Banco Comercial Português, S.A.

Annual Report

2023

Millennium bcp

This document is an unofficial and unaudited version of the Individual and Consolidated Report and Accounts of Banco Comercial Português, S.A. for the year 2023, published on the CMVM website in ESEF format on March 26, 2024.
As a true copy of the aforementioned financial information, it is intended for disclosure through the Millenniumbcp website. In case of discrepancy, the information disclosed on the CMVM website on March 26, 2024 prevails.

2023
REPORT & ACCOUNTS

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

2023 Annual Report

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 2023 Annual Report is a translation of the “Relatório e Contas 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 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

Joint Message of the Chairman of the Board of Directors and of the CEO

In 2023, global economic activity evolved favourably, though highly conditioned by geopolitical instability, while benefiting from the easing of inflation in the main economic blocs after the strong rise observed in 2022.

In Portugal, the 2.3% expansion of activity reflected the remarkable resilience of the national economy in the face of the strong slowdown in the euro area and the rise in interest rates. This performance was underpinned by dynamic tourist activity in the first half of the year and a significant acceleration in private consumption in the final quarter of the year. In 2024, a greater moderation in the growth rate of the Portuguese economy is expected, in a context of less dynamic external demand.

In Poland, the economy stagnated in 2023, after the strong growth recorded in 2022. However, the improvement in domestic demand that has been observed, as a result of the decrease in inflation and the reduction in interest rates, should translate into a trajectory of accelerating activity in 2024.

The Mozambican economy has seen remarkable levels of growth, supported by the expansion of the extractive industry, in particular the production of natural gas. In 2024, the economy is expected to maintain robust growth levels, in a context of falling inflation and less restrictive monetary policy. It should be noted, however, that in the north of the country concerns remain about the activity of destabilizing radical groups.

The Angolan economy, in 2023, slowed from 3.0% to 1.3%, penalized by contraction in oil sector activity, with the kwanza depreciating significantly, particularly at the beginning of the third quarter. For 2024, the IMF projects an acceleration in Angolan economic activity to 3.3%.

In Macau, the end of the zero-covid policy decreed in December 2022 led to a very significant increase in the number of tourists during 2023. The recovery in economic activity allowed GDP to grow 77.7%, in the first nine months of the year, with robust growth also expected in 2024.

In a complex context, in which uncertainties at a macroeconomic and geopolitical level increased, Millennium bcp's activity in 2023 was also influenced by favourable factors, particularly those resulting from the normalization of monetary policy. Millennium bcp ended the year with a consolidated net profit of 856 million euros, a substantial increase compared to the 197.4 million euros achieved in 2022.

Special emphasis is given to the significant reinforcement achieved organically in the capital position in 2023, reflecting the quality of Millennium bcp's business model, the discipline in capital management and the return to positive annual results in Poland. In December 2023, the CET1 capital ratio reached 15.4% and the total capital ratio 19.9%, both comfortably above regulatory requirements.

It is worth remembering, however, that these results came in a context of extraordinary adverse effects in Poland, not directly related to loans in Swiss francs, which in 2022 affected that year's result. These were significant, including the contribution of 59 million euros for the Institutional Protection Fund (IPS), the charges of 282.8 million euros for moratoriums on housing loans, and the recording of impairment of 102.3 million euros related to Bank Millennium's goodwill.

In 2023, consolidated results continued to be influenced by significant additional effects related to Bank Millennium in Poland. There were charges in the amount of 779.7 million euros relating to the portfolio of mortgage loans in Swiss francs, of which provisions amounting to 623 million euros reflect the application of more conservative adjustments to the provisioning model resulting from the decision of the Court of European Union Justice, and other costs, particularly settlements with customers. Conversely, the results benefited from 139.1 million euros recorded in the first quarter, related to the sale of an 80% stake in Millennium Financial Services within the scope of the strategic partnership in the bancassurance area.

The increase in Millennium bcp’s consolidated net income, in the different geographies, was largely based on the bank's intense commercial activity, reflected in the 31.7% growth in core operating income, which amounted to

2.44 billion euros, driven by the 23.1% increase in core revenue and efficient management of operating costs, which grew 8.3% in a context still marked by inflation.

Both in the activity in Portugal, where growth was more significant, and in the international activity, core income showed relevant growth, mainly resulting from the increase in net interest margin, which rose 31.4% in the Group and 54.2% in Portugal. Net commissions, in turn, remained practically stable compared to the previous year, conditioned by the fact that, in the context of a loss of consumer purchasing power as a result of inflation, a decision was made to made to limit alterations to banking fees as well as the fact that governments have promoted legislative measures restricting these fees.

In the current context of higher interest rates, which encourages customers to use part of their savings to pay down loans, and with intense competition in the sector to attract deposits, the bank presented a positive variation of 2.5% in on-balance sheet customer funds, which reached 79.2 billion euros, a performance that reflects the bank's ability to gain the preference and trust of customers.

The restrictive monetary policy aimed at reducing inflation also translates into a lower demand for loans, with the gross customer credit portfolio recording a slight retraction, standing at 56.8 billion euros in December 2023.

The net profit of the activity in Portugal was 724.9 million euros in 2023, an increase of 111% compared to the net profit of 343.5 million euros in the previous year, a performance that confirms Millennium bcp's leadership in multiple business fronts in the Portuguese market.

In international activity, net profit amounted to 131.2 million euros in 2023, showing a significant improvement when compared to the negative 146.1 million euros recorded in 2022.

In Poland, Bank Millennium, which recorded profits for the fifth consecutive quarter, contributed significantly with a net profit of 126.8 million euros in 2023, which compares with a loss of 223.5 million euros in 2022. This trajectory confirms the quality of Bank Millennium's business model and its ability to simultaneously manage the significant impacts arising from legal risks associated with loans in Swiss francs, successfully implementing the planned measures to strengthen capital and increase business volumes in a market with high potential.

In Mozambique, the quality of the commercial franchise, operational efficiency, and prudent risk management, allowed Millennium bim to continue to make a relevant contribution to consolidated results, presenting sustainable levels of profitability, resilient to different contexts, translating into a net profit of 105.1 million euros in 2023, in line with previous years.

Improving the quality of the balance sheet continued to be a priority for the bank, continuing the consistent trajectory of recent years, based on the skills developed, with a reduction of 394 million euros in non-productive assets in 2023, including a decrease of 266 million euros in NPE, which placed the NPE ratio at 3.4% at Group level and 2.9% in Portugal.

Most credit quality indicators evolved favourably and were accompanied by an increase in NPE coverage due to credit impairments, which reached 81.8% in 2023, a level that positions Millennium bcp well in a comparative analysis of the European banking sector, maintaining a robust total coverage of 122.5% considering the remaining collateral.

Despite the challenging context and the considerable level of uncertainty in the markets in which it operates, the bank maintained prudent risk management, allowing it to contain the cost of risk at around 50 bp, in line with the strategic plan presented to the market.

Commercial intensity was also reflected in the ability to attract customers, an indicator of the vitality of Millennium bcp and its growth potential, reflected in the expansion of the customer base, with emphasis on the 10% increase in mobile customers, which represented 68% of total active customers in December 2023.

The symbiotic relationship between people and technology, combined with a commercial network comprised of high-quality professionals and advanced technological solutions that provide superior user experiences, continues to constitute the central and differentiating element of Millennium bcp's business model. The priority given to investment and innovation in mobile platforms has made a decisive contribution on this front, reflected in significant increases in transactions and sales made through these platforms.

Millennium bcp's annual results confirm the success of the strategy being implemented, signalling the year 2023 as the end of the bank's transition period. More than a year in advance, the targets for year-end 2024 were exceeded in the main metrics defined in the strategic plan.

The preparation and rigorous work in pursuit of the defined objectives are clearly evident in the robustness of the business model that allowed the bank to achieve the results presented and progress to a new phase in the bank's life, returning to the normalization of its activity, with appropriate levels of return on own capital, which in 2023 stood at 16% (ROE), a trajectory also decisive for the attribution, by the four main rating agencies, of the Investment Grade rating, after successive upward revisions.

Millennium bcp begins 2024 as a reference in terms of quality customer service, both in person and through digital channels, with reinforced innovation capacity, standing apart from most peers in terms of operational efficiency. The bank has a healthy balance sheet, demonstrates high skills in risk management and has achieved very robust capital and liquidity ratios.

In short, with the indispensable support of Customers, Shareholders, Employees and other Stakeholders, Millennium bcp is today a bank prepared for the future.

Miguel Maya

Chairman of the Executive Committee

Vice-Chairman of the Board of Directors

Nuno Amado

Chairman of the Board of Directors

From left to right:
Maria José Campos (Member of the Executive Committee); **Rui Manuel Teixeira** (Member of the Executive Committee); **Miguel Bragança** (Vice-Chairman of the Executive Committee); **Miguel Maya** (Chairman of the Executive Committee); **João Palma** (Vice-Chairman of the Executive Committee); **José Miguel Pessanha** (Member of the Executive Committee).

Main highlights of the Results in 2023

A Bank prepared for the future

Profitability

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

Robust Business Model

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

Main highlights (1)

Million euros

	2023	2022 (restated)	2021	2020	2019	Chg. % 23/22
BALANCE SHEET						
Total assets	94,380	89,877	92,905	85,715	81,643	5.0%
Equity	7,299	5,937	7,062	7,386	7,381	23.0%
Loans and advances to customers (net)	55,218	56,198	56,360	53,975	52,275	(1.7%)
Total customer funds	95,295	92,808	90,097	84,492	81,675	2.7%
Balance sheet customer funds	79,215	77,250	71,175	64,764	62,607	2.5%
Deposits and other resources from customers	77,928	75,907	69,560	63,259	60,847	2.7%
Loans to customers (net)/Deposits and other resources from customers (2)	71%	74%	81%	85%	86%	
RESULTS						
Net interest income	2,826	2,150	1,589	1,532	1,549	31.4%
Net operating revenues	3,770	2,857	2,334	2,257	2,335	31.9%
Operating costs	1,163	1,073	1,116	1,090	1,166	8.3%
Operating costs excluding specific items (3)	1,147	1,057	1,025	1,044	1,100	8.6%
Results on modification	(19)	(310)	—	—	—	93.7%
Impairment and Provisions	1,100	1,056	1,061	841	542	4.1%
Income tax	537	304	204	132	239	76.6%
Net income attributable to shareholders of the Bank	856	197	138	183	302	>200%
PROFITABILITY AND EFFICIENCY						
Net operating revenues/Average net assets (2)	4.1%	3.0%	2.6%	2.7%	2.9%	
Return on average total assets (ROA)	1.0%	0.1%	0.0%	0.2%	0.5%	
Income before tax and non-controlling interests/Average net assets (2)	1.6%	0.4%	0.3%	0.4%	0.8%	
Return on average shareholders' equity (ROE)	16.0%	3.9%	2.4%	3.1%	5.1%	
Income before tax and non-controlling interests/Average equity (2)	23.8%	7.2%	3.3%	4.8%	8.9%	
Net interest margin	3.36%	2.46%	1.93%	2.00%	2.18%	
Cost to core income (3)	31.9%	36.2%	44.2%	47.3%	48.8%	
Cost to income (2)	30.8%	37.6%	47.8%	48.3%	49.9%	
Cost to income (2)(3)	31.6%	37.0%	43.9%	46.3%	47.1%	
Cost to income - activity in Portugal (2)(3)	29.5%	37.2%	42.6%	46.2%	47.4%	
Staff costs/Net operating revenues (2)(3)	17.0%	19.7%	24.1%	25.9%	26.9%	
CREDIT QUALITY						
Non-performing exposures	1,952	2,218	2,752	3,295	4,206	
Non-performing exposures (loans to customers)/Loans to customers	3.4%	3.8%	4.7%	5.9%	7.7%	
Total impairment (balance sheet)/NPE (loans to customers)	81.8%	68.3%	68.0%	62.9%	58.2%	
Restructured loans	1,729	1,866	2,564	2,661	3,097	
Restructured loans/Loans to customers	3.0%	3.2%	4.4%	4.7%	5.7%	
Cost of risk (net of recoveries)	42 b.p.	52 b.p.	60 b.p.	92 b.p.	72 b.p.	
LIQUIDITY						
Liquidity Coverage Ratio (LCR)	276%	212%	269%	230%	216%	
Net Stable Funding Ratio (NSFR)	167%	154%	150%	140%	135%	
CAPITAL(4)						
Own funds fully-implemented	7,903	7,241	7,247	7,213	7,028	
Risk Weighted Assets fully-implemented	39,725	43,106	45,863	46,322	44,972	
Common equity tier I fully-implemented ratio	15.4%	12.5%	11.7%	12.2%	12.2%	
Total ratio fully implemented	19.9%	16.8%	15.8%	15.6%	15.6%	
Common equity tier I phased-in ratio	15.5%	12.6%	11.7%	12.2%	12.2%	
BCP SHARE						
Market capitalisation (ordinary shares)	4,147	2,213	2,130	1,862	3,065	
Adjusted basic and diluted earnings per share (euros)	0.054	0.010	0.007	0.010	0.018	
Market values per share (euros)						
High	0.3309	0.1982	0.1709	0.2108	0.2889	
Low	0.1529	0.1218	0.1126	0.0697	0.1771	
Close	0.2744	0.1464	0.1409	0.1232	0.2028	

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at alternative performance measures chapter, being reconciled with the accounting values in the respective chapters. From 31 May 2019, financial statements of the Group reflect the consolidation of Euro Bank S.A., the entity acquired by Bank Millennium S.A. Following the sale, in 2021, of the entire share capital of Banque Privée BCP (Suisse) S.A. to Union Bancaire Privée, UBP S.A. and the sale of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. (“SIM”), now designated Fidelidade Moçambique - Companhia de Seguros, S.A., through its subsidiary BIM - Banco Internacional de Moçambique, S.A., the contribution of these subsidiaries to the consolidated results of the Group, till the date of disposal, is reflected as income from discontinued operations in the international activity and the historical information has been restated since January 2020, in order to ensure its comparability, as defined in the IFRS 5. The accounting of assets and liabilities of Banque Privée BCP (Suisse) S.A. and of SIM was not changed compared to the criteria considered in the financial statements published in previous periods. In this context and taking into account the immateriality of the balance sheet balances of these operations in the Group, the calculation of the indicators relating the performance of the profit and loss account to the balance sheet items was not adjusted, with the exception of net interest margin, that reflects the fact that the assets of those subsidiaries were no longer considered interest earning assets in historical information regarding 2021 and 2020.
(2) According to Instruction no. 16/2004 from the Bank of Portugal, as the existing version as of 31 December 2023.
(3) Excludes the impact of specific items. In 2023, the impact was positive in the amount of 124 million euros, including income of 139 million euros recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (128 million euros recognised as net trading income and 11 million euros recognised as other net operating income) and costs of 15 million euros recognised as staff costs in the activity in Portugal [(i) costs related to the compensation for the temporary reduction in employees remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022; (ii) costs with employees terminations, namely early retirements; (iii) costs with mortgage financing to former employees; and (iv) income recognised after an agreement related to liabilities with former directors of the Bank]. In 2022, the impact was negative of 16 million euros, recognised in staff costs in the activity in Portugal, including: (i) distribution of part of the Bank's results obtained in 2021 by the employees of the Bank; (ii) costs with mortgage financing to former employees; (iii) discretionary remuneration paid to employees as a measure to offset the impacts of inflation; and iv) the recognition of a provision for other structure adaptation measures. In 2021, the impact was also negative, in the amount of 91 million euros, mainly related to the adjustment of headcount carried out by the Bank in that year, including a provision in the amount of 84 million euros. In 2020, the impact was also negative, in the amount of 46 million euros, of which 32 million euros related to headcount adjustment costs, compensation cost for temporary remuneration cuts of employees under the participation in the results and income arising from the agreement with a former director of the Bank, and 15 million euros related to acquisition, merger and integration of Euro Bank S.A. In 2019, the impact was also negative in the amount of 66 million euros, of which 40 million euros related to headcount adjustment costs and costs with compensation for temporary remuneration cuts, and 26 million euros related to acquisition, merger and integration of Euro Bank S.A. The profitability and efficiency indicators does not consider the specific items recognized in net operating revenues (1 million euros in 2019 and an immaterial amount in 2020), related to costs with the acquisition, merger and integration of Euro Bank S.A.
(4) Presented figures include the cumulate net results of the respective periods.

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

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

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

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The Restructuring Plan was formally submitted by the Portuguese government to the EC and, In July 2013, the Bank agreed on the plan with the EC, entailing an improvement of the profitability of the

Bank in Portugal through continued cost reduction, among other drivers. On September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support. The implemented Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities.

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

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

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

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

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

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

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

In the 1st half of 2023, Bank Millennium concluded the sale of 80% of Millennium Financial Services, as part of the strategic partnership in the bancassurance area.

Governance

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

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

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

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

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

Under the terms of the Bank's By-Laws, the Board is made up of a minimum of 15 and a maximum of 19 members with and without executive functions, elected by the General Meeting of Shareholders for a period of four years, with re-election permitted. As of December 31, 2023, the Board of Directors was made up of 17 members, of which 15 were elected at the General Meeting of Shareholders held on May 4, 2022 and 2 were co-opted by the Board of Directors on October 11, 2022, having the co-option was ratified at the General Assembly held on December 20, 2022, after authorization for the exercise of functions by the ECB (on December 7).
Of the 17 members that make up the BD, 6 are executive and 11 are non-executive, with 5 qualified as independent.

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

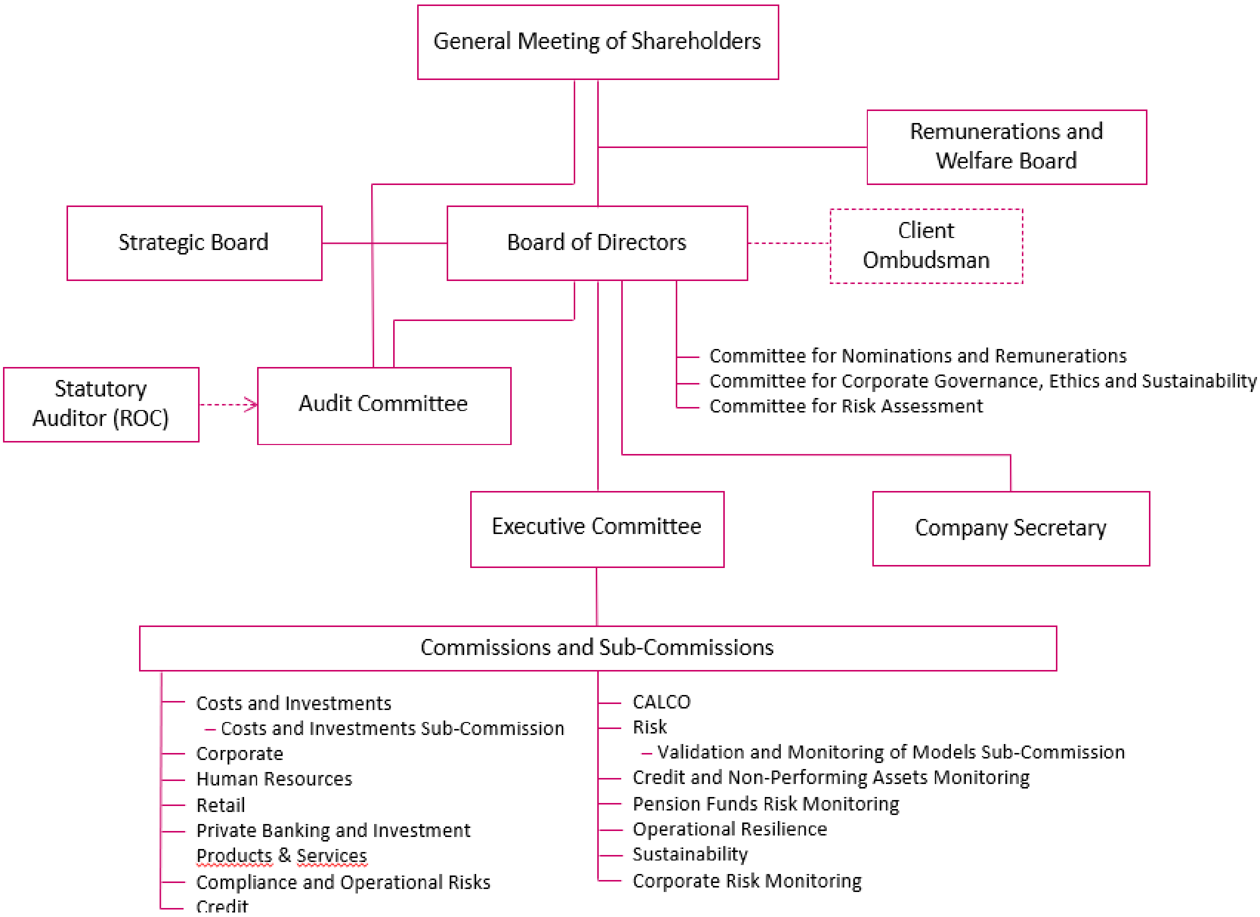
On January 5, 2024, non-independent non-executive Director Xiao Xu Gu (Julia Gu) submitted a letter of resignation from her position, taking effect on February 29. Banco Comercial Português, S.A. is in the process of identifying and selecting a new non-executive member to join the Board of Directors.

The supervision of the company is ensured by an Audit Committee (AudC), elected by the General Meeting of Shareholders, and composed of a minimum of 3 and a maximum of 5 members, elected together with the other administrators, and the lists proposed for the BD must detail the members who are intended to form part of the Audit Committee and indicate the respective President. AudC is made up of 3 non-executive directors, the majority of whom are independent members as well as its president and also includes an alternate member.

The RWB and the Strategic Council have the functions described in the By-Laws, with the latter Council 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 Board of Directors and its Committees currently have the following composition:

	Board of Directors (BD)	Executive Committee (EC)	Audit Committee (AudC)	Remuneration and Welfare Board (RWB)	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	●				●		

* Director resigned from her position on January 5, 2024, taking effect on February 29. ** Substitute member of the Audit Committee.

The Remuneration and Welfare Board is chaired by José António Figueiredo Almaça and composed of the two vice-presidents mentioned above.

The Strategic Council, as a consultative and non-permanent body, has a variable composition, with the President and Vice-Presidents of the Board of Directors being inherent members.

The Board of the General Assembly has the following composition:

President: Pedro Rebelo de Sousa

Vice President: Octávio Castelo Paulo

Secretary of the Board: Company Secretary (Ana Moniz Macedo)

Main events in 2023

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

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

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

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

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

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

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

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

This upgrade of BCP's ratings by Moody’s reflected 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.

BCP informed on November 17, 2023, that it was notified by the Banco de Portugal on the decision to implement a reserve for sectoral systemic risk, which aims to reinforce the resilience of the banking sector of a potential deterioration in economic conditions and/or unexpected significant correction in residential property prices. The reserve for sectoral systemic risk complements the current prudential recommendation and consists of a preventive measure to address the possible 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. informs that the decision to impose this measure, that aims to create a reserve for sectoral systemic risk, would translate on a pro forma basis into an estimated increase in own funds requirements of 26 basis points.

BCP informed that on November 13, 2023, it has received permission from the ECB to reduce its Own Funds, through the exercise of the early redemption option of the currently outstanding Additional Tier 1 (“AT1”) instrument, considering that following the said reduction, BCP´s own funds and eligible liabilities, on a consolidated basis, are expected to exceed the requirements laid down in Regulation (EU) No 575/2013, Directive 2013/36/ EU of the European Parliament and of the Council and Directive2014/59/EU of the European Parliament and of the Council by a margin that the ECB considers necessary.

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

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

S&P Global Ratings upgraded on 12 September BCP's senior unsecured debt ratings to Investment Grade. This upgrade reflects the view that BCP creditworthiness has gradually improved in absolute terms and relative to peers due to a combination of extraordinary measures and solid internal capital generation driven by improving profitability, based on better-than-peer efficiency levels and the expectation that a possible asset quality deterioration will be manageable. The rating on BCP also incorporates potential downside risks arising from the group’s Polish operations and its impact on earnings in 2023 and 2024. The Outlook is Stable. S&P Global Ratings also raised the ratings on BCP's Additional Tier 1 and Tier 2 instruments by two notches.

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

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

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

Millennium bcp was distinguished as climate leader in Europe by the Financial Times and Statista. For the third consecutive year, the Bank is part of the “Europe’s Climate Leaders 2023” ranking prepared by the two institutions.

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

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

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

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

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

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

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

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

Fitch Ratings on March 17 upgraded BCP’s long-term deposits rating to ‘BBB-’ and the long-term Issuer Default Rating to ‘BB+’, with a stable Outlook. BCP's ratings upgrade primarily reflect the bank’s improved asset quality, the improvement in capitalisation and resilient pre-impairment profitability, due to a leading franchise in Portugal and sound cost efficiency.

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

AWARDS AND DISTINCTIONS

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

- Leadership in the Inovadora COTEC Program for the third consecutive year with 54% market share.
- Millennium bcp was included for the fourth year in the Bloomberg Gender-Equality Index, remaining in the elite group of companies, that worldwide, stand out for their implementation of policies and practices of gender equality, diversity, and inclusion.
- Millennium bcp was distinguished as Local Market Member in Equity in the Euronext Lisbon Awards.
- Millennium bcp was named “Best Investment Bank” in Portugal by Global Finance.
- Millennium bcp was once again distinguished as the Best Bank in Marketing and Services on Social Networks (Best Consumer Social Media Marketing and Services) in Portugal in 2023, by Global Finance magazine.
- Millennium bcp was once again distinguished as the Best Bank in Information Security and Fraud Management in Portugal in 2023 - (The Best Consumer Information Security and Fraud Management in Portugal for 2023), by Global Finance magazine.
- Millennium bcp distinguished as "The Best Consumer Lending in Portugal in 2023” by Global Finance magazine.
- Millennium bcp distinguished as the Best Bank in Portugal in the “Sustainable Finance Awards 2023” by Global Finance magazine.
- Millennium bcp was named “Best Consumer Digital Bank” in Portugal, and the Millennium App also being considered “Best Consumer Mobile Banking App” by Global Finance.
- Millennium App was distinguished with the “Product of the Year” and “Prémio Cinco Estrelas” awards, in the “Banking Apps” category, a distinction awarded by Five Star Consulting Portugal and Consumer Choice.
- Millennium bcp is Europe’s “Best Private Bank for Self-Directed Investments” according to Professional Wealth Management, a publication of the Financial Times Group, in the PWM Wealth Tech Awards 2023.
- Millennium bcp has won the APCC Contact Centers 2023 award in the category of Best Banking Contact Center in Portugal.
- Millennium bcp has won award Marketeer in the category Banking and Finance.
- IziBizi software, the first invoicing and management software with Bank Account that merges the Cloudware Business billing and management software with Millennium bcp's financial services and Open Banking API, was distinguished at the “Fosun Group 2023 Semi Annual Awarding” with the “Most Innovative Product Award”. IziBizi also won in the “Top Tech of the Future by a Bank” category of the PayTech Awards 2023.
- ActivoBank was named for the second consecutive time as “Powerful Brand” in the “Online Banking” category.
- Bank Millennium among the most trustworthy companies in the world in 2023.
- Bank Millennium is the Best Bank in Poland according to Newsweek's Friendly Bank ranking.
- Bank Millennium distinguished as “Best Bank in Poland” in 2023 by Global Finance.
- Bank Millennium was distinguished as the “Best Digital Bank” in Poland in 2023, by Global Finance magazine.
- Bank Millennium distinguished as the “Best Digital Bank” in Poland for SMEs ("The Best Bank for SMEs in Poland for 2023”) by Global Finance magazine.
- Bank Millennium distinguished with the “Best Consumer Mobile App” in Poland 2023, by Global Finance magazine.
- Bank Millennium's Contact Center was highlighted at the Polish Contact Center Awards 2023, having reached the podium six times, in what is the biggest event in the sector, which recognises the best contact centers and best customer service in Poland.
- Bank Millennium was in the Top 10 in the 17th edition of the Ranking of Responsible Companies. Bank Millennium was once again among the best, occupying sixth position, in the prestigious list of the largest companies in Poland evaluated for the quality of responsible management in accordance with ESG guidelines.
- Bank Millennium came in second place on the ranking list of best employers in the “Banking and Financial Services” category in the 3rd edition of the Best Employers Poland 2023 ranking prepared by Forbes Poland and Statista.
- Bank Millennium has been awarded the Golden Bank 2023 title for the best multi-channel service quality in the Golden Banker 2023 ranking. This ranking, the largest in the banking sector in Poland, aims to identify the banking institutions that offer the highest standards of service quality, provide the best products and carry out activities that stand out from the competition.

- Bank Millennium wins the CSR Golden Leaf from Polityka Weekly for its consistent activities for sustainability and its measurable successes in limiting the consumption of resources.
- Bank Millennium has joined the United Nations Global Compact (UNGC) as a direct participant. UNGC is the world's largest UN initiative for sustainable business. Accession to the UNGC means a commitment to comply with and implement the Ten Principles of the Compact, covering four areas: human rights, work standards, environmental protection and counteracting corruption.
- Millennium bim distinguished as “Best Bank in Mozambique” in 2023 by Global Finance.
- Millennium bim distinguished as “Best Private Bank” in Mozambique for the fourth year in a row.
- Millennium bim distinguished as "The Best Consumer Digital Bank for Innovation and Transformation in Africa for 2023" by Global Finance magazine.
- Millennium bim distinguished as “Best Consumer Digital Bank” in Mozambique in 2023 by Global Finance magazine.
- Millennium bcp distinguished with “Best Consumer Mobile App” in Mozambique 2023 by Global Finance magazine.
- Millennium bim distinguished as the “Best Digital Bank” in Mozambique in 2023 by Global Finance magazine.

SUBSEQUENT EVENTS

On March 12, 2024, S&P Global Ratings upgraded BCP's Outlook from Stable to Positive.

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

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

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

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

BCP Share

In 2023, the return of global equity markets, measured by the MSCI World index, was +23.1% (+20.0% in euros).

During 2023, central banks continued to apply more restrictive monetary policies. The Fed raised interest rates by 100bp in 2023, totalling 525bp since the start of the rate hike in March 2022 (from 0.25% to 5.25-5.5%). The ECB increased policy rates by 200bps in 2023, for a total of 450bps in the interest rate rise cycle (deposit rate went from -0.5% in July 2022 to 4.0% in December 2023).

Global economic growth exceeded recession expectations, with US economic expansion exceeding estimates. In Europe, a recession was avoided, but GDP growth fell short of expectations, particularly in Germany. China recovered less than expected in the context of post-pandemic reopening and macroeconomic and financial stimuli.

The global disinflation process gained traction in 2023, with inflation significantly slowing down in the USA and Europe.

The year 2023 was also marked by the crisis of regional banks in the USA (with the bankruptcy of SVB and First Republic), with the Fed's intervention being crucial, which allowed the instability generated to be significantly reduced.

Credit Suisse's resolution, with the purchase of the bank by UBS, for 3 billion USD, with investors in AT1 bearing a large part of the investment losses (17 billion USD), on March 19, 2023, was also a relevant factor in 2023.

It should be highlighted the prolongation of the war in Ukraine and the emergence of instability in the Middle East with the outbreak of conflict between Hamas and Israel.

BCP SHARES INDICATORS

	Units	2023	2022
ADJUSTED PRICES			
Maximum price	(€)	0.3309	0.1982
Average price	(€)	0.2379	0.1549
Minimum price	(€)	0.1529	0.1218
Closing price	(€)	0.2744	0.1464
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group (1)	(M€)	6,312	5,155
VALUE PER SHARE			
Adjusted net income (EPS) (2)	(€)	0.054	0.010
Book value (3)	(€)	0.418	0.341
MARKET INDICATORS			
Closing price to book value	(PBV)	0.66	0.43
Market capitalisation (closing price)	(M€)	4,147	2,213
LIQUIDITY			
Turnover	(M€)	5,049	3,728
Average daily turnover	(M€)	19.8	14.5
Volume	(M)	21,351	23,717
Average daily volume	(M)	83.7	92.3
Capital rotation (4)	(%)	141.3%	156.9%

(1) Includes Other Equity Instruments (400 million euros of AT1 in 2023 and 2022).
(2) Considering the average number of shares outstanding
(3) Considering the average number of shares minus the number of treasury shares in portfolio
(4) Total number of shares traded divided by the average number of shares issued in the period

Despite the geopolitical context, the economic slowdown and uncertainty about the path of inflation and restrictive monetary policy measures, the performance of BCP's shares in 2023 reflected the improvement in profitability, operational efficiency, and the continued reduction of NPE and the strong organic capital generation capacity (CET1 at 15.4% at the end of December 2023).

In December, BCP reinstated the Stoxx Europe 600 index, after being excluded in the third quarter of 2019, thus allowing gains in visibility, daily liquidity and market capitalization.

The positive evolution of BCP led analysts who regularly follow BCP to revise upwards their estimates regarding the results generated by the Bank, which resulted in several upward revisions of target prices throughout the year.

PERFORMANCE

Index	Change 2023
BCP share	87.4%
Eurostoxx 600 Banks	20.3%
PSI20	11.7%
IBEX 35	22.8%
CAC 40	16.5%
DAX XETRA	20.3%
FTSE 100	3.8%
MIB FTSE	28.0%
Dow Jones Indu Average	13.7%
Nasdaq	53.8%
S&P500	24.2%

Source: Euronext, Reuters, Bloomberg

Liquidity

During 2023, 5,049 million euros in BCP shares were traded, which represented an average daily turnover of 19.8 million euros. In 2023, 21,351 million shares were traded, corresponding to an average daily volume of 83.7 million shares. The capital turnover ratio stood at 141.3% of the average annual number of shares issued.

Follow-up with Investors

During 2023, the Bank participated in several events, having been present at 5 conferences (all in person) and 8 roadshows, 4 of which were held in person, through which it held more than two hundred meetings with investors, the which reveals the interest in the Bank.

Indexes listing BCP shares

The BCP share is included in more than 50 national and international stock indices, including the Stoxx 600 Europe Banks, Euronext 150, the PSI and the PSI All-Share Index GR.

Additionally, at the end of 2023, Millennium bcp was included in Standard Ethics' "European Banks Index" and, among the 26 “STOXX Indices” of which it is part, the “EURO STOXX Banks ESG-X”, the “STOXX Europe 600 Banks ESG-X”, the “EURO STOXX Total Market ESG-X” and the “STOXX Developed Markets Total Market ESG-X”.

Bank Millennium in Poland is also part of the “WIG-ESG” of the Warsaw Stock Exchange. In 2023, the BCP Group was once again included, for the 4th consecutive year, in the Bloomberg Gender-Equality Index and the "Europe's Climate Leaders 2023" ranking of the Financial Times and Statista, in Portugal and Poland, as one of the European companies with the greatest progress in reducing GHG emissions.

Material information announced to the market and impact on the share price

The following table summarizes the relevant facts directly related to Banco Comercial Português that occurred during the year 2023, as well as the changes in the share price, both on the following day and in the 5 subsequent days, and the relative evolution vis-à-vis the main national reference indices and European banking sector in the periods mentioned.

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
1	4/Jan	Banco Comercial Português, S.A. informs about calendar of events in 2023	5.2%	5.0%	4.2%	8.7%	7.0%	7.2%
2	4/Jan	Banco Comercial Português, S.A. informs about significant items impacting 4th quarter 2022 financial results of Bank Millennium, S.A.	5.2%	5.0%	4.2%	8.7%	7.0%	7.2%
3	5/Jan	Banco Comercial Português, S.A. informs about notice of acquisition of securities	1.2%	0.7%	0.4%	8.5%	5.8%	6.9%
4	9/Jan	Banco Comercial Português, S.A. releases additional information about Restructuring Funds	2.9%	2.4%	3.1%	9.2%	7.7%	7.4%
5	31/Jan	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 2022	1.9%	1.6%	1.2%	4.4%	3.7%	3.7%
6	13/Feb	Banco Comercial Português, S.A. informs about signing of conditional agreement concerning the sale of Millennium Financial Services sp. z.o.o. and strategic insurance cooperation	3.5%	3.6%	3.1%	4.4%	2.2%	3.2%
7	27/Feb	Millennium bcp Earnings release as at 31 December 2022	1.9%	1.3%	0.5%	1.8%	1.5%	1.0%
8	17/Mar	Banco Comercial Português, S.A. informs about upgrade of deposits rating to Investment Grade and Long-Term Issuer Default Rating to 'BB+' by Fitch Ratings	2.6%	1.8%	1.3%	1.4%	1.2%	3.0%
9	21/Mar	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-0.8%	-0.2%	-0.7%	-3.2%	-2.5%	1.3%
10	5/Apr	Banco Comercial Português, S.A. informs about additional provisions for FX-denominated mortgage loans booked by Bank Millennium, S.A.	2.4%	1.8%	0.7%	5.7%	4.6%	3.2%
11	28/Apr	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in Q1 2023	-3.9%	-2.5%	-2.5%	-4.7%	-3.1%	-4.2%
12	15/May	Millennium bcp Earnings release as at 31 March 2023	3.7%	3.4%	4.3%	2.4%	4.0%	1.4%

(Continues)

(Continuation)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
13	24/May	Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting	-0.6%	0.6%	-0.8%	-3.5%	0.3%	-0.9%
14	16/Jun	Banco Comercial Português, S.A. informs about preliminary estimation of provisions against legal risk related to FX mortgage loans portfolio of Bank Millennium in 2Q 2023	1.0%	1.6%	1.0%	-5.3%	-1.8%	-1.9%
15	27/Jun	Banco Comercial Português, S.A. informs about the attribution of shares within the scope of the variable remuneration policy for Persons with Managing Responsibilities and Employees	1.5%	1.1%	1.0%	3.8%	2.9%	0.3%
16	29/Jun	Banco Comercial Português, S.A. informs about notice of acquisition of securities by Fidelidade	0.4%	0.0%	-0.8%	-0.9%	-0.4%	0.2%
17	12/Jul	Banco Comercial Português, S.A. informs on notification by Banco de Portugal of its MREL requirements	0.4%	-0.2%	-0.4%	10.1%	7.9%	8.3%
18	26/Jul	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in H1 2023	0.0%	1.3%	-0.4%	-6.6%	-1.9%	-4.5%
19	27/Jul	Millennium bcp Earnings release as at 30 June 2023	1.1%	1.5%	0.8%	-4.8%	-1.6%	-3.1%
20	28/Jul	Banco Comercial Português, S.A. informs about 2023 EU-Wide Stress Test Results	-4.2%	-3.8%	-4.4%	-4.8%	-2.5%	-3.4%
21	1/Aug	Banco Comercial Português, S.A. informs about notice of sale of securities	-3.2%	-1.5%	-1.2%	-2.1%	-1.3%	0.7%
22	4/Sep	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-0.5%	0.0%	-0.1%	-5.3%	-4.9%	-3.9%
23	12/Sep	Banco Comercial Português, S.A. informs about the upgrade to Investment Grade of senior debt ratings by S&P Global	-0.7%	-0.3%	-1.2%	-0.8%	-0.8%	-2.6%

(Continues)

(Continuation)

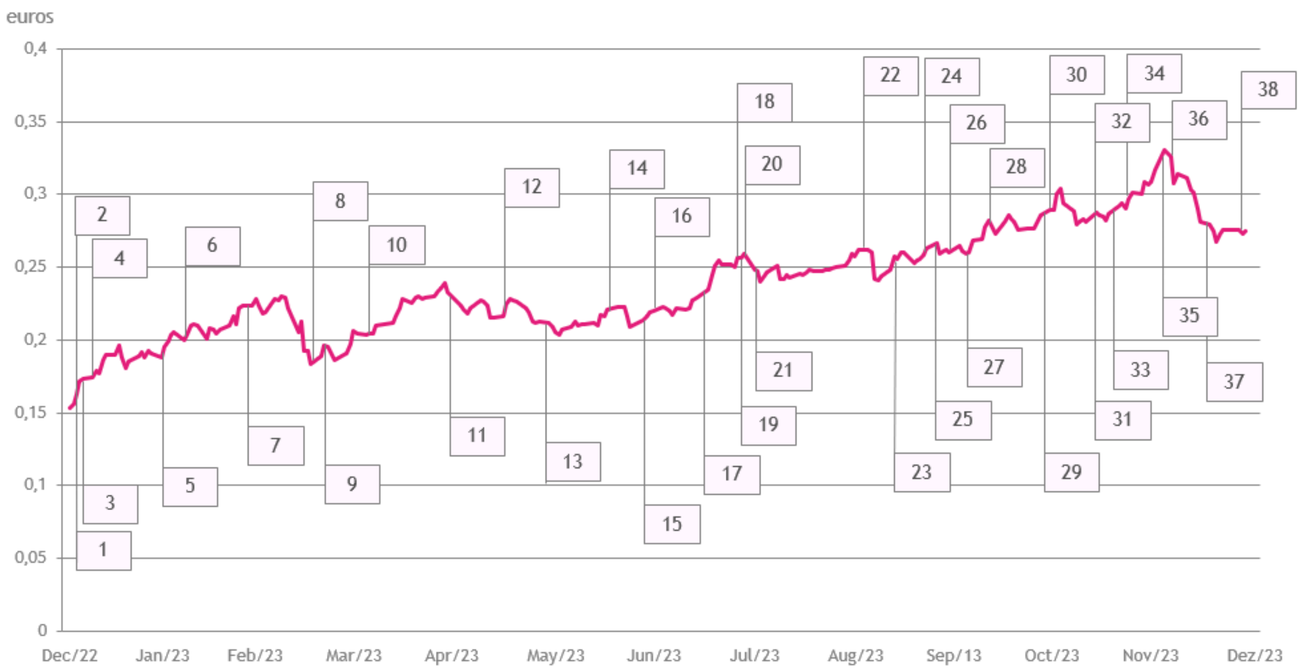
Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
24	21/Sep	Banco Comercial Português, S.A. informs about the upgrade to Investment Grade of senior debt ratings by Fitch Ratings	1.7%	1.6%	2.3%	1.5%	3.3%	1.5%
25	25/Sep	Banco Comercial Português, S.A. informs about issue of senior preferred debt securities eligible for MREL	-2.7%	-2.4%	-2.5%	-0.9%	0.0%	-1.0%
26	28/Sep	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-0.7%	-1.3%	-0.9%	-0.6%	2.5%	1.3%
27	4/Oct	Banco Comercial Português, S.A. informs about estimated provisions against legal risk related to FX mortgage loans portfolio booked by Bank Millennium, S.A. in 3Q 2023	0.6%	-0.1%	0.1%	9.0%	3.5%	5.4%
28	10/Oct	Banco Comercial Português, S.A. informs about notice of acquisition of securities	1.7%	0.3%	1.2%	2.9%	1.4%	3.3%
29	27/Oct	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in the first 9M 2023	1.3%	1.2%	1.2%	2.7%	-0.3%	-0.4%
30	30/Oct	Millennium bcp Earnings release as at 30 September 2023	0.1%	-0.6%	-0.3%	-0.2%	-3.0%	-3.3%
31	13/Nov	Banco Comercial Português, S.A. informs about notice of sale of securities by Fidelidade	-0.7%	-1.3%	-1.7%	1.6%	1.2%	-0.9%
32	13/Nov	BCP S.A. informs 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	-0.7%	-1.3%	-1.7%	1.6%	1.2%	-0.9%
33	17/Nov	Banco Comercial Português, S.A. informs about notification from Banco de Portugal on the implementation of a reserve in own funds for sectoral systemic risk	1.9%	1.2%	1.9%	4.9%	4.0%	4.6%
34	22/Nov	Banco Comercial Português, S.A. informs about the upgrade of deposits and senior unsecured debt ratings by Moody's	2.2%	1.7%	1.5%	5.7%	3.2%	4.6%
35	4/Dec	Banco Comercial Português, S.A. informs about minimum prudential requirements	-1.0%	-1.1%	-1.4%	-6.0%	-5.1%	-7.7%

(Continues)

(Continuation)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
36	5/Dec	Banco Comercial Português, S.A. informs about conversion of its existing covered bonds programme into a covered bonds programme compliant with the Legal Regime of Covered Bonds	-0.5%	-1.0%	-1.4%	-7.6%	-5.3%	-8.3%
37	18/Dec	Banco Comercial Português, S.A. informs about the upgrade of senior unsecured debt and deposits ratings by DBRS Morningstar	-1.7%	-1.4%	-1.8%	-1.6%	-2.2%	-2.9%
38	28/Dec	Banco Comercial Português, S.A. informs about calendar of events in 2024	0.5%	0.6%	0.2%	4.5%	3.2%	2.5%

The following chart depicts BCP's share price performance in 2023:



Dividend policy

The BCP Group's dividend policy takes into account in particular: (i) the promotion of conditions for sustainable compliance with the capital ratios applicable to the Bank at any given time, as well as other applicable legal provisions, including the limitations applicable at any given time that result from the calculation of the maximum distributable amount; (ii) retention of own funds to promote consistency with the Risk Appetite Statement (RAS) and with the results of the internal capital adequacy self-assessment process (ICAAP); and (iii) safeguarding an appropriate safety margin over the values established by the regulator within the scope of its analysis and assessment regarding the adequacy of strategies, processes, capital and liquidity, to the risks to which the Bank is exposed (SREP). In the current context, it will naturally still be worth considering the guidance issued by the ECB mentioned above.

The decision on the application of profits for the year is the responsibility of the General Meeting, based on a proposal from the Board of Directors.

Bearing in mind the permanent consideration of the Bank's capital needs to meet its strategic objectives, it is the intention of the Board of Directors, in a context of macroeconomic stability, to re-establish a distribution of net profits, determined in the individual accounts for each year, that goes to meeting the legitimate expectations of its shareholders and that, in the medium term, it is in line with the best practices of the reference banking sector.

The Board of Directors will define the implications of these criteria in the maximum limit of prospective dividend payout resulting from the dividend policy, as well as the respective application period, which must be evidenced in the Bank's annual budgets.

Shareholder structure

According to information from Interbolsa, on December 31, 2023, the number of Shareholders of Banco Comercial Português amounted to 129,765.

At the end of December 2023, there were two Shareholders with qualifying holdings holding more than 5% of the Bank's share capital.

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	1,824	0.30%
Other	123,764	21.43%
COMPANIES*		
Institutional	308	24.49%
Qualified Shareholders	2	45.48%
Other companies	3,867	8.30%
TOTAL	**129,765**	**100%**

*Chiado (Luxembourg) S.à r.l. reported on January 23, 2024 that it held, on that date, 3,027,936,381 BCP shares, corresponding to 20.03% of the respective share capital and voting rights. On December 31, 2023, Chiado (Luxembourg) S.à r.l. held 3,927. 436,381 BCP shares, corresponding to 25.99% of the share capital and voting rights.

Shareholders with more than 5 million shares represented 76.95% of the share capital.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	143	76.95%
500,000 a 4,999,999	1,166	8.91%
50,000 a 499,999	11,150	9.83%
5,000 a 49,999	32,985	3.82%
< 5,000	84,321	0.49%
TOTAL	**129,765**	**100%**

The Bank's shareholding structure remained stable in terms of geographical distribution in 2023. Domestic shareholders held 26.20% of the total shares of the Bank as of December 31, 2023.

	Nr. of Shares (%)
Portugal	26.2%
China*	26.0%
Africa	19.7%
UK / EUA	16.9%
Other	11.2%
Total	**100%**

*Chiado (Luxembourg) S.à r.l. reported on January 23, 2024 that it held, on that date, 3,027,936,381 BCP shares, corresponding to 20.03% of the respective share capital and voting rights. On December 31, 2023, Chiado (Luxembourg) S.à r.l. held 3,927. 436,381 BCP shares, corresponding to 25.99% of the share capital and voting rights.

Qualified Holdings

The following Shareholders held more than 5% of the share capital of Banco Comercial Português, S.A. as of December 31, 2023:

		31 December 2023	
Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.à.r.l. (Fosun Group)	3,927,436,381	25.99%	25.99%
TOTAL FOR FOSUN GROUP	**3,927,436,381**	**25.99%**	**25.99%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
Total of Qualified Shareholdings	**6,873,790,295**	**45.48%**	**45.48%**

Chiado (Luxembourg) S.à r.l. announced on January 23, 2024, that it held on that date, 3,027,936,381 BCP shares, corresponding to 20.03% of the respective share capital and voting rights. On December 31, 2023, Chiado (Luxembourg) S.à r.l. held 3,927. 436,381 BCP shares, corresponding to 25.99% of the share capital and voting rights.

Regulatory, economic and financial system environment

Regulatory environment

The banking system proved overall resilient to the turbulences faced in 2023, including the tightening of financial conditions, the geo-political tensions, the escalation of armed conflicts and localized bank failures that lead to frequent shifts in market confidence and added to an already uncertain outlook. Regulatory policies and supervisory actions focused on financial stability, notwithstanding sounder solvency levels and ample liquidity buffers held by banks, while working on the regulatory frameworks underpinning the Basel reform, ESG sustainability, digital finance, and consumer protection, to name a few. ECB's supervisory priorities for 2023-25 were adjusted to cover the sectors most affected by the consequences of the war in Ukraine and by the macroeconomic environment, while also addressing digitalisation and climate change.

Within this context, at the EU level in the domain of prudential and crisis management, highlight to the following initiatives:(i) the final agreement on the revision of the Capital Requirements Regulation and the Capital Requirements Directive (final approval expected by Q2.24 to enter into force Jan.25); (ii) the EBA's EU-wide bank stress test exercise which showed that European banks remain resilient under an adverse scenario and the thematic stress tests in 2024 on climate and cyber resilience; (iii) several regulatory pieces and proposals under the European Commission's Green Deal, including disclosures requirements and ESG ratings (iv) ongoing review of the bank crisis management and deposit insurance framework, overall recovery capacity and operationalization of resolution plans.

On the AML front, the EU Council and Parliament reached a political agreement on the new Anti-Money Laundering Authority that, in an initial phase, will supervise ca. 40 groups and entities in the EU, and the provisional agreement on the AML Directive (AMLD 6) and Regulation, commonly referred as the EU 'single rulebook' on AML/CFT, laying requirements on supervised entities, on transparency of information and use of anonymised financial instruments. In Portugal, the Banco de Portugal's Notice No. 1/2023, which sets out the ML/TF prevention obligations, has entered into force within the scope of entities that carry out activities with virtual assets.

On 24 May 2023, the European Commission adopted the Retail Investment Strategy as part of its capital markets union action plan. It revises the existing rules set out in the Markets in Financial Instruments Directive (MiFID II) – already adopted by the European Parliament - the Insurance Distribution Directive (IDD), the Undertaking for Collective Investment in Transferable Securities (UCITS) Directive, the Alternative Investment Fund Managers Directive (AIFMD), and the taking-up and pursuit of the business of Insurance and Reinsurance Directive (Solvency II), as well as amendments to the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation.

The EU member states have until November 2025 to transpose the Consumer Credit Directive 2 to protect consumers from credit card debt, overdrafts and unsuitable loans, with extended scope application and addressing new digital finance services. Regulation (EU) 2023/1114 of the European Parliament and the Council, of 31 May 2023, on markets in crypto-assets ("Regulation MiCA") aims at protecting consumers against abuse and market manipulation on these type of assets. The Directive concerning financial services contracts concluded at a distance has been adopted, establishing a level playing field for financial services remotely provided, including rules on information disclosure, pre-contractual information obligations and rights of consumers. On 28 June 2023, the European Commission proposed revised rules on payments services in the EU. The EC proposes to introduce a new regulation and a new directive developing on features such as strong Customer authentication, verification procedures and Open Banking.

Relating to digital and operational resiliency, the Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 ("DORA Regulation"), applicable from 17 January 2025, came into force in January 2023, establishing requirements for the security of network and information systems supporting the operational processes of financial institutions. The European Commission adopted a legislative proposal that lays the groundwork for the legal framework underpinning the digital euro and later in the year the ECB's Governing Council endorsed the preparation phase of the digital euro project.

In Portugal, the potential impact of rising interest rates on households' financial capacity has motivated specific consumer protection regulations, such as Law No. 24/2023 of 29 May, Law No. 19/2022 of 21 October and Decree-Law no 91/2023, bringing new obligations for credit institutions in the marketing of mortgage loans, extending the services included in the minimum banking services account, introducing new restrictions on commissions, establishing exceptional measures to temporarily fix the instalment of mortgages, as well extending the extraordinary interest subsidy. At the Macro prudential level, further to the adjustment on borrower based measures given the higher level of interest rates, the countercyclical capital buffer applicable to credit exposures to the domestic non-financial private sector remained at 0% of the total amount of exposures, whereas Banco de Portugal decided for a 4% sectoral systemic risk buffer applicable to domestic RRE exposures for institutions using the internal ratings-based (IRB) approach. This measure will apply from 1 October 2024 and will be reviewed at least every two years.

The Poland’s banking system remains under intense legislative pressure. The CHF denominated mortgage loans legal risk remains a key risk factor for the Polish banking sector, heavily weighing on provisioning. The European Court of Justice, regarding the event of the annulment of a mortgage loan agreement, decided that the EU law does not preclude, in the event of the annulment of a mortgage loan agreement vitiated by unfair terms, the consumers from seeking compensation from the bank but precludes banks from raising such claims. On relief measures for households, the credit holidays have now been extended into 2024, allowing borrowers to defer up to 4 instalments per year at no charge. The prudential financial sector authority is assessing the development of a long term financing requirement for mortgages to mitigate the risk of maturity mismatches. The countercyclical capital buffer remains at 0%.

In May 2022, the Polish government announced that WIBOR would be replaced by a different (lower) rate from 1 January 2023. In June 2022, a Working Group was established, including market participants and competent authorities, with the objective to introduce a new interest rate benchmark. The WIRON index has been selected and originally a planned cessation of WIBOR for December 2024 was envisaged. However, in October 2023, a decision was made to delay such cessation event until the end of 2027, providing additional time for market participants to prepare for the transition.

In Mozambique, the Banco de Moçambique (BM), early 2023, sharply raised the reserve requirement ratios for domestic and foreign currency liabilities to support the absorption of excess liquidity but at the beginning 2024 it has cut rates and mentioned entering into a sustained cycle of less restrictive monetary policy. On the Macro prudential front, it maintained the classification of Millennium bim as a Domestic Systemically Important Institution and kept the conservation buffers for systemically important and quasi-systemically important domestic banks unchanged at 2.0% and 1.0%, respectively.

Meanwhile, BM is updating the banking system’s “rule book” and supervisory practices, including the BM’s organic law. Such review comprises initiatives on payments systems, bank accounts, crisis management (recovery plans, resolution planning, deposit guarantees), central credit registers, potential transition to Basel III, foreign exchange transactions, cybersecurity risks and plans to address AML/CFT issues. On the climate risk front, authorities have been keen on strengthening the institutional frameworks for managing natural resources and prevent and recover from natural disasters.

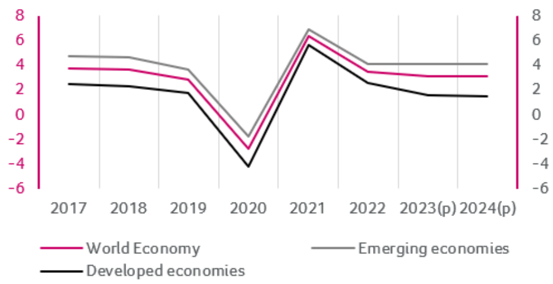
Economic environment

Global Economic Environment

According to the International Monetary Fund (IMF), in 2023, the world economy is expected to have slowed down from 3.5% to 3.1%. This evolution reflects divergent performances among the main economies, with the acceleration of the United States (US) economy (from 1.9% to 2.5%) contrasting with the sharp slowdown of the euro area (from 3.4% to 0.5%) and a moderate expansion of the Chinese economy.

In 2024, the effects associated with the restrictiveness of monetary policy and the reduction of fiscal stimulus measures that were in place in 2023 are expected to contribute to the maintenance of a global GDP growth rate of 3.1%, which corresponds to a historically low level. The risks to this projection are tilted to the downside and relate mainly to the possibility of worsening geopolitical tensions.

GLOBAL ECONOMY SLOWED DOWN IN 2023
Annual growth rate of real GDP (in %)



Source: IMF WEO (Jan 2024)

Global Financial Markets

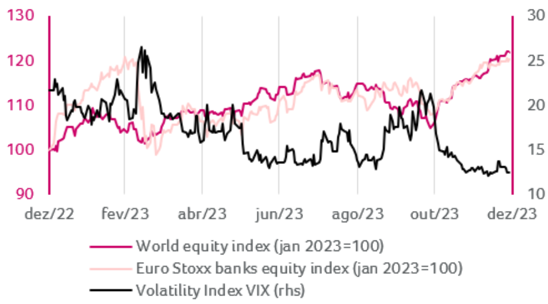
In financial markets, 2023 was characterised by an environment of higher optimism, supported by the resilience of the US economy, alongside a decrease in global inflation, which was particularly noticeable in the second half of the year. In this context, the main central banks announced the end of the interest rate hike cycle initiated in 2022, with the reference interest rates stabilising at 5.50% in the US and at 4.50% in the euro area, from July and September 2023 onwards, respectively.

The main global equity indices recorded significant valuations, with the S&P 500 index in the US rising by more than 20%. In turn, the Germany and US government bond yields rose, particularly in the third quarter of the year. The more favourable environment was reflected in the performance of emerging market asset classes, albeit to a less magnitude, and in a reduction of the risk premia of corporate debt, as well as of euro area periphery sovereign debt, namely in Portugal and Italy. On the foreign-exchange front, there was a slight appreciation of the Euro against the US dollar.

Concerning the Euribor interest rates, the expectations of a less restrictive monetary policy during 2024 contributed to the six and twelve months Euribor interest rates starting a downward trajectory in the last quarter of 2023, while the three-month interest rates remained relatively stable.

The Portuguese equity index benefited from the positive evolution of international financial markets and recorded a valuation of around 12% in 2023.

THE WORLD EQUITY INDEX REGISTERED STRONG VALUATIONS IN 2023



Source: Datastream; Bloomberg

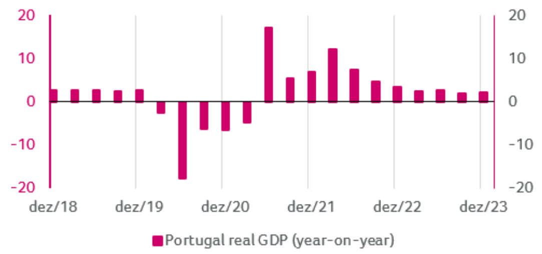
Outlook for the Portuguese Economy

In 2023, GDP grew by 2.3%, slightly above the forecasts of the main domestic and international institutions. The positive performance of the Portuguese economy resulted from a strong contribution of exports in the first half of the year, driven by the dynamism of the tourism sector. In the last quarter of the year, a significant acceleration of private consumption added to GDP growth, supported by the increase in real household disposable income, in a context of a lower inflation rate and expectations of decreasing financing costs.

In 2024, Banco de Portugal expects Portuguese GDP to record a more moderate growth (1.2%), hindered by a slowdown in exports, after the strong growth observed in the previous year. Regarding inflation rate, it is expected to continue a downward trend, decreasing from 5.3% in 2023 to 2.9% in 2024.

The favourable performance of economic activity contributed to a decrease in the ratio of public debt as a percentage of GDP, from 112.4% in 2022 to 99% in 2023, which corresponds to the lowest value since 2010. Regarding external indebtedness, it is worth noting that the current account registered a historical maximum, ascending to 1.3% of GDP. Against this background, the main rating agencies improved the rating of the Portuguese Republic to a grade of "A".

THE PORTUGUESE ECONOMY GREW 2.3% IN 2023



Source: Datastream

International Operations

In Poland, economic activity slowed down in 2023, from 4.9% to 0.2%, penalised by the weakness of domestic demand in the first half of the year, in a context of high inflationary pressures and increased restrictiveness of monetary policy. In the second semester, the decline in the inflation rate, from a peak of 18.4% in February to 6.2% in December 2023, led to a decrease in the central bank's reference interest rate, from 6.75% in August to 5.75% in October 2023. Over the year, the Zloty appreciated, mainly in the fourth quarter.

The rise in real household disposable income, which contributed to a recovery of domestic demand in the second half of the year, should continue to support economic activity in the short run. In this context, the IMF forecasts a GDP growth rate of 2.8% in 2024.

In Mozambique, GDP growth accelerated in 2023, supported by the positive evolution of the extractive industry, particularly of natural gas production. In 2024, the economy is expected to maintain robust growth levels (5.0%). Despite the decrease in the inflation rate during 2023, the central bank kept its reference interest rate unchanged at 17.25%. In the foreign exchange market, it is worth noting the stability of the Metical throughout the year.

In 2023, the Angolan economy is expected to have registered a slowdown, from 3.0% to 1.3%, driven by the contraction of the oil sector's activity, which hindered the evolution of the Kwanza. In 2024, the IMF projects an acceleration of GDP to 3.3%.

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

	2021	2022	2023	2024	2025
EUROPEAN UNION	5.9	3.6	0.5	1.2	1.9
Portugal	5.5	6.7	2.3	1.5	2.2
Poland	6.9	5.3	0.2	2.8	3.2
SUB-SAHARAN AFRICA	4.7	4.0	3.3	3.8	4.1
Angola	1.2	3.0	1.3	3.3	3.4
Mozambique	2.4	4.4	6.0	5.0	5.0

Source: National Statistics Institutes. IMF, January 2024 for the EU, Poland and Sub-Saharan Africa. IMF, October 2023 for Portugal and Angola. IMF, January 2024 for Mozambique (Country Report no. 24/8).

Estimates

Financial system

Inflation and Central Banks were the main protagonists of 2023. The year was also marked by the intensification of geopolitical risks due to the continuing conflict in Ukraine and the new Israel-Hamas conflict, with growing fears of it spreading to the whole Middle East region and with unpredictable political, social, economic, and financial consequences. Fossil fuel production and exports have not been directly affected, but they did trigger a rise in energy prices and once again undermined the confidence of households and companies, thereby affecting the economic recovery. Still, economic growth in the Euro-Zone was positive in 2023. The ECB continued the normalisation of monetary policy as a priority to ensure that inflation returns to the 2% target in the medium-term. Though decelerating, inflation levels remained high in 2023. In the last quarter of the year, the ECB signalled the end of the interest rate hiking cycle started in 2022, but deemed it premature to discuss interest rate cuts. Within the scope of the PEPP ('Pandemic Emergency Purchase Programme'), the ECB announced that it intended to reduce the portfolio over the second half of 2024 and discontinue reinvestments at the end of 2024, noting that the current monetary policy instruments will continue to provide liquidity support to the Euro-Zone financial system and to preserve the regular transmission of monetary policy.

The financial sector in 2023 was particularly affected by the turmoil experienced in the US during the first half of the year due to the collapse of several regional banks (e.g. SVB, Signature Bank, First Republic Bank, Silvergate) and the ratings downgrade of several banks due to the increase of liquidity risk. The situation experienced at Credit Suisse, where material weaknesses in the financial reporting control systems culminated in its merger with UBS, one of the measures implemented in that process being the write-off of its outstanding AT1 instruments, generated additional concerns in the sector. The regulatory framework in the financial sector remains very demanding, with ad-hoc reporting intensifying, along with legislative initiatives in each country (e.g. legal restrictions on retail commissions or sector-specific levies). Despite the current context, the results of the 'EU-wide stress test' carried out by the EBA in 2023 have raised confidence levels in the European financial sector by revealing that banks remain resilient in adverse economic and financial scenarios.

In a still very uncertain economic context, the Portuguese banking system posted healthy levels of profitability, albeit based on comparatively high interest rate levels (which may not prevail in the short/medium term, given the prospect of a less restrictive monetary stance), as well as adequate management of operating costs and of asset risk. The evolution and performance of the banking system continued to be affected by demanding and costly supervision and regulation (e.g. contributions to the European and National Resolution Funds and contributions to the Banking Sector, in the latter two cases at a clear disadvantage compared to European peers). The Portuguese banking system continues to show strength both in terms of capital and liquidity, and improved asset quality indicators, reflecting the efforts made in recent years to reduce NPE and to raise loan loss coverage levels. This performance is also reflected in the generalised improvement in the ratings by the main agencies of Portuguese banks. After successive upgrades, reflecting the Bank's normalisation, BCP is again 'investment grade' in the four main rating agencies (DBRS, Fitch, Moody's and S&P).

The performance and evolution of the Portuguese banking system will continue to be influenced, among other factors, by the level of implementation of the Recovery and Resilience Plan ('PRR'), created to mitigate the negative economic impacts of the Covid-19 pandemic and now also those resulting from the geopolitical context (e.g. invasion of Ukraine by Russia, the Israel-Hamas conflict, US-China tensions, the Middle East, globalisation), and also by the evolution of disposable income and of consumption behaviour and savings profile of households, on the back of rising inflation and interest rates, even when mitigated by income support from social security and from employers and by resilient employment levels.

After Banks have adjusted their business and customer relationship models, making them more digital, proximate, simple, safe and sustainable, improving the overall quality of service provided to increasingly demanding customers, investment in new ways of operating will continue to be intense, particularly in Artificial Intelligence and the way it is already changing (and will continue to change) the way the financial sector operates at a global level. The persisting absence of a single regulatory framework applying to all entities that can operate in specific business segments, which would ensure a level playing field, will continue to force the banking system to maintain its focus on optimised efficiency levels in order to mitigate the impact of the loss of business and revenues to unregulated non-bank players and to continue adapting their business models to the new environment. Compliance risk (associated, for example, with money laundering and the financing of illicit activities, e.g. terrorism) and cybersecurity risk have required enhanced investment in appropriate operating and technological risk assessment and control policies, as well as in IT, and particularly data security systems and in risk control frameworks, together with the integration of ESG requirements (Environmental, Social & Governance) in daily management, so as to attain a more resilient response of the financial system to the current and future economic context.

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

On 31 December 2023, operations in Portugal accounted for 66% of total assets, 68% of total loans to Customers (gross) and 70% of total customer funds. The Bank had over 2.7 million active Customers and market shares of 16.8% of loans to Customers and 19.0% of customer deposits.

International presence as a platform for growth

At the end of December 2023, Millennium bcp had an international presence throughout the world through its banking operations, representative offices and/or commercial protocols, serving over 6.7 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 December 2023, Bank Millennium had a market share of 5.7% in loans to Customers and of 5.6% in deposits.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.2 million Active Customers and is the reference bank in this country, with market shares of 15.1% in loans and advances to Customers and of 23.2% in deposits, in the end of 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) and 1 commercial protocol (France).

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.

In 2023, sales made through digital channels represented 82% of the Bank's total sales, an increase of 4p.p. compared to 2022. The Bank continued the development plan for a digital experience focused on mobile, with the application of an increasingly personalized and targeted communication strategy with Customers, highlighting the greater convenience of the products and services available on the Millennium App and seeking always simplifying the Customer's day-to-day life.

Throughout the year, new features were launched in the personal credit journey on the App, with a strong impact on the user experience and the procedural level, highlighting the development of automatic reading of proof of income, thus making the journey even faster and more automated.

The placement of Credit Cards on the App represented 87% of digital card sales in 2023. A new journey for ordering and issuing credit, debit and prepaid cards was also launched, with the digital version available for immediate use.

In Savings constitutions and reinforcements, there was significant growth compared to December 2022 in the number of transactions, with the App representing more than 90% of the total.

In terms of investments, the significant weight of digital continued to be maintained in most products sold on these channels: 62% of Investment Fund subscriptions, 93% of Millennium bcp Stock Exchange Certificate subscriptions and 97% of Stock Exchange Orders were placed on digital in 2023.

A new Automated Investment solution was also launched in 2023, which allows the Customer to define their investment profile, with their investment management being ensured by the solution itself.

In the online trading business, the weight of the MTrader platform stands out, with 79% of orders placed, with around 9,600 new additions recorded in 2023.

In Risk Insurance, the Bank ended the year with digital sales representing 54% (+11 percentage points compared to December 2022). Following the trend of growing Customer demand for products related to their protection, the Bank made Móbis car insurance available on the App, which allows Customers to simulate and subscribe online, and protection insurance for pet dogs and cats -Pétis- with simulation and subscription also online.

Customer-oriented relationship model

Continuing with a strategy of proximity and the provision of products and solutions with an impact on Customers' lives, the Bank developed a permanent communication trough Campaigns such as Housing Credit - with the "offer" of Spread 0; Payroll Domiciliation – with 10% cashback on utilities and also offering “Getaways in Portugal”.

Also noteworthy is the launch of “Let's GO” – an integrated solution which agregates several products for young people aged 0 to 17; the “M Vantagem+” add-on, assistance insurance for Customers between 55 and 90 years old, who have an integrated solution; along with strengthening communication with University students, with the redefinition of the UNNI offer; and with the dynamization of Digital within the Diaspora universe.

In the Business segment, Millennium was recognized as the “Bank of Companies”. In 2023, the Factoring & Confirming Campaigns; Portugal 2030; COTEC Innovative Status; "*PME Líder*" and online opening of corporate accounts provide relationships, trust and presence with the Bank's corporate customers.

The holding of Millennium Talks in several national districts made it possible to attract and promote the discussion of strategic themes fundamental to Portuguese business development.

The organization of another edition of the Millennium Estoril Open allowed the Bank to undertake brand activation actions with Customers and non-Customers. Still in the area of sport, 2023 was marked by the renewal of sponsorship of the WSL Surfing competitions and the support for professional athletes who are the maximum expression of talent, dedication and excellence in their activities – João Sousa in Tennis, Teresa Bonvalot in Surfing and Marta Paço in adapted Surf – which motivated the Bank to launch the “Ambassadors” institutional campaign.

The Bank kept its support to Millennium Festival in Largo, which this year edition allowed the Bank to strengthen its role as patron of the “Território" program (a platform for young dancers to begin their careers), demonstrating the message of commitment of BCP with art and with a focus on talent, making this project an example of its values and principles.

Millennium bcp's continuous communication efforts had a direct impact on public recognition. In 2023, the Bank won the “Consumer Choice” and “Five Star” awards in the “Large Banks” and “Banking Apps” categories; the Millennium bcp brand won the Marketeer award in the “Banking and Finance” category; the “Payroll Domiciliation” campaign won the Bronze Efficacy Award in the “Financial Services and Insurance” category, making clear the Bank’s value, preponderance and relevance in a market that is constantly changing, dynamism and demanding. Also according to BASEF's 2023 annual report, Millennium bcp is a leader in Service Satisfaction.

Business Model Sustainability

Millennium bcp, with the aim of strengthening its proposal and performance in matters of Sustainability and responsible finance, in 2023 continued to lead an accelerated transformative dynamic of adapting to new ESG (Environmental, Social and Governance) requirements that allowed it to respond to the needs of its Customers, to the expectations of supervisors and, in general, to the ambitions of Stakeholders in these areas of activity.

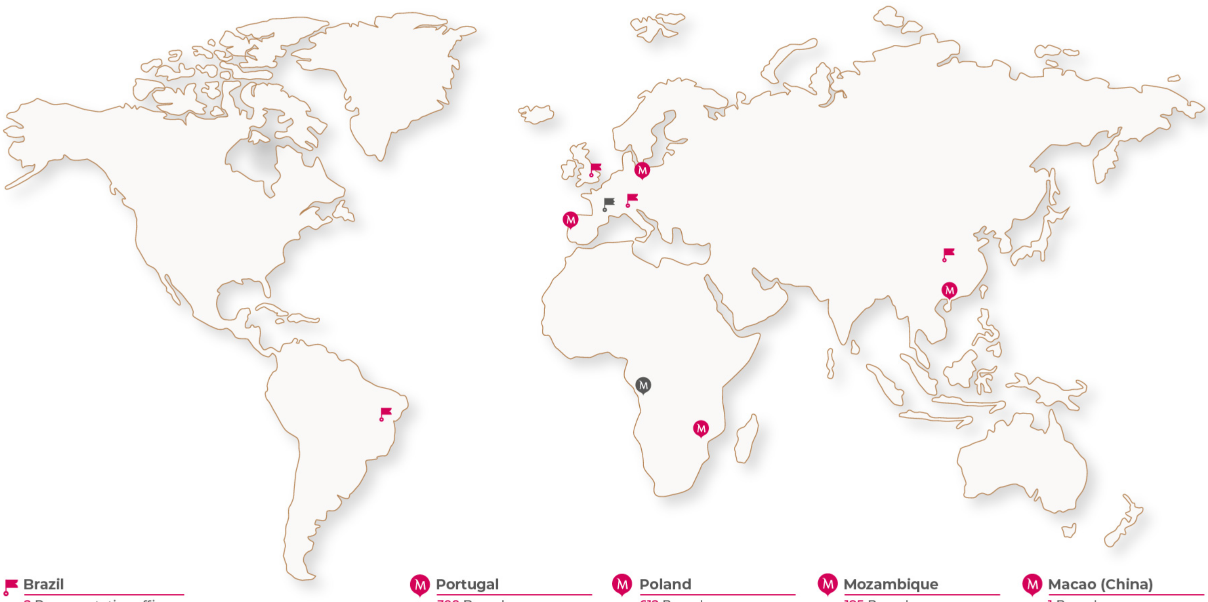
The Bank has, in this context and within the framework of its governance and decision-making model, a Committee of the Board of Directors for the topics of Corporate Governance, Ethics and Sustainability, a Sustainability Committee dependent on the Executive Committee and led by the CEO and a Sustainability Master Plan, a management instrument that coherently brings together the multidisciplinary actions to be developed within the scope of ESG dimensions across the operations integrated into the BCP Group.

Millennium bcp's intervention is thus divided into three fundamental axes: (i) Environmental, aiming to implement measures that promote a fair and inclusive transition to decarbonized economic development models, including the incorporation of the climate dimension into the Bank's risk models and in the commercial offering of solutions, products and services; (ii) Social, which ensures and promotes, in conjunction with the Millennium bcp Foundation, involvement with the external and internal communities in the establishment of lasting relationships of proximity and cooperation and in the creation of shared value; and (iii) Corporate governance, promoting the integration of Sustainability principles in the Bank's decision-making and management processes and in the definition of its value proposition.

This alignment is central to Sustainability at Millennium bcp, and organizations in general, 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, reputational and business advantage of incorporating environmental, social and governance factors, opportunities and risks into decision-making processes and reflecting them in the offering of solutions, products and services, a conviction that clearly results from the inclusion of Sustainability as one of the structuring vectors of the Strategic Plan "Overcoming 24", a document that summarizes Millennium bcp's vision, objectives and value proposition for the three-year period 2021-2024.

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

Millennium network



Brazil
2 Representative offices

Portugal
398 Branches
131* 0 344

Poland
612 Branches
137 91 261

Mozambique
195 Branches
27 62 188

Macao (China)
1 Branch

France
Partnership
Commercial protocols

United Kingdom
1 Representative office

Angola
Partnership

China
1 Representative office

Switzerland
2 Representative offices

- Branches
- Branches with differentiated schedule
- Branches opened on Saturday
- Branches with access conditions to people with reduced mobility
- Representative offices
- Commercial protocols
- Partnership

* Consider branches of different networks that share the same physical space.

	Customers (Thousands)	Internet	Call Centre	Mobile Banking	ATM [1]	POS [2]
Portugal	2,703	486,476	424,462	1,381,654	1,878	97,145
Poland	2,757	1,935,879	233,374	2,442,272	506	3,986
Mozambique	1,239	13,547	1,769	854,809	465	9,496
Macao (China)	2	-	-	-	-	-

Note: Considered Customers/active users those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days. Do not include ActivoBank Customers.
[1] Automated Teller Machines.
[2] Points of Sale.

Financial information

Results and Balance Sheet

The consolidated Financial Statements were prepared under the terms of Regulation (EC) 1606/2002, of 19 July (in the version in force), and in accordance with the reporting model determined by the Bank of Portugal (Bank of Portugal Notice 5/2005, in the version in force), following the transposition into Portuguese law of Directive 2003/51/EC, of 18 June, of the European Parliament and Council in the version currently in force.

To provide a better reading of the evolution of the Group's financial situation and to ensure comparability with the information from previous periods, a set of concepts are described in this analysis that reflect the management criteria adopted by the Group in the preparation of the financial information, whose accounting correspondence is presented in the glossary and throughout the document, whenever applicable.

Taking into the account that 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 and that on 1 January 2023 Mbcp Ageas adopted simultaneously IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts, whose initial adoption requires comparative information, the consolidated accounts were restated. In fact, IFRS 17 replaces IFRS 4 - "Insurance Contracts" being 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 this sense, Mbcp Ageas made the transition exercise on 1 January 2022. The estimated impacts of the transition to IFRS 17 represent a reduction in the Equity of Mbcp Ageas, partially offset by the positive impact resulting from the adoption of IFRS9. The impacts resulting from the implementation of IFRS 17 by Mbcp Ageas led to the restatement of the accounts of the Group referring to 2022, as detailed in note 59. Adoption of IFRS 17 - Insurance Contracts and IFRS9 - Financial instruments by Millenniumbcp Ageas Group Segurador, SGPS, S.A.

During 2023, some accounting reclassifications were carried out, in order to improve the quality of the information reported, namely regarding net commissions and operating costs. The historical amounts of such items are presented considering these reclassifications with the purpose of ensuring their comparability. The total amount of each heading disclosed in previous periods remains unchanged compared to those published in previous periods.

In 2023, with the exception of the situations previously mentioned, no other changes were introduced in the way information regarding previous financial years was presented.

On 13 February 2023, Bank Millennium signed an agreement for the sale of 80% of the shares in Millennium Financial Services sp. z o.o. to Towarzystwo Ubezpieczeń na Życie Europa S.A. which acquires 72% of that company shares and Towarzystwo Ubezpieczeń Europa S.A. which acquires 8%. Bank Millennium concluded also with the buyers and with Millennium Financial Services sp. z o.o. certain agreements concerning exclusive insurance distribution model, including a cooperation agreement, distribution agreements and agency agreements. The strategic cooperation provides for long term (10 years) bancassurance partnership in relation to specified insurance products linked to loans offered by Bank Millennium. On 29 March 2023, the transaction was concluded with the transfer of 80% of the shares of Millennium Financial Services sp. z o.o., as well as with the payment of the price for the shares to Bank Millennium S.A., resulting in the recognition of the corresponding positive financial result and triggering the commencement of the Strategic Insurance Cooperation between the Bank and the buyers, as described above.

The macroeconomic context observed in 2023 had several repercussions on the financial statements of the Group, including the impacts resulting from the persistence of high levels of inflation and the evolution of interest rates.

In fact, the generalised increase in prices had an impact on both an increase in other administrative costs and an increase in staff costs, resulting from salary updates, in the three geographies in which the Bank operates.

Although relatively low unemployment rates have mitigated the extent of the impact of inflation on household disposable income and simultaneously on credit defaults, rising prices have caused a change in consumption and savings patterns.

Additionally, the evolution of interest rates led to an allocation of disposable income or use of savings, either to respond to the increase in credit instalments or loans early repayments. In this context, there is a temporary suspension of early repayment commissions, introduced by Decree-Law 80-A/2022, of 25 November, extended until the end of 2024, by Decree-Law 91/2023, of 11 October, within the framework of legislative measures aimed at mitigating the impact of rising interest rates. On the other hand, as a consequence of the increase in interest rates, there was also a decrease in the demand for new credit, both by individuals and companies, particularly for loans for investment.

The evolution of inflation and interest rates is likely to affect the financial position of families and companies more exposed to those variables. The Bank has in place credit monitoring processes, with the aim of identifying and closely monitoring Customers potentially more affected by the prevailing macroeconomic context, anticipating possible difficulties in fulfilling their commitments and defining strategies adjusted to the specificities of each Customer or group of Customers. Despite these effects, in 2023 there was a reduction in the cost of risk and non-performing exposures and an increase in the coverage of these exposures by impairments.

In addition to the impact of the evolution of interest rates on the reduction in the volumes of deposits and loans, it is important to mention the increase in the net interest income, resulting from the higher income generated by the credit and securities portfolios, which more than offset the higher costs incurred with customer deposits.

The impacts mentioned above are mentioned/described in this chapter under the respective headings, namely in the analysis of net interest income, operating costs, credit and securities portfolios and customer funds. The credit monitoring procedures are referred to in the Risk Management chapter, as well as in the notes to the consolidated accounts, more specifically in note 54. Risk Management. The aforementioned chapter details the interest rate risk monitoring procedures.

The consolidated net income of Millennium bcp amounted to 856 million euros in 2023, showing a very significant growth compared to the 197 million euros recorded in the previous year, driving return on equity (ROE) of the Group to increase from 3.9% to 16.0% in the last year.

The 23.1% increase recorded in core income, from 2,922 million euros in 2022 to 3,597 million euros in 2023, contributed to a large extent to this performance, resulting from the 31.4% growth recorded in net interest income.

The extraordinary gain of 139 million euros associated with the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o., within the scope of the strategic partnership in the bancassurance business, also had a positive impact on the performance of the consolidated net income compared to the previous year.

The evolution of net income of the Group was also influenced by extraordinary effects associated with the Polish subsidiary that had a negative impact in the previous year, such as the upfront recognition of the costs arising from the moratorium program (credit holidays) enacted in 2022, which had penalised the result associated with this subsidiary in 283 million euros. Also the recognition of total impairment of the goodwill associated with the acquisition by BCP Group of the percentage of control over Bank Millennium S.A. in the amount of 102 million euros on 30 June 2022, contributed to the favourable evolution of net income of the Group in 2023, compared to the previous exercise.

The reduction in the cost of mandatory contributions, particularly relevant in the Polish subsidiary, also had a significant impact on the evolution of the results of the Group last year, as well as the evolution of the credit portfolio's risk profile, which resulted in a reduction of loans impairment charges (net of recoveries).

On the other hand, the results of the Group continued to be strongly influenced by the increase in costs associated with the foreign exchange mortgage portfolio in the Polish subsidiary, that globally increased from 526 million euros in 2022, to 780 million euros at the end of 2023 (both before income taxes and non-controlling interests), mainly due to the additional provisions booked to face the legal risk implicit in this portfolio.

On the other hand, despite the disciplined management of operating costs by the Group, the impact of inflation was felt in the three geographies in which the Bank operates (particularly in Poland and Mozambique), influencing the evolution of operating costs which, in consolidated terms, increased by 8.3%, from 1,073 million euros to 1,163 million euros.

Millennium bcp’s consolidated balance sheet total assets amounted to 94,380 million euros as of 31 December 2023, showing an increase of 5.0% in comparison with the 89,877 million euros recorded by the end of 2022, with the increase in assets in the international activity, partially mitigated by the slight reduction in assets seen in the activity in Portugal. This increase was driven by the significant reinforcement of the securities portfolio, despite the reductions observed in deposits at central banks, in loans to customers portfolio (net of impairment), in non-current assets held for sale and in deferred tax assets.

Total liabilities of the Group stood at 87,080 million euros at the end of 2023, a value higher than the 83,940 million euros recorded at the end of 2022, with this evolution being driven by increases in deposits and other resources from customers and in non-subordinated debt securities issued, despite the decrease in resources from central banks and from credit institutions.

Millennium bcp's consolidated customer loan portfolio (gross loans, that is, before impairment and fair value adjustments) amounted to 56,814 million euros as of 31 December 2023, standing below the 57,713 million euros figure achieved at the end of the previous year. This evolution reflects the reduction in the activity in Portugal, although the increase in the international activity partially offset this reduction.

On 31 December 2023, the consolidated total customer funds amounted to 95,295 million euros, showing a favourable evolution, increasing by 2,487 million euros compared to the 92,808 million euros obtained on the same date of the previous year, benefiting from the increase in the international activity, partially mitigated by the reduction in the activity in Portugal. Consolidated balance sheet customer funds amounted to 79,215 million euros on 31 December 2023, showing an increase of 1,965 million euros compared to the end of the previous year, with this evolution being explained mainly by the increase in deposits and other resources from customers of the Group. Consolidated off-balance sheet customer funds stood at 16,080 million euros as of 31 December 2023, showing an increase of 521 million euros compared to the figure posted in the same date in the prior year, with this evolution being explained by the increases recorded in assets placed with customers and assets under management and the decrease seen in insurance products (savings and investment).

PROFITABILITY ANALYSIS

NET INCOME

The consolidated net income of Millennium bcp amounted to 856 million euros in 2023, standing significantly above the 197 million euros achieved in the previous year.

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

The 23.1% increase recorded in core income, from 2,922 million euros in 2022 to 3,597 million euros in 2023, contributed to a large extent to this performance. Both in the activity in Portugal, where the growth was more pronounced, and in the international activity, core income showed significant increases, resulting, in both cases, from the growth in net interest income. In fact, consolidated net interest income of the Group was 31.4% above the 2,150 million euros recorded in the previous year, rising to 2,826 million euros at the end of 2023, benefiting from the evolution of interest rates during last year. Net commissions, in turn, totalled 772 million euros in 2023, remaining in line with the amount achieved in the previous year.

The extraordinary gain of 139 million euros resulting from the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o., within the scope of the strategic partnership in the bancassurance business, also had a positive impact on the performance of consolidated net income compared to the previous year. This amount includes the gain determined in the first quarter of the current year (127 million euros), as well as an additional gain of 12 million euros recognised in the fourth quarter.

The evolution of net income of the Group was also influenced by extraordinary effects associated with the Polish subsidiary that had a negative impact in the previous year. In this context, it should be noted, the upfront recognition of the costs arising from the moratoriums program (credit holidays) enacted by the President of the Republic of Poland in July 2022, which had penalised the result associated with this subsidiary in the previous year. The total estimated cost of credit moratoriums amounted to 283 million euros at the end of 2022, recognised under the heading results on modification.

On the other hand, the favourable evolution of net income of the Group in 2023, compared to the previous year, was also influenced by the fact that the result associated with the Polish subsidiary in 2022 had been penalised by the recognition of total impairment of the goodwill associated with the acquisition by the BCP Group of the percentage of control over Bank Millennium S.A. in the amount of 102 million euros as at 30 June 2022.

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

The risk profile evolution of the credit portfolio, in turn, allowed a reduction in loans impairment charges (net of recoveries), both in the activity in Portugal and in the international activity, determining the favourable performance of this item, which in consolidated terms, totalled 240 million euros, standing 61 million euros (20.2%) below the amount recorded in 2022.

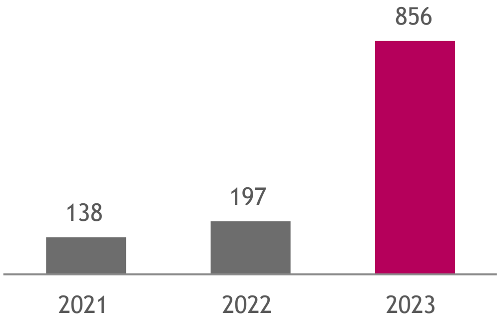
Conversely, the results of the Group continued to be strongly influenced by the increase in the costs associated with foreign exchange mortgage portfolio in the Polish subsidiary, that globally went from 526 million euros, in 2022, to 780 million euros, at the end of 2023 (both before taxes and non-controlling interests). The overall increase in these costs was mainly due to the additional provisions booked to face the legal risk implicit in this portfolio, following the unfavourable decision of the Court of Justice of the European Union, regarding remuneration for the use of capital on foreign exchange mortgage loans. In fact, in 2023 the Polish subsidiary recognised provisions in the amount of 623 million euros that compares to 394 million euros in the previous year (net of the amount related to loans originated by Euro Bank S.A., to be reimbursed by a third party).

On the other hand, despite the disciplined management of operating costs by the Group, the impact of inflation was felt in the three geographies in which the Bank operates (particularly in Poland and Mozambique), influencing the evolution of operating costs that, in consolidated terms, increased 8.3%, from 1,073 million euros to 1,163 million euros. Both staff costs and other administrative costs were higher than a year earlier, both in the activity in Portugal and mainly in the international activity. Depreciations, in turn, decreased compared to the amount recorded in the previous year, although this impact was not significant within the evolution of operating costs.

Finally, despite the insignificant impact on the net income of the Group, it is worth mentioning the evolution of net income from discontinued operations, from 6 million euros in 2022, to a negative amount of 3 million euros in 2023. Thus, in 2023, net income from discontinued operations is mainly due from the final adjustment of the sale price of Banque Privée BCP (Suisse) S.A. ("Banque Privée"), under previously agreed conditions. In fact, in the context of the sale of the entire share capital of Banque Privée, in the fourth quarter of 2021, the purchase price received was subject to 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. In 2022, in addition to the adjustment of the sale price of Banque Privée, in accordance with the conditions referred to above, the result of discontinued operations also incorporates the correction of the gain, at the end of 2021, from the sale of 70% of the investment held in Seguradora Internacional de Moçambique, S.A. (“SIM”) (currently known as Fidelidade Moçambique - Companhia de Seguros S.A.).

NET INCOME

Million euros

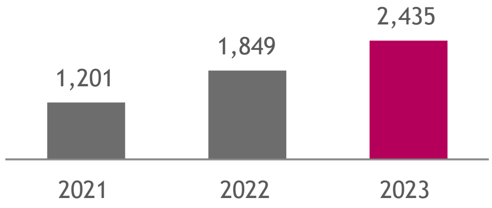


Note: Following the adoption, on 1 January 2023, of IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts, by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), an entity 49% owned by the Group, and complying with comparative information requirements, the accounts of the Group referring to 2022 were restated accordingly, corresponding to a negative impact of 10 million euros in 2022 results.

In 2023, core operating profit of the Group amounted to 2,435 million euros, showing a significant growth of 31.7% from the 1,849 million euros achieved in the previous year, driven by the increase in core income, namely in net interest income.

CORE OPERATING PROFIT

Million euros



The previous analysis does not exclude the specific items considered in these years. In 2023, specific items had a positive impact of 124 million euros (before taxes and non controlling interests), including income of 139 million euros recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (128 million euros recognised as net trading income and 11 million euros recognised as other net operating income) and costs of 15 million euros recognised as staff costs in the activity in Portugal: [(i) costs related to the compensation for the temporary reduction in employee remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022; (ii) costs with employees leavings, namely early retirements; (iii) costs with mortgage financing to former employees and (iv) income recognised after an agreement related to liabilities with former directors of the Bank]. On the other hand, in 2022, the impact of specific items was negative in the amount of 16 million euros (before taxes), recognised in staff costs in the activity in Portugal, including: (i) distribution of part of the Bank's results obtained in 2021 by the employees of the Bank; (ii) costs with mortgage financing to former employees; (iii) discretionary remuneration paid to employees as a measure to offset the impacts of inflation; and (iv) the recognition of a provision for other structure adaptation measures. In 2021, the impact was also negative, in the amount of 91 million euros, mainly related to the adjustment of headcount carried out by the Bank in that year, including a provision in the amount of 84 million euros.

Excluding specific items in both years, core operating profit of the Group amounted to 2,450 million euros, increasing 31.4% from the 1,865 million euros accounted for in the previous year.

QUARTERLY INCOME ANALYSIS

Million euros

	2023						
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	2022 (restated)	2021
NET INTEREST INCOME	665	710	743	708	2,826	2,150	1,589
OTHER NET INCOME							
Dividends from equity instruments	0	1	0	1	2	10	1
Net commissions	195	192	191	193	772	772	728
Net trading income	132	(7)	(20)	40	145	50	87
Other net operating income	(6)	(66)	16	18	(39)	(183)	(126)
Equity accounted earnings	15	14	18	17	64	59	57
TOTAL OTHER NET INCOME	336	134	205	269	944	708	746
NET OPERATING REVENUES	1,000	844	948	977	3,770	2,857	2,334
OPERATING COSTS							
Staff costs	144	164	160	164	632	581	654
Other administrative costs	90	95	98	110	393	353	324
Depreciation	34	35	35	34	137	139	137
TOTAL OPERATING COSTS	269	293	293	308	1,163	1,073	1,116
RESULTS BEFORE PROVISIONS AND IMPAIRMENTS	732	551	655	669	2,607	1,784	1,219
Results on modification	(6)	(6)	(3)	(5)	(19)	(310)	0
Impairment for loans (net of recoveries)	80	65	66	29	240	301	349
Other impairment and provisions	238	165	200	257	860	756	712
INCOME BEFORE INCOME TAX	408	315	387	378	1,488	418	158
INCOME TAX							
Current	76	50	46	7	180	110	81
Deferred	80	40	95	143	358	195	122
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	251	225	245	228	950	114	(46)
Income from discontinued operations	0	0	0	(3)	(3)	6	71
NET INCOME AFTER INCOME TAX	251	225	245	226	948	120	25
Non-controlling interests	35	18	18	20	92	(78)	(113)
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	216	207	227	205	856	197	138

MAIN GEOGRAPHIES

Million euros

	Portugal			International activity *								
				Total Int Op			Bank Millennium			BIM		
	Dec23	Dec22 restated	Dec21	Dec23	Dec22	Dec21	Dec23	Dec22	Dec21	Dec23	Dec22	Dec21
NET INTEREST INCOME	1,467	951	831	1,359	1,199	757	1,157	996	595	202	202	159
OTHER NET INCOME												
Dividends from equity instruments	1	9	0	1	1	1	1	1	1	0	0	0
Net commissions	560	561	514	211	211	213	172	173	182	39	39	31
Net trading income	13	69	76	132	(19)	11	116	(40)	(6)	16	21	17
Other net operating income	(65)	(76)	(66)	26	(107)	(60)	22	(109)	(62)	5	2	3
Equity accounted earnings	60	58	58	5	1	(1)	0	0	0	2	2	0
TOTAL OTHER NET INCOME	569	620	582	375	87	164	311	24	115	62	64	51
NET OPERATING REVENUES	2,035	1,571	1,414	1,734	1,286	921	1,468	1,020	710	264	266	210
OPERATING COSTS												
Staff costs	355	339	436	277	242	218	227	194	179	50	47	39
Other administrative costs	189	184	176	205	169	148	147	118	107	58	51	40
Depreciation	73	79	80	64	60	57	47	45	44	18	16	13
TOTAL OPERATING COSTS	617	602	693	546	471	423	420	357	330	126	113	92
RESULTS BEFORE PROVISIONS AND IMPAIRMENTS	1,419	970	721	1,188	815	498	1,048	663	380	138	153	119
Results on modification	0	0	0	(19)	(310)	0	(19)	(310)	0	0	0	0
Impairment for loans (net of recoveries)	208	218	273	32	82	76	57	74	71	(25)	8	4
Other impairment and provisions	161	205	165	699	550	547	682	435	528	14	7	10
INCOME BEFORE INCOME TAX	1,050	546	282	437	(128)	(124)	289	(156)	(219)	149	138	105
INCOME TAX												
Current	13	17	11	167	92	70	135	56	44	32	36	27
Deferred	318	190	98	40	4	24	27	4	29	12	0	(5)
NET (LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	719	338	173	231	(224)	(219)	127	(217)	(292)	105	102	83
Income from discontinued operations	0	0	0	(3)	6	71	0	0	0	0	4	13
NET INCOME AFTER INCOME TAX	719	338	173	228	(219)	(148)	127	(217)	(292)	105	106	96
Non-controlling interests **	(6)	(5)	0	97	(73)	(113)	0	0	0	0	0	1
NET INCOME **	725	343	173	131	(146)	(35)	127	(217)	(292)	105	106	96

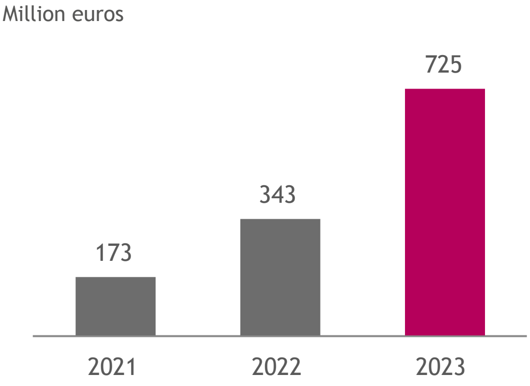
* The international operations, in addition to the activity of Bank Millennium in Poland and Millennium Bim in Mozambique (BIM), also include the contribution of Banco Millennium Atlântico in Angola and until 2022, the activity of Millennium BCP Bank & Trust in the Cayman Islands. The presentation of the operations above is in accordance with the Consolidated Accounts of the Group, and there may be differences in relation to the accounts disclosed locally. The aggregate of international operations includes some amounts recorded in the consolidated accounts, with the recognition of impairment of the goodwill related to the Polish subsidiary, beeing the most significative. At the same time, this aggregate also includes, under the heading results of discontinued operations: the results of the Swiss subsidiary, till the date of the sale, as well as the impacts of the sale of the operation in each year, as well as the impacts arising from the sale of the SIM stake not included in the results of the subsidiary.

** The net result shown in the columns relating to Bank Millennium and BIM corresponds to the consolidated result calculated by each of those entities. Thus, the non-controlling interests presented in those same columns relate to subsidiaries of those entities, where applicable.

In the activity in Portugal, net income amounted to 725 million euros in 2023, well above the 343 million euros achieved in the previous year.

NET INCOME

Activity in Portugal



For the performance of net income in the activity in Portugal, contributed above all the increase of 54.2% (516 million euros) in net interest income, which stood at 1,467 million euros at the end of 2023, compared to 951 million euros in 2022. This solid growth of net interest income mainly reflects the favourable evolution of the commercial business, benefiting from the increase of interest rates that started in 2022. On the other hand, the impact of the interest rates evolution in securities portfolio, namely in the greater contribution of the income generated by the sovereign debt portfolio, also had a positive impact on net interest income performance compared to the previous year.

The evolution of net income in the activity in Portugal also benefited, albeit to a lesser extent, from the reduction in impairments and provisions during last year. In fact, mainly reflecting the lower provisioning needs associated with non-current assets held for sale, namely the foreclosed assets portfolio, other impairments and provisions showed a reduction of 21.7% (44 million euros) compared to the amount posted in the previous year, standing at 161 million euros at the end of 2023, while loans impairment, due to the improvement in the portfolio's risk profile, stood 5.0% (11 million euros) below the amount recognised in 2022, totalling 208 million euros, in 2023.

Other net operating income, largely influenced by the reduction in mandatory contributions, and equity accounted earnings also contributed to the favourable evolution of net income in the activity in Portugal, growing 14.8% (11 million euros) and 3.3% (2 million euros), respectively.

Conversely, net income in the activity in Portugal in 2023 was penalised by the strong reduction in net trading income which stood at 13 million euros, compared to 69 million euros posted in 2022.

The performance of net income in the activity in Portugal was also influenced, albeit to a lesser extent, by the increase of 2.5% (15 million euros) recorded in operating costs. This evolution was mainly due to the increase in staff costs, although there was also an increase in other administrative costs, with these impacts being partially offset by the reduction in depreciations.

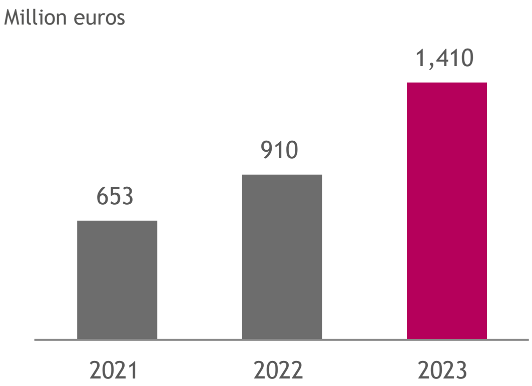
It is also worth mentioning the reduction of 8 million euros, compared to the previous year, recorded in dividends from equity instruments. Net commissions, in turn, had no impact on the evolution of net income in the activity in Portugal, remaining stable compared to 2022, totalling 560 million euros at the end of the current year.

Despite the fact that commissions remained in line with the amount recorded in 2022, the increase recorded in the net interest income was reflected in a significant growth in core income, which largely offset the higher operating costs, leading core operating profit in the activity in Portugal to grow 55.0%, from 910 million euros in 2022, to 1,410 million euros in 2023.

Excluding the specific items mentioned above (negative impact of 15 million euros in 2023 and 16 million euros in 2022, both recognised in staff costs), core operating profit in the activity in Portugal increased by 53.9% from 926 million euros to 1,426 million euros.

CORE OPERATING PROFIT

Activity in Portugal

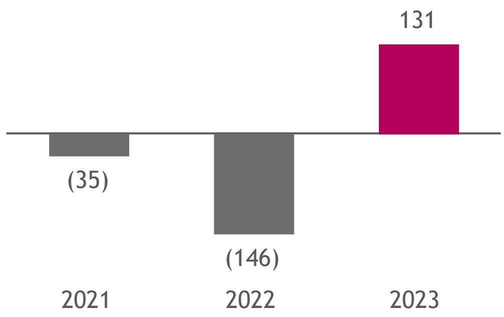


In the international activity, net income stood at 131 million euros in 2023, improving significantly compared to the negative amount of 146 million euros recorded in the previous year.

NET INCOME

International activity

Million euros



The significant increase in net income of the international activity was due to the contribution associated with the Polish subsidiary, that presented, in the last quarter of the year, the fifth quarter in a row with positive results. On the other hand, the results of the international activity in 2022 were impacted by the recognition of the total impairment of the goodwill associated with the Group's stake in Bank Millennium SA in Poland in the amount of 102 million euros on 30 June 2022.

Net income of Bank Millennium in Poland reached 127 million euros in 2023, showing a strong growth from the negative amount of 217 million euros recorded in the previous year.

Net income of 2022 was significantly influenced by the upfront recognition of costs arising from the aforementioned moratorium program (credit holidays) enacted by the President of the Republic of Poland in July 2022, which amounted to 283 million euros at the end of 2022.

The evolution of net income of the Polish subsidiary was also strongly influenced by the growth of 162 million euros (16.2%) recorded in net interest income, 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.

The aforementioned extraