and maintenance of Banco de Portugal's measures.

Liabilities and financing of the Resolution Fund

Pursuant to the resolution measures applied to BES and Banif, the Resolution Fund incurred on loans and assumed other responsibilities and contingent liabilities resulting from:

- The State loans, on 31 December 2021, included the amounts made available (i) in 2014 for the financing of the resolution measure applied to BES (Euros 3,900 million); (ii) to finance the absorption of Banif's losses (Euros 353 million); (iii) under the framework agreement concluded with the State in October 2017 for the financing of the measures under the CCA (Euros 430 million plus Euros 850 million of additional funding requested in 2019 and Euros 850 million made available in 2020);

- Other funding granted:

  - in 2014 by the institutions participating in the Resolution Fund in the amount of Euros 700 million, in which the Bank participates, within the scope of BES resolution measure;

  - in 2021 by seven domestic credit institutions, including BCP, to finance payments due under the CCA up to a maximum of Euros 429 million;

- The underwriting by the Resolution Fund of a Tier 2 instrument to be issued by Novo Banco up to the amount of Euros 400 million did not take place as the instruments were placed with third party investors as disclosed by Novo Banco on 29 July 2018;

- Effects of the application of the principle that no creditor of the credit institution under resolution may assume a loss greater than the one it would take if that institution did not go into liquidation;

- Negative effects resulting from the resolution process that result in additional liabilities or contingencies for Novo Banco, which must be neutralized by the Resolution Fund;

- Legal proceedings filed against the Resolution Fund;

- Guarantee granted to secure the bonds issued by Oitante, totally reimbursed, as described above.

- CCA allows Lone Star to claim, from the Resolution Fund, funding costs, realised losses and provisions related to the aforementioned ex-ante portfolio of existing loan stock agreed upon the sale process to Lone Star up to Euros 3.89 billion under the aforementioned conditions, among which a reduction of Novo Banco's CET1 below 8%-13%;

- In case the Supervisory Review and Evaluation Process (SREP) total capital ratio of Novo Banco falls below the SREP total capital requirement, the State will provide additional capital in certain conditions and through different instruments as referred to in the respective European Commission Decision.

According to Resolution Fund's annual report of 2022, contingent liabilities from the CCA are limited to a maximum aggregate amount of Euros 3,890 million and that the aggregate amount of this contingent liability, which corresponds to the difference between that maximum amount and the amounts already paid by the Resolution Fund, amounts to Euros 485 million.

The expectation of the Resolution Fund is that, except for what may eventually result from the pending arbitration disputes with Novo Banco, no further payments will occur under the CCA. On the other hand, the value of payments already made may be compensated, under the terms of the contracts, by the eventual recovery of credits that may occur, to which the value of the shareholding of the Resolution Fund in Novo Banco must be added.

According to note 22 of the Resolution Fund's 2022 annual report, the Resolution Fund considers that, to date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

By a public statement on 28 September 2016, the Resolution Fund and the Ministry of Finance communicated the agreement based on a review of the terms of the Euros 3,900 million loan originally granted by the State to the Resolution Fund in August 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance also announced that increases in the liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and bank loans to the Resolution Fund, required from to maintain the contributory effort required from the banking sector at prevailing levels at that time.

According to the statement of the Resolution Fund of 21 March 2017:

- *“The conditions of the loans obtained from the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed. These loans amount to Euros 4,953 million, of which Euros 4,253 million were granted by the Portuguese State and Euros 700 million were granted by a group of banks"*;

- *“Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The revision of the loan’s terms aimed to ensure the sustainability and financial balance of the Resolution Fund. The terms allow the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions"*.

According to the audit report on the management of Novo Banco conducted by the Court of Auditors and released on 12 July 2022, *"the repayment of the Euros 2,130 million loans granted by the Portuguese State to the Resolution Fund will not end in 2046, as expected, rather in 2056 (without payments under the CCA after 2021) or in 2059 (with the use of the CCA cap). (...) In other, more pessimistic scenarios, these loans will still be being repaid in 2062”*.

On 2 October 2017, by Resolution no. 151-A/2017, of the Council of Ministers of the Portuguese State, as the ultimate guarantor of financial stability, was authorised to enter into a framework agreement with the Resolution Fund, to make available the necessary financial resources to the Resolution Fund, if and when the State deemed necessary, to satisfy any contractual obligations that may arise from the sale of the 75% stake in Novo Banco. The above-mentioned resolution further set out that the framework agreement should be subject to a time period that is consistent with the undertakings of the Resolution Fund and should preserve the Resolution Fund’s capacity to satisfy said obligations in due time.

On 31 December 2022, the Resolution Fund's own resources had a negative equity of Euros 6,974.7 million, as opposed to Euros 7,207.6 million at the end of 2021, according to the latest 2022 annual report of the Resolution Fund.

To repay the loans obtained and to meet other liabilities that it may take on, the Resolution Fund receives proceeds from the initial and regular contributions from the participating institutions (including the Bank) and from the contribution over the banking sector (created under Law no. 55-A/2010). It is also provided for the possibility of the member of the Government responsible for the area of Finance to determine, by ordinance that the participating institutions make special contributions, in the situations provided for in the applicable legislation, particularly if the Resolution Fund does not have resources to satisfy its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the Banking Law, the Bank has been paying, since 2013, its mandatory contributions set out in the aforementioned decree-law.

On 3 November 2015, the Banco de Portugal issued Circular Letter no. 085/2015/DES, under which it is clarified that the periodic contribution to the Resolution Fund should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law no. 24/2013, of 19 February, thus the Bank is recognising as an expense the contribution to the Resolution Fund in the year in which it becomes due.

Decree-Law no. 24/2013 of 19 February further sets out that Banco de Portugal has the authority to determine, by way of instruction (“instrução”), the applicable yearly rate based on objective incidence of periodic contributions. The instruction of Banco de Portugal no. 19/2022, published on 15 December 2022, set the base rate for 2023 for the determination of periodic contributions to the Resolution Fund at 0.029% (0.057% in 2022).

The Resolution Fund issued, on 15 November 2015, a public statement declaring: *"...it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the potential collection of a special contribution appears to be unlikely"*.

In 2015, following the establishment of the Single Resolution Fund (SRF), the Group made an initial contribution in the amount of Euros 31,364 thousand. In accordance with the Intergovernmental Agreement on the Transfer and Mutualisation of Contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (started in 2016) through the periodic contributions to the SRF. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015. The total amount of the contribution attributable to the Group of 2023 was Euros 22,861 thousand, of which the Group delivered Euros 17,729 thousand and the remaining was constituted as irrevocable payment commitment.

In 2023, the Group made regular contributions to the Portuguese Resolution Fund in the amount of Euros 9,491 thousand. The amount related to the contribution on the banking sector in Portugal, registered in this period was Euros 44,807 thousand. These contributions were recognized as a cost in the first nine months of 2023, in accordance with IFRIC no. 21 – Levies.

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 2017 and the information provided by the European Commission on this subject under the terms described above, including the effects of the application of the Contingent Capital Agreement and the Special Regime applicable to Deferred Tax Assets; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco which need to be neutralized by the Resolution Fund; and, (iv) legal proceedings against the Resolution Fund.

According to Article 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order no. 420/2012, of 21 December, the Resolution Fund may submit to the member of the Government responsible for finance a proposal with respect to the determination of amounts, time limits, payment methods, and any other terms related to the special contributions to be made by the institutions participating in the Resolution Fund. According to public communications from both the Resolution Fund and from the Government, there is no indication that any such special contributions are foreseen.

According to the Resolution Fund’s 2022 annual report, under note 8, *"the Resolution Fund is not obliged to present positive equity. In case of insufficient resources, the Resolution Fund may receive special contributions, as determined by the member of the Government responsible for finance, in accordance with article 153-I of the Banking Act, although no such contributions are expected. The Resolution Fund may also, exceptionally, obtain financial support from the State, namely through loans or guarantees, as set out in article 153-J of the same regime"*.

To meet a payment from the Resolution Fund to Novo Banco, as per to Resolution no. 63-A/2021 of 27 May 2021 of the Council of Ministers and Order from the Minister of State and Finance, of 31 May 2021 - intended to provide the Resolution Fund with the financial resources necessary to meet any obligations arising from the Contingent Capitalization Agreement in the years 2021 and 2022 – rendering a new loan from the State to the Resolution Fund, a number of national financial institutions offered to finance the Resolution Fund, increasing up to Euros 475 million the direct financing of banks to the Resolution Fund and waiving a Portuguese State loan to the Resolution Fund.

According to the Resolution Fund’s 2022 annual report from the maximum amount of Euros 475 million. The Resolution Fund used Euros 429 million, which corresponds to the payment made to Novo Banco in 2021. The loan matures in 2046 and bears interest at a rate corresponding to the sovereign cost of funding for the period between the contract date (31 May 2021) and 31 December 2026, plus a margin of 15 b.p. The interest rate will be reviewed on 31 December 2026 and, after that, every five-years. The payment obligations arising from this loan benefit from a pari passu treatment with the payment obligations of the loans entered into with the Portuguese State on 7 August 2014 and 31 December 2015 and with the Portuguese credit institutions on 28 August 2014. The funding costs of the Resolution Fund (from the State and from banks) will continue to be exclusively borne by periodic revenues, corresponding to the contributions paid by the banking sector.

11. Banco Comercial Português, S.A., Banco ActivoBank S.A. and Banco de Investimento Imobiliário, S.A. (company merged into Banco Comercial Português, S.A.) initiated an administrative proceeding to contest the resolution adopted by Bank of Portugal on 31 March 2017 to sell Novo Banco (NB), and also, as a precaution, the deliberation adopted by the Resolution Fund on the same date, as they foresee the sale of NB by resorting to a contingent capitalization agreement under which the Resolution Fund commits to inject capital in Novo Banco up to Euros 3,9 billion, under determined circumstances. In the proceedings, the claimants request the declaration of nullity or annulment of those acts.

The proceedings were filed based on the information contained in the Communication from Bank of Portugal dated 31 March 2017, of which the claimants were not notified. The proceedings were filed in court on 4 September 2017. Bank of Portugal and the Resolution Fund presented their arguments and, only very recently, Nani Holdings SGPS, S.A. did the same since, by delay of the court, this company was only very recently notified to act as a party in the proceedings.

In addition to opposing to it, the defendants invoke three objections (i) the illegitimacy of the claimants, (ii) the argument that the act performed by Bank of Portugal cannot be challenged and (iii) the material incompetence of the court. The opponent party invoked the issue of passive illegitimacy since Novo Banco was not notified as an opponent party.

The claimants replied to the arguments presented by the defendants and to the arguments presented by the opponent party. After the presentation of the arguments, Bank of Portugal attached to the proceedings what it called an evidence process (allegedly in compliance with the law) but most of the documents delivered were truncated in such a way that neither the court nor the claimants are able to obtain adequate knowledge thereof. That issue was already raised in the proceedings (requesting the court to order Bank of Portugal to deliver a true evidence process) but no decision thereon has been made yet.

Currently, the proceedings are prepared for confirmation of the decision accepting the formalities of the right of action (with the making of a decision on the specific objections invoked). In case the judge considers that Novo Banco is an opponent party, the judge must start by issuing a pre-confirmation in order to request the claimants to identify it. Afterwards, that Bank will be notified to present its opposition arguments.

The case was sent to the judge on 23 September 2019 and the Bank is awaiting a decision. BCP added legal opinions to the records (Professors Mário Aroso de Almeida and Manuel Fontaine de Campos).

12. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented a process of salary adjustment for a temporary period. Additionally, it was agreed between the Bank and the Unions that, in the years after the State intervention and if there are distributable profits, the Board of Directors and the Executive Committee would submit for approval of the Shareholders' General Meeting a proposal of distribution of profits to the employees, which allows the distribution of an accumulated total global amount at least equal to the total amount that was not received over the temporary term of the salary adjustment, as described in the clause no. 151-E of BCP's Collective Labour Agreement, effective between 2014 and 2017.

At the General Meeting held on 24 May 2023, the proposal submitted by the Board of Directors, the application of profits relating to the financial year of 2022 was approved, which included an extraordinary distribution to the employees to Euros 9,972,000, with the concrete determination of the amount to be attributed to each employee to be fixed by the Executive Committee to employees who, having not already been fully compensated with the results distributed in 2019 and 2020 and 2022, remain in office on the date of payment of the remuneration of June 2023. This extraordinary distribution of results, together with those of 2019, 2020 and 2022 allowed the distribution to the employees in office in June 2023 of an accumulated amount equal to the total amount not received during the period of temporary salary adjustment indicated in the previous paragraph.

13. The Bank was subject to tax inspections for the years up to 2019. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred regarding IRC, including in terms of the tax loss carry forwards and, in the case of indirect tax, in the calculation of the Value-Added Tax (VAT) deduction *pro rata* used for the purpose of determining the amount of deductible VAT and at the Stamp Duty level. Most of additional liquidations/corrections made by the tax administration were the object of contestation by administrative and/or judicial means.

The Bank recorded provisions, current tax liabilities or deferred tax liabilities at the amount considered sufficient to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

52. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Court claims and current provisions for legal risk

On 30 September 2023, Bank Millennium had 19,849 loan agreements and additionally 1,635 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by Bank Millennium against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (68% loans agreements before the courts of first instance and 32% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 3,780.4 million (Euros 818.3 million) and CHF 260.4 million (Euros 269 million) [(Bank Millennium portfolio: PLN 3,467.9 million (Euros 750.6 million) and CHF 253 million (Euros 261.3 million) and former Euro Bank portfolio: PLN 312.4 million (Euros 67.6 million) and CHF 7.4 million (Euros 7.6 million)]. Out of 19,849 BM loan agreements in ongoing individual cases 207 are also part of class action. From the total number of individual litigations against the Bank approximately 2,000 or 10% were submitted by borrowers that had already naturally or early fully repaid the loan or were converted to polish zloty at the moment of submission and had not a settlement agreement and approximately another 700 cases correspond to loans that were fully repaid since then (as court proceedings are lengthy).

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of paid principal and interest instalments as undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, Bank Millennium is a party to the group proceedings (class action) subject matter of which is to determine Bank Millennium's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3,273. Out of 3,273 loan agreements in class action 207 are also part of ongoing individual cases, 770 concluded settlements and 4 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,985 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,007 (265), in 2021 the number increased by 6,155 (423), in 2022 the number increased by 5,752 (408), while in the first three quarters of 2023 the number increased by 5,107 (444).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of the third quarter of 2023, 2,570 cases were finally resolved (2,493 in claims submitted by clients against Bank Millennium and 77 in claims submitted by Bank Millennium against clients i.e. debt collection cases) out of which 726 were settlements, 52 were remissions, 61 rulings were favourable for Bank Millennium and 1,731 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. Bank Millennium files appeals against negative judgements of the courts of 1st instance declaring invalidation of loan agreements. Simultaneously Bank Millennium undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against Bank Millennium (including the former Euro Bank portfolio) on 30 September 2023 was PLN 6,257 million (Euros 1,354.3 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 814 million (Euros 176.2 million)].

If all Bank Millennium’s originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 6,615 million (Euros 1,431.8 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the nine months of 2023, Bank Millennium created PLN 2,208.1 million (Euros 482.5 million) provisions for Bank Millennium originated portfolio and PLN 155.7 million (Euros 34 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for Bank Millennium's portfolio at the end of September 2023 was at the level of PLN 6,980.2 million (Euros 1,510.8 million), and PLN 536 million (Euros 116 million) for former Euro Bank originated portfolio.

The methodology developed by Bank Millennium of calculating provisions for legal risk involved with indexed loans is based on the following main parameters:

(1) the number of ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon. As regards the increase in the number of future court cases, Bank Millennium monitors customer behaviours, follows market trends and expert comments, which resulted in the adjustment of previous assumptions. As a result, in the methodology of calculating provisions for legal risk in the case of active loans (loans with an outstanding balance as at the date of filing the lawsuit), Bank Millennium increased the estimated percentage of customers with active contracts who already filed or will decide to file a lawsuit against Bank Millennium to 77% of active loan agreements (compared to 70% at the end of 2nd quarter of 2023). As of end of September, Bank Millennium had 34,076 active CHF loan agreements. Another 20,355 agreements have been subject of a settlement agreement with the borrowers and about 45,000 loans have been naturally or early fully repaid or converted to polish zloty and not subject of a settlement agreement. Regarding loans already fully repaid or converted to polish zloty, Bank Millennium attributes a much lower probability of becoming the subject of a court case based on statistical analysis. In particular: a) Bank Millennium assesses the risk connected with the settlements reached with the clients in the past as negligible b) from the group of loans that have been repaid (naturally or early or converted into polish zloty loan) and were not subject of a settlement agreement, Bank Millennium assumes that about 1.3 thousand will decide to sue Bank Millennium in the future.

(2) the currently estimated amount of Bank Millennium's potential loss in the event of a specific court judgment;

(3) the probability of obtaining a specific court judgment calculated on the basis of statistics of judgments in cases where Bank Millennium is a party and legal opinions obtained;

(4) in accordance with legal opinions, Bank Millennium does not include in the methodology for calculating provisions the element related to the potential claim for remuneration for the client in connection with the repayments made by him;

(5) estimates involved with amicable settlements with clients, concluded in court or out of court:

a. Bank Millennium assumes 12% probability of success of reaching a settlement within negotiations made with clients during court proceedings;

b. negotiations in court or out of court are conducted on a case-by-case basis and can be stopped at any time by Bank Millennium;

c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

Bank Millennium is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 20,355: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022 and 2,600 in the first three quarters of 2023. As of the end of the third quarter of 2023, the Bank had 34,076 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,220 million (Euros 266.6 million): PLN 44.4 million (Euros 9.7 million) in 2020; PLN 364.6 million (Euros 79.7 million) in 2021; PLN 515.2 million (Euros 112.6 million) in 2022 and PLN 295.8 million (Euros 64.6 million) in the first three quarters of 2023 is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement.

The legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Societe Generale.

Bank Millennium analysed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on loss
Change in the assumed number of litigations	In addition to assumed number, 1,000 new customers file a lawsuit against the Bank	PLN 173 million (Euros 37.4 million)
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p	PLN 70 million (Euros 15.2 million)
Change in probability of success in negotiations with court client	Change of probability by 1 p.p	PLN 21 million (Euros 4.5 million)

On 8 December 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority (‘PFSA’) proposed a ‘sector’ solution to address the sector risks related to FX mortgages. The solution would consist in offering banks’ clients a voluntary possibility of concluding arrangements based on which a client would settle a CHF Mortgage Loan as if it was a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans. As of the date of this Base Prospectus, Bank Millennium has not taken any decision regarding the implementation of this solution but cannot exclude implementing it in the future. The decision to generally implement this solution could imply the need of creating upfront provisions for the losses resulting from the conversion of CHF Mortgage Loans. Bank Millennium in practice has been using elements of such solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU verdict in case C-520/21 (below described), the possibility of successful implementation of a general offer of KNF solution is low.

Finally, it should also be mentioned that Bank Millennium, as at 30 September 2023, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.95 p.p. (1.94 p.p. at the Group level), part of which is allocated to operational/legal risk.

CJEU and Supreme Court rulings relevant to risk assessment

Jurisprudence of Court of Justice of the European Union

On 3 October 2019, the Court of Justice of the European Union ('the CJEU') issued the judgment in Case C-260/18 in connection with the preliminary questions formulated by the District Court of Warsaw in the case against Raiffeisen Bank International AG. The judgment of the CJEU, as regards the interpretation of European Union law made therein, is binding on domestic courts. The judgment in question interpreted Article 6 of Directive 93/13. In the light of the subject matter judgment the said provision must be interpreted in such a way that:

(i) the national court may invalidate a credit agreement if the removal of unfair terms detected in this agreement would alter the nature of the main subject-matter of the contract;

(ii) the effects for the consumer’s situation resulting from the cancellation of the contract must be assessed in the light of the circumstances existing or foreseeable at the time when the dispute arose and the will of the consumer is decisive as to whether he wishes to maintain the contract;

(iii) Article 6 of the Directive precludes the filling-in of gaps in the contract caused by the removal of unfair terms from the contract solely on the basis of national legislation of a general nature or established customs;

(iv) Article 6 of the Directive precludes the maintenance of unfair terms in the contract if the consumer has not consented to the maintenance of such terms. It can be noticed the CJEU found doubtful the possibility of a credit agreement being performed further in PLN while keeping interest calculated according to LIBOR.

The CJEU judgment concerns only the situation where the national court has previously found the contract term to be abusive. It is the exclusive competence of the national courts to assess, in the course of judicial proceedings, whether a particular contract term can be regarded as abusive in the circumstances of the case.

On 29 April 2021, the CJEU issued the judgement in the case C-19/20 in connection with the preliminary questions formulated by the District Court in Gdańsk in the case against of ex-BPH S.A., CJEU said that:

(i) it is for the national court to find that a term in a contract is unfair, even if it has been contractually amended by those parties. Such a finding leads to the restoration of the situation that the consumer would have been in in the absence of the term found to be unfair, except where the consumer, by means of amendment of the unfair term, has waived such restoration by free and informed consent. However, it does not follow from Council Directive 93/13 that a finding that the original term is unfair would, in principle, lead to annulment of the contract, since the amendment of that term made it possible to restore the balance between the obligations and rights of those parties arising under the contract and to remove the defect which vitiated it;

(ii) the national court may remove only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where the deterrent objective pursued by Council Directive 93/13 is ensured by national legislative provisions governing the use of that term, provided that that element consists of a separate contractual obligation, capable of being subject to an individual examination of its unfair nature. At the same time, provisions of the Directive preclude the referring court from removing only the unfair element of a term in a contract concluded between a seller or supplier and a consumer where such removal would amount to revising the content of that term by altering its substance;

(iii) the consequences of a judicial finding that a term if a contract concluded between a seller or supplier and a consumer is unfair are covered by national law and the question of continuity of the contract should be assessed by the national court of its own motion in accordance with an objective approach on the basis of those provisions;

(iv) the national court, finding that a term in a contract concluded between a seller or supplier and a consumer is unfair, shall inform the consumer, in the context of the national procedural rules after both parties have been heard, of the legal consequences entailed by annulment of the contract, irrespective of whether the consumer is represented by a professional representative.

On 18 November 2021, the Court of Justice of the European Union (CJEU) issued a judgment in case C-212/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Raiffeisen Bank International AG. The CJEU stated that:

(i) The content of the clause of the loan agreement concluded between the entrepreneur and the consumer fixing the purchase and sale price of the foreign currency to which the loan is indexed should, on the basis of clear and comprehensible criteria, enable the consumer who is reasonably well informed and sufficiently observant and rational to understand how the exchange rate of the foreign currency used to calculate the amount of the loan instalments is determined, so that the consumer is able to determine himself at any time the exchange rate used by the entrepreneur;

(ii) A national court which has found that a term of the agreement concluded between an entrepreneur and a consumer is unfair cannot interpret that term in order to mitigate its unfairness, even if such an interpretation would correspond to the common will of the parties.

On 10 June 2021, the Court of Justice of the European Union (CJEU) issued an order in case C-198/20 in connection with questions submitted by the District Court for Warsaw Wola in Warsaw in the case against Santander Bank Polska SA. The CJEU stated that the protection provided for in Council Directive 93/13/EEC is granted to all consumers, not just those who can be considered to be 'duly informed and reasonably observant and circumspect average consumers'.

On 8 September 2022, the Court of Justice of the European Union (CJEU) issued a judgment in joined cases C-80/21, C-81/21, C-82/21 in connection with questions submitted by the District Court for Warsaw Śródmieście in Warsaw in cases against Deutsche Bank SA and mBank SA. The CJEU stated that:

(i) A national court may find that the parts of a contractual term of the agreement concluded between a consumer and an entrepreneur which render it unfair are unfair, if such a deletion would not amount to a change in the content of that term that affects its substance, which is for the referring court to verify;

(ii) A national court cannot, after annulling an unfair term contained in an agreement concluded between a consumer and an entrepreneur which does not render the agreement invalid in its entirety, replace that term with a supplementary provision of the national law;

(iii) A national court may not, after having declared invalid an unfair term contained in an agreement concluded between a consumer and an entrepreneur which entails the invalidity of that agreement in its entirety, replace the contractual term which has been declared invalid either by interpretation of the parties' declaration of intent in order to avoid the cancellation of that agreement or by a provision of national law of a supplementary nature, even if the consumer has been informed of the effects of the invalidity of that agreement, and accepted them;

(iv) The ten-year limitation period for a consumer's claim seeking reimbursement of sums unduly paid to the entrepreneur in performance of an unfair term of a loan agreement does not start to run on the date of each performance made by the consumer if the consumer was not able on that date to assess on his own the unfairness of the contractual term or if he had not become aware of the unfair nature of that term and without taking into account the circumstances that the agreement provided for a repayment period – in this case thirty years – well in excess of the ten-year statutory limitation period.

On 16 March 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-6/22, following preliminary questions submitted by the District Court for Warsaw-Wola in a case against the former Getin Bank S.A.. In the judgment, the CJEU ruled that:

i) in the event that a contract concluded between a consumer and a seller or supplier is declared invalid because one of its terms is unfair, it is for the Member States, by means of their national law, to make provision for the effects of that invalidation, in compliance with the protection granted to the consumer by that directive, in particular, by ensuring the restoration of the legal and factual situation that he or she would have been in if that unfair term had not existed.

ii) a national court is not allowed, first, to examine of its own motion, without any prerogative conferred on it by national law in that regard, the financial situation of a consumer who has sought the invalidation of the contract between him or her and a seller or supplier on account of the presence of an unfair term without which the contract cannot legally continue to exist, even if that invalidation is liable to expose the consumer to particularly unfavourable consequences and, second, to refuse to declare that invalidation where the consumer has expressly sought it, after being objectively and exhaustively informed of the legal consequences and the particularly unfavourable financial consequences which it may have for him or her.

iii) a national court is not allowed, after it has found that a term in a contract concluded between a seller or supplier and a consumer is unfair, to fill gaps resulting from the removal of the unfair term contained therein by the application of a provision of national law which cannot be characterised as a supplementary provision. However, it is for the national court, taking account of its domestic law as a whole, to take all the measures necessary to protect the consumer from the particularly unfavourable consequences which annulment of the contract might entail for him or her.

On 8 June 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-570/21, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Bank S.A. In the judgment, the CJEU ruled that:

i) provisions of Council Directive 93/13 must be interpreted as meaning that the concept of ‘consumer’, within the meaning of that provision, covers a person who has concluded a loan contract intended for a purpose in part within and in part outside his or her trade, business or profession, together with a joint-borrower who did not act within his or her trade, business or profession, where the trade, business or professional purpose is so limited as not to be predominant in the overall context of that contract.

ii) provisions of Directive 93/13 must be interpreted as meaning that in order to determine whether a person falls within the concept of ‘consumer’, within the meaning of that provision, and, specifically, whether the trade, business or professional purpose of a loan contract concluded by that person is so limited as not to be predominant in the overall context of that contract, the referring court is required to take into consideration all the relevant circumstances surrounding that contract, both quantitative and qualitative, such as, in particular, the distribution of the borrowed capital between, on the one hand, a trade, business or profession and, on the other hand, a non-professional activity and, where there are several borrowers, the fact that only one of them is pursuing a professional purpose or that the lender made the grant of credit intended for consumer purposes conditional on a partial allocation of the amount borrowed to the repayment of debts connected with a trade, business or profession.

On 15 June 2023, the Court of Justice of the European Union issued a judgment in a case registered under case number C-287/22, following preliminary questions submitted by the District Court in Warsaw in a case against the former Getin Bank S.A. In the judgment, the CJEU ruled that provisions of the Directive 93/13 must be interpreted as precluding national case-law according to which a national court may dismiss an application for the grant of interim measures lodged by a consumer seeking the suspension, pending a final decision on the invalidity of the loan agreement concluded by that consumer on the ground that that loan agreement contains unfair terms, of the payment of the monthly instalments due under that loan agreement, where the grant of those interim measures is necessary to ensure the full effectiveness of that decision.

On 15 June 2023, the CJEU issued a judgment in a case registered under case number C-520/21, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium, in which indicated that Directive 93/13 does not expressly regulate the consequences of invalidity of a contract concluded between a credit institution and a consumer after the removal of unfair terms contained therein. The CJEU stated that:

i) the provisions of the Directive do not preclude a judicial interpretation of national law, according to which the consumer has the right to demand compensation from the credit institution beyond the reimbursement of monthly instalments and costs paid for the performance of this contract and the payment of statutory default interest from the date of the request for payment provided that the objectives of Directive 93/13 and the principle of proportionality are respected.

ii) the provisions of Directive 93/13 preclude the judicial interpretation of national law, according to which a credit institution has the right to demand compensation from the consumer that goes beyond the return of the capital paid for the performance of this contract and beyond the payment of statutory default interest from the date of the request for payment.

On 21 September 2023, the CJEU issued a judgement in a case registered under case number C- 139/22, following preliminary questions submitted by the District Court in Warsaw in a case against Bank Millennium. The CJEU stated that:

i) provisions of the Directive 93/13 must be interpreted as not precluding a contractual term which has not been individually negotiated from being regarded as unfair by the national authorities concerned merely by virtue of the fact that its content is equivalent to that of a standard contract term entered in the national register of standard business terms held to be unlawful;

ii) the contractual term which, because of the circumstances for the performance of certain obligations of the consumer concerned provided for in that term, must be regarded as unfair, may not cease to be considered unfair on account of another term of that contract which provides for the possibility for that consumer to perform those obligations under different circumstances;

iii) a seller or supplier is obliged to inform the consumer concerned of the essential characteristics of the contract concluded with that seller or supplier and the risks associated with that contract, even though that consumer is its employee and has relevant knowledge in the field of the contract.

Jurisprudence of the Polish Supreme Court

On 7 May 2021, the Supreme Court composed of 7 judges of the Supreme Court, issued a resolution for which the meaning of legal principle has been granted, stating that:

1. An abusive contractual clause (art. 385(1) § 1 of the Polish Civil Code), by force of the law itself, is ineffective to the benefit of the consumer who may consequently give conscious and free consent to this clause and thus restore its effectiveness retroactively.

2. If without the ineffective clause the loan agreement cannot bind, the consumer and the lender shall be eligible for separate claims for return of monetary performances made in exercising this agreement (art. 410 § 1 in relation to art. 405 of the Polish Civil Code). The lender may demand return of the performance from the moment the loan agreement becomes permanently ineffective.

On 28 April 2022 the Supreme Court issued a resolution (III CZP 40/22) in which it indicated that in disputes with consumers, the provision of Article 358(1) of the Polish Civil Code is a special provision to Article 353(1) of the Polish Civil Code, which means that if the prerequisites for the application of both provisions exist, the court should apply the special provision and declare the contractual provision permanently ineffective, rather than invalid. This decision of the Supreme Court should be perceived as significantly limiting the risk of Bank Millennium's claims for return of capital being time-barred.

The effect of the Supreme Court's resolution of 7 May 2021 is that Bank Millennium is entitled to a refund of the cash benefit provided by Bank Millennium in performance of a permanently ineffective contract. Taking into account the uncertainty as to the starting point of the limitation period for the bank's claims, Bank Millennium, in order to protect its interests, files lawsuits for payment against borrowers in a court dispute with the bank. Bank Millennium's demand consists of a claim for return of the capital made available to the borrower under the contract. After the CJEU verdict of 15 June 2023, in case C-520/21, it seems that the issue that requires further analysis is whether the return of the originally disbursed capital should be made at nominal value or with the loss of purchasing power of money taken into account. By 30 September 2023, Bank Millennium filed 4.8 thousand lawsuits against the borrowers.

In this context, taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, and if such trend continues, Bank Millennium will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

2. Events that may impact foreign currency-indexed mortgage loans legal risk and related provision

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters. Further request for clarification and ruling addressed to the European Court of Justice and Polish Supreme Court have already been filed and may still be filed with potential impact on the outcome of the court cases.

Preliminary questions referred to CJEU

On 9 December 2022, in the case brought by Bank Millennium against the borrower for payment – return of the capital made available to the borrower on the basis of an invalid capital contract and the equivalent value of the benefit related to the borrower's use of capital, the court referred a question to the CJEU for a preliminary ruling whether, if it is found that the loan contract concluded by the bank and the consumer is invalid from the beginning due to the conclusion of unfair contractual terms, in addition to the return of money paid in the performance of this contract (loan principal) and statutory late payment interest from the moment of the request for payment, the bank may also demand any other benefits, including receivables, in particular remuneration, compensation, reimbursement of costs or valorisation of the benefit. The case was registered under case number C-756/22. Taking into account the position of the CJEU in the C- 520/21 judgment, there are doubts whether the case will be resolved on the merits.

The issue also referred to the CJEU assessment is the issue of admissibility of banks' claims for valorization of amounts disbursed to borrowers under credit agreements declared invalid as a result of preliminary questions from the District Court in Warsaw (cases C-113/23 and C-488/23). The issue of the admissibility of the bank's valorization claims currently remains unresolved in the jurisprudence of the Polish courts, and therefore the judgments of the CJEU in the cases indicated will be important for determining the scope of the Bank's claims after the invalidation of the loan agreement.

Moreover, the subject of the CJEU's analysis, as a result of the Warsaw District Court's questions remains the issues related to the limitation period of the Bank's and the customer's restitution claims following the collapse of the loan agreement (Cases: C-28/22 ; C-140/22). Legal interpretations in these cases may be particularly significant for the Bank's claims as to the commencement of the running of the limitation period of its claims, by eliminating or confirming the risk of its claims being deemed time-barred in a given case. In addition, there are other proceedings pending in the CJEU on issues related to cases of loans indexed to foreign currency, including, among other things, the admissibility of a bank's use of the retention right (C-424/22), the starting point for calculating statutory interest for delay on a customer's claims resulting from invalid contract (C-348/23), and the consumer status of a person who concluded a credit agreement to purchase real estate for investment purposes (C-347/23). The answers to these questions will have an impact on the various elements of court cases involving loans indexed to foreign currency.

On 6 October 2023, the Supreme Court submitted new question to the CJEU on the admissibility of the retention right. The question seeks to determine whether the Directive 93/13 preclude applying to the judgment awarding to a customer the reimbursement of sums paid in performance of an invalid contract a provision that payment by the financial institution will be made after the consumer offers to repay the capital disbursed.

Despite the extensive jurisprudence of the Court of Justice of the European Union in cases involving loans indexed to foreign currency, Polish courts continue to submit further preliminary questions to the CJEU on specific issues related to the disputes in question, so it cannot be ruled out that new lines of jurisprudence will develop as a result of the CJEU's answers to the questions raised, which, as of the date of this report, cannot be reliably predicted.

Legal issues referred to the Supreme Court

On 29 January 2021 a set of questions addressed by the First President of the Supreme Court to the full Civil Chamber of the Polish Supreme Court was published. This may have important consequences in terms of clarifications of relevant aspects of the court rulings and their consequences. The Civil Chamber of the Supreme Court has been requested for answering the questions concerning key matters related to FX mortgage agreements: (i) is it permissible to replace - with the law provisions or with a custom - the abusive provisions of an agreement which refer to FX exchange rate determination; moreover, (ii) in case of impossibility of determining the exchange rate of a foreign currency in the indexed/denominated credit agreement - is it permissible to keep the agreement still valid in its remaining scope; as well as (iii) if in case of invalidity of the CHF credit there would be applicable the theory of balance (i.e. does arise a single claim which is equal to the difference between value of claims of bank and the customer) or the theory of two conditions (separate claims for the bank and for the client that should be dealt with separately). The Supreme Court has also been requested for answering the question on (iv) from which point in time there shall be starting the limitation period in case of bank's claim for repayment of amounts paid as a loan and (v) whether banks and consumers may receive remuneration for using their pecuniary means by another party.

On 11 May 2021, the Civil Chamber of the Supreme Court requested opinions on Swiss franc mortgage loans from five institutions including the National Bank of Poland (NBP), the Polish Financial Supervision Authority (UKNF), the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman.

The positions of the Commissioner for Human Rights, the Children's Rights Ombudsman and the Financial Ombudsman are in general favourable to consumers, while the National Bank of Poland and the Polish Financial Supervision Authority present a more balanced position, including fair principles of treatment of FX mortgage borrowers *vis-à-vis* PLN mortgage borrowers, as well as balanced economic aspects regarding solutions for the problem that could be considered by the Polish Supreme Court.

In the next meeting of the Supreme Court that took place on 2 September 2021, the Court did not address the answers to the submitted questions and no new meeting date is known.

With the scope of settlements between Bank Millennium and borrower following the fall of the loan agreement is also connected the legal issue directed to the seven-person composition of the Supreme Court (case sign: III CZP 54/21). The date of case review has not been specified yet.

Due to the complexity and uncertainty regarding the outcome of court cases, including counter-claims, as well as other negotiation solutions or from potential Supreme Court decisions or European Court of Justice decisions, it is difficult to reliably estimate final impacts from different potential outcomes as at the date of publication of the financial statements.

The issue that remains unresolved in the jurisprudence of common courts and the Supreme Court is also the issue of the admissibility of borrowers' claims in the event of the invalidity of a loan agreement for payment of amounts beyond the reimbursement of monthly instalments and costs paid for the execution of that agreement and beyond the payment of statutory default interest from the date of the demand for payment, which, in light of the CJEU's judgment of 15 June 2023 in case C-520/21, remains not excluded. Due to the uncertainty of the direction of case law in this area, as of the date of publication of the Bank Millennium's report, it is difficult to reliably assess the impact of potential rulings.

53. Adoption of IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

The Group owns 49% of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., being accounted for under the equity method, as Investments in associated companies.

Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. is dedicated to the management of life insurance and pension funds. On 1 January 2023 Millenniumbcp Ageas made the simultaneous adoption of IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts. It opted for the possibility given to Insurance Companies to defer the application of IFRS9, since the combined implementation with IFRS17 would minimize the distortion of results.

IFRS 17 replaces IFRS 4 - "Insurance Contracts" and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features if they are also issuers of insurance contracts.

In accordance with IFRS 17, at initial recognition, Millenniumbcp Ageas Grupo Segurador has identified the contracts that are subject to similar risks and that are managed together, being aggregated in portfolios. For measurement purposes, further divides portfolios of insurance contracts into groups of insurance contracts. A group of insurance contracts is determined by first dividing the portfolio of insurance contracts into annual cohorts. Each annual cohort is then further divided in the following groups: i) group of contracts that are onerous at initial recognition; ii) group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and iii) a group of the remaining contracts in the portfolio.

Insurance contracts are now measured using estimates and updated assumptions that reflect the timing of cash flows discounted and any uncertainty related to insurance contracts. Income is now recognized as it provides insurance services (rather than when it receives premiums) provide information on the insurance contract earnings that it expects to recognize in the future.

In the measurement of insurance contracts, Millenniumbcp Ageas Grupo Segurador has opted for two measurement methods: i) Premium allocation approach ("PAA") for contracts with duration equal to or less than one year and ii) General measurement model measurement model ("GMM") for the remaining contracts.

Initial application of IFRS 17 and IFRS 9 requires comparative information. Therefore, Millenniumbcp Ageas Grupo Segurador made the transition exercise on 1 January 2022. The estimated impacts of the transition to IFRS 17 represent a reduction in the Equity of Millenniumbcp Ageas Grupo Segurador, partially offset by the positive impact resulting from the adoption of IFRS9.

IFRS 17 is retrospective with exemptions provided for the transition date. These exemptions are related to the impracticability and complexity involved e.g. in calculating the liability, the current service margin ("CSM"), loss component, or other comprehensive income ("OCI option") at transition date. When impracticable, the standard provides for the use of the Modified Retrospective Approach or the Fair Value Approach. Millenniumbcp Ageas Grupo Segurador, for contracts prior to 2018 adopted the fair value and for contracts after 2018 the full retrospective approach.

Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., ('Millenniumbcp Ageas' or 'Group'), is owned by Ageas Insurance International, N.V. (51%), through Ageas Portugal Holdings S.G.P.S., S.A. (51%), and by Banco Comercial Português, S.A. (49%).

The impacts of the adoption of IFRS 17 and IFRS 9 by Millenniumbcp Ageas Group Segurador, SGPS, SA on the consolidated balance sheet with reference to 1 January 2022 (transition date), are detailed as follows:

(Thousands of euros)

	31 December 2021 (reported)	Transition adjustment of IFRS 17 and IFRS 9	1 January 2022
ASSETS			
Cash and deposits at Central Banks	7,796,299	—	7,796,299
Loans and advances to credit institutions repayable on demand	361,786	—	361,786
Financial assets at amortised cost			
Loans and advances to credit institutions	453,213	—	453,213
Loans and advances to customers	54,972,401	—	54,972,401
Debt securities	8,205,196	—	8,205,196
Financial assets at fair value through profit or loss			
Financial assets held for trading	931,485	—	931,485
Financial assets not held for trading mandatorily at fair value through profit or loss	990,938	—	990,938
Financial assets at fair value through other comprehensive income	12,890,988	—	12,890,988
Hedging derivatives	109,059	—	109,059
Investments in associated companies	462,338	(89,858)	372,480
Non-current assets held for sale	780,514	—	780,514
Investment property	2,870	—	2,870
Other tangible assets	600,721	—	600,721
Goodwill and intangible assets	256,213	—	256,213
Current tax assets	17,283	—	17,283
Deferred tax assets	2,688,216	—	2,688,216
Other assets	1,385,292	—	1,385,292
TOTAL ASSETS	92,904,812	(89,858)	92,814,954
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	8,896,074	—	8,896,074
Resources from customers	69,560,227	—	69,560,227
Non subordinated debt securities issued	2,188,363	—	2,188,363
Subordinated debt	1,394,780	—	1,394,780
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	231,241	—	231,241
Financial liabilities at fair value through profit or loss	1,581,778	—	1,581,778
Hedging derivatives	377,206	—	377,206
Provisions	458,744	—	458,744
Current tax liabilities	20,427	—	20,427
Deferred tax liabilities	16,932	—	16,932
Other liabilities	1,116,983	—	1,116,983
TOTAL LIABILITIES	85,842,755	—	85,842,755
EQUITY			
Share capital	4,725,000	—	4,725,000
Share premium	16,471	—	16,471
Other equity instruments	400,000	—	400,000
Legal and statutory reserves	259,528	—	259,528
Reserves and retained earnings	580,304	(89,858)	490,446
Net income for the period attributable to Bank's Shareholders	138,082	—	138,082
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	6,119,385	(89,858)	6,029,527
Non-controlling interests	942,672	—	942,672
TOTAL EQUITY	7,062,057	(89,858)	6,972,199
TOTAL LIABILITIES AND EQUITY	92,904,812	(89,858)	92,814,954

The total of the impacts of the adoption of IFRS 17 and IFRS 9 on the balance sheet of Millenniumbcp Ageas Group Segurador, SGPS, SA with reference to 1 January 2022 (transition date), are detailed as follows:

(Thousands of euros)

	31 December 2021 (IFRS 4 and IAS 39)	Impacts of adopting IFRS 17 and IFRS 9 (*)	1 January 2022 (IFRS 17 and IFRS 9)
ASSETS			
Cash and equivalents	72,033	—	72,033
Investments to be consolidated and equity associates	106,225	—	106,225
Financial assets at fair value	9,754,498	97,999	9,852,497
Financial assets held to maturity	46,314	(46,314)	—
Loans and receivables	221,282	10,833	232,115
Investment property	91,015	—	91,015
Other tangible assets	1,696	—	1,696
Assets Right of Use	115	—	115
Goodwill	247,487	—	247,487
Other intangible assets	35,586	(32,840)	2,746
Reinsurance reserves	6,858	(6,858)	—
Income tax assets	31,005	76,727	107,732
Other assets	79,670	(2,672)	76,998
TOTAL ASSETS	10,693,784	96,875	10,790,659
LIABILITIES			
Technical reserves	4,953,638	321,540	5,275,178
Insurance contracts liabilities	4,725,617	—	4,725,617
Other financial liabilities	130,926	(6,932)	123,994
Lease liabilities	684	—	684
Other provisions	648	—	648
Income tax liabilities	23,147	(9,697)	13,450
Other liabilities	38,203	(1,500)	36,703
TOTAL LIABILITIES	9,872,863	303,411	10,176,274
EQUITY			
Capital	50,002	—	50,002
Other capital instruments	525,000	—	525,000
Fair value reserves (net of taxes)	61,975	(111,862)	(49,887)
Other reserves	102,325	(94,674)	7,651
Net income	69,900	—	69,900
Minority interests	11,719	—	11,719
TOTAL EQUITY	820,921	(206,536)	614,385
TOTAL LIABILITIES AND EQUITY	10,693,784	96,875	10,790,659

(*) The impacts of adopting IFRS 17 and IFRS 9 are detailed in the next table.

The impacts of the adoption of IFRS 17 and IFRS 9 with reference to 1 January 2022 (transition date), are detailed as follows:

(Thousands of euros)

	IFRS 9 impacts (reclassifications)	IFRS 9 impacts (fair value changes)	IFRS 17 impacts related to IFRS 4	IFRS 17 impacts related to IFRS 17	Total impacts of adopting IFRS 17 and IFRS 9
ASSETS					
Financial assets at fair value	46,314	51,685	—	—	97,999
Financial assets held to maturity	(46,314)	—	—	—	(46,314)
Loans and receivables	—	10,833	—	—	10,833
Other intangible assets	—	—	(32,840)	—	(32,840)
Reinsurance reserves	—	—	—	(6,858)	(6,858)
Income tax assets	—	(18,443)	9,688	85,482	76,727
Other assets	—	—	—	(2,672)	(2,672)
TOTAL ASSETS	—	44,075	(23,152)	75,952	96,875
LIABILITIES					
Technical reserves	—	—	—	321,540	321,540
Other financial liabilities	—	—	—	(6,932)	(6,932)
Income tax liabilities	—	—	—	(9,697)	(9,697)
Other liabilities	—	—	—	(1,500)	(1,500)
TOTAL LIABILITIES	—	—	—	303,411	303,411
EQUITY					
Fair value reserves (net of taxes)	—	(39,380)	—	(72,482)	(111,862)
Other reserves	—	83,455	(23,152)	(154,977)	(94,674)
TOTAL EQUITY	—	44,075	(23,152)	(227,459)	(206,536)
TOTAL LIABILITIES AND EQUITY	—	44,075	(23,152)	75,952	96,875

The impacts of adopting IFRS 17 and IFRS 9 on equity of Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. and of BCP Group, on the transition date, 1 January 2022, are as follows:

(Thousands of euros)

Impact of transition on equity (Ageas)	(206,536)
VOBA (*Value of business acquired*)*	23,152
Impact of transition on equity (Ageas - BCP Gaap) **	(183,384)
Impact of the transition on the equity of the BCP Group (49%) **	(89,858)

(*) According to IFRS 4, as at 31 December 2021, the gross value of VOBA was reflected in the caption Other intangible assets.

(**) BCP Gapp includes VOBA effect which corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition under IFRS 4. With the implementation of IFRS 17, this concept was annulled from the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

The consolidated balance sheet with reference to 31 December 2022 was restated as a result of the adoption of IFRS 17 and IFRS 9 by Millenniumbcp Ageas Group Segurador, SGPS, SA, with the impacts detailed as follows:

(Thousands of euros)

	31 December 2022 (reported)	Impact of the adoption of IFRS 17 and IFRS 9	31 December 2022 (restated)
ASSETS			
Cash and deposits at Central Banks	6,022,001	—	6,022,001
Loans and advances to credit institutions repayable on demand	213,460	—	213,460
Financial assets at amortised cost			
Loans and advances to credit institutions	963,434	—	963,434
Loans and advances to customers	54,675,793	—	54,675,793
Debt securities	13,035,582	—	13,035,582
Financial assets at fair value through profit or loss			
Financial assets held for trading	766,597	—	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	552,679	—	552,679
Financial assets at fair value through other comprehensive income	7,461,553	—	7,461,553
Hedging derivatives	59,703	—	59,703
Investments in associated companies	298,717	16,202	314,919
Non-current assets held for sale	499,035	—	499,035
Investment property	15,217	—	15,217
Other tangible assets	574,697	—	574,697
Goodwill and intangible assets	182,687	—	182,687
Current tax assets	17,945	—	17,945
Deferred tax assets	2,938,986	—	2,938,986
Other assets	1,582,455	—	1,582,455
TOTAL ASSETS	89,860,541	16,202	89,876,743
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	1,468,360	—	1,468,360
Resources from customers	75,430,143	—	75,430,143
Non subordinated debt securities issued	1,482,086	—	1,482,086
Subordinated debt	1,333,056	—	1,333,056
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	241,506	—	241,506
Financial liabilities at fair value through profit or loss	1,817,678	—	1,817,678
Hedging derivatives	178,000	—	178,000
Provisions	561,786	—	561,786
Current tax liabilities	23,680	—	23,680
Deferred tax liabilities	11,708	—	11,708
Other liabilities	1,391,973	—	1,391,973
TOTAL LIABILITIES	83,939,976	—	83,939,976
EQUITY			
Share capital	3,000,000	—	3,000,000
Share premium	16,471	—	16,471
Other equity instruments	400,000	—	400,000
Legal and statutory reserves	268,534	—	268,534
Reserves and retained earnings	1,245,949	26,313	1,272,262
Net income for the period attributable to Bank's Shareholders	207,497	(10,111)	197,386
TOTAL EQUITY ATTRIBUTABLE TO BANK'S SHAREHOLDERS	5,138,451	16,202	5,154,653
Non-controlling interests	782,114	—	782,114
TOTAL EQUITY	5,920,565	16,202	5,936,767
TOTAL LIABILITIES AND EQUITY	89,860,541	16,202	89,876,743

The Consolidated Income Statement with reference to 30 September 2022 was restated resulting from the adoption of IFRS 17 and IFRS 9 by Millenniumbcp Ageas Group Segurador, SGPS, SA, which impacts are detailed as follows:

(Thousands of euros)

	30 September 2022 (reported)	Impact of the adoption of IFRS 17 and IFRS 9	30 September 2022 (restated)
Interest and similar income	1,878,103	–	1,878,103
Interest expense and similar charges	(332,272)	–	(332,272)
NET INTEREST INCOME	1,545,831	–	1,545,831
Dividends from equity instruments	9,262	–	9,262
Net fees and commissions income	573,803	–	573,803
Gains/(losses) on financial operations at fair value through profit or loss	8,000	–	8,000
Foreign exchange gains/(losses)	30,894	–	30,894
Gains/(losses) on hedge accounting	(1,506)	–	(1,506)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	37,550	–	37,550
Other operating income/(losses)	(201,913)	–	(201,913)
TOTAL OPERATING INCOME	2,001,921	–	2,001,921
Staff costs	431,821	–	431,821
Other administrative costs	251,751	–	251,751
Amortisations and depreciations	103,856	–	103,856
TOTAL OPERATING EXPENSES	787,428	–	787,428
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,214,493	–	1,214,493
Impairment of financial assets at amortised cost	(246,385)	–	(246,385)
Impairment of financial assets at fair value through other comprehensive income	1,763	–	1,763
Impairment of other assets	(138,268)	–	(138,268)
Other provisions	(695,325)	–	(695,325)
NET OPERATING INCOME	136,278	–	136,278
Share of profit of associates accounted for using the equity method	44,982	(7,367)	37,615
Gains/(losses) on disposal of subsidiaries and other assets	11,128	–	11,128
NET INCOME BEFORE INCOME TAXES	192,388	(7,367)	185,021
Income taxes			
Current	(75,409)	–	(75,409)
Deferred	(133,227)	–	(133,227)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	(16,248)	(7,367)	(23,615)
Net income from discontinued or discontinuing operations	1,481	–	1,481
NET INCOME AFTER INCOME TAXES	(14,767)	(7,367)	(22,134)
Net income for the period attributable to:			
Bank's Shareholders	97,193	(7,367)	89,826
Non-controlling interests	(111,960)	–	(111,960)
NET INCOME FOR THE PERIOD	(14,767)	(7,367)	(22,134)

The impacts of the adoption of IFRS 17 and IFRS 9 on the balance Investments in associates (note 26) of Group, are as follows:

(Thousands of euros)

	1 January 2022 (restated)	30 September 2022 (restated)	31 December 2022 (restated)
Investment held in Millennium Ageas (IAS 39 and IFRS 4)	261,446	187,176	59,766
Transition to IFRS 9 and IFRS 17	(89,858)	(89,858)	(89,858)
Other comprehensive income	—	63,118	116,152
Other reserves	—	—	19
Net income	—	(7,367)	(10,111)
Investment held in Millennium Ageas (IFRS 9 and IFRS 17)	171,588	153,069	75,968

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

As at 30 September 2023, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Sector of activity	% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	127,600,000	EUR	Banking	100 %	100 %	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %	50.1 %	50.1 %
Millennium Bank Hipoteczny S.A.	Warsaw	90,000,000	PLN	Banking	100 %	50.1 %	—
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100 %	100 %	100 %
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7 %	66.7 %	—
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100 %	100 %	—
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %	100 %	100 %
M Representações Ltda	São Paulo	75,754,360	BRL	Financial Services	100 %	100 %	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %	100 %	100 %
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100 %	100 %	100 %
Monumental Residence - Sociedade de investimento coletivo imobiliária fechada, S.A.	Oeiras	31,900,000	EUR	Real-estate management	100 %	100 %	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	98.6 %	97.7 %	93.2 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %	100 %	100
Imoserit, S.A.	Oeiras	50,000	EUR	Real-estate company	100 %	100 %	100
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	Oeiras	2,150,000	EUR	Real-estate management	100 %	100 %	—

Subsidiary companies	Head office	Share capital	Currency	Sector of activity	Group		Bank
					% economic interests	% effective held	% direct held
Finalgarve - Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate management	100 %	100 %	—
Fiparso - Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100 %	100 %	—
Millennium Consulting S.A.	Warsaw	4,339,500	PLN	Consulting services	100 %	50.1 %	—
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Web portals	100 %	50.1 %	—
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100 %	50.1 %	—
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100 %	50.1 %	—
Piast Expert Sp. z o.o (in liquidation)	Tychy	100,000	PLN	Marketing services	100 %	50.1 %	—
Millennium Telecommunication Services Sp. z o.o.	Warsaw	100,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100 %	50.1 %	—
BCPBT CI Liquidation Company I	George Town	1	USD	Services	100 %	100 %	—
BCPBT CI Liquidation Company II	George Town	1	USD	Services	100 %	100 %	—

As at 30 September 2023, the investment and venture capital funds included in the consolidated accounts using the full consolidation method, as referred in the accounting policy presented in note 1 B, were as follows:

Investment funds	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Imosotto acumulação - Fundo de Investimento Imobiliário Fechado	Oeiras	102,385,157	EUR	Real-estate investment fund	100 %	100 %	100 %
Imorenda - Fundo de Investimento Imobiliário Fechado	Oeiras	90,156,713	EUR	Real-estate investment fund	100 %	100 %	100 %
Oceânico II - Fundo de Investimento Imobiliário Fechado	Oeiras	75,126,306	EUR	Real-estate investment fund	100 %	100 %	100 %
Sand Capital - Fundo de Investimento Imobiliário Fechado	Oeiras	88,082,695	EUR	Real-estate investment fund	100 %	100 %	100 %
Funsita - Fundo de Investimento Imobiliário Fechado	Oeiras	42,244,336	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundial - Fundo de Investimento Imobiliário Fechado	Oeiras	17,340,985	EUR	Real-estate investment fund	100 %	100 %	100 %
Fundipar - Fundo de Investimento Imobiliário Fechado	Oeiras	11,345,348	EUR	Real-estate investment fund	100 %	100 %	100 %
Domus Capital- Fundo Especial de Investimento Imobiliário Fechado	Oeiras	3,799,969	EUR	Real-estate investment fund	95.8 %	95.8 %	95.8 %
Predicapital - Fundo de Investimento Imobiliário Fechado (*)	Oeiras	88,951,500	EUR	Real-estate investment fund	60 %	60 %	60 %

(*) - Company classified as non-current assets held for sale.

The Group holds a securitization transaction regarding mortgage loans which was set through specifically created SPE. As referred in accounting policy 1 B, when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE is fully consolidated, following the application of IFRS 10.

As at 30 September 2023, the Special Purpose Entity included in the consolidated accounts under the full consolidation method is as follows:

					Group		Bank
Special Purpose Entities	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% direct held**
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %	82.4 %	82.4 %

During the 3rd quarter of 2023, the Group settled the Magellan Mortgages No.1 securitization operation.

As at 30 September 2023, the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% direct held**
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7 %	22.5 %	—
Banque BCP, S.A.S.	Paris	215,335,898	EUR	Banking	19 %	19 %	19 %
Lubuskie Fabryki Mebli, S.A. (in liquidation)	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50 %	25.1 %	—
Europa Millennium Financial Services sp. z o.o. (*)	Warsaw	100,000	PLN	Services	20 %	10 %	—
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	23.3 %	21.9 %	—
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32 %	32 %	0.5 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %	25.1 %	25.1 %

(*) previous Millennium Financial Services sp. z o.o.

As described in note 47,the Group sold 80% of shares of Millennium Financial Services sp. z o.o. so now holds a minority stake of 20%.

As at 30 September 2023, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% direct held**
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Lisbon	50,002,375	EUR	Holding company	49 %	49 %	49 %
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Lisbon	22,375,000	EUR	Life insurance	49 %	49 %	—
Ageas - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	1,200,000	EUR	Pension fund management	49 %	49 %	—
Fidelidade Moçambique - Companhia de Seguros S.A.	Maputo	295,000,000	MZN	Insurance	22 %	14.7 %	—

Some indicators of the main subsidiaries and associated companies are analysed as follows:

(Thousands of euros)

	30 September 2023			30 September 2022 (restated)		
Subsidiaries and associated companies	Total Assets	Total Equity	Net income for the period	Total Assets	Total Equity	Net income for the period
Banco Comercial Português, S.A.	60,810,135	5,856,868	532,063	73,399,799	5,270,323	393,891
Banco ActivoBank, S.A.	3,247,826	245,359	29,143	3,206,569	211,002	13,509
Bank Millennium, S.A. (1)	26,819,631	1,438,578	100,652	22,771,543	1,005,513	(270,488)
BIM - Banco Internacional de Moçambique, S.A. (1)	2,715,208	518,575	67,211	2,905,391	527,092	70,004
BCP International B.V.	524,375	524,290	(337)	1,063,277	1,061,902	85,710
BCP Finance Bank, Ltd.	519,823	519,511	(465)	525,167	524,854	5,174
BCP África, S.G.P.S., Lda.	494,364	493,387	(8,955)	584,555	580,326	81,032
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	176,003	174,854	7,963	173,966	172,820	5,929
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	9,207	7,513	1,341	9,128	7,601	1,623
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1)	8,513,543	472,306	62,877	9,321,258	571,933	33,388
Banco Millennium Atlântico, S.A. (2)	2,315,334	190,066	5,256	3,399,152	365,457	3,769
Banque BCP, S.A.S.	5,530,660	279,605	11,987	4,897,534	262,139	17,869

1) Consolidated accounts.

2) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.

55. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 Z, the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

Banco Comercial Português, S.A. informed about the upgrade of deposits and senior unsecured debt ratings by Moody's

Banco Comercial Português, S.A. ("BCP" or "Bank") 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 capitalization 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.

Banco Comercial Português, S.A. informed about notification from Banco de Portugal on the implementation of a reserve in own funds for sectoral systemic risk

On 17 November, Banco Comercial Português, S.A. (“Bank”) informed 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 materialization 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 collateralized 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. informed 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 S.A. informed about the ECB's authorization to exercise the early redemption option of the currently outstanding Additional Tier 1 (“AT1”) instrument with an outstanding amount of 400 million euros

On 13 November, Banco Comercial Português, S.A. (“Bank”) informed that 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 Directive2014/59/EU of the European Parliament and of the Council by a margin that the ECB considers necessary.

He also informed that the decision on whether to exercise such option of early redemption of the AT1 issue (ISIN: PTBCPFOM0043) is still under evaluation by the Bank. Such decision will be communicated in due course under the terms set out in the instrument´s final terms and conditions.

Millennium
bcp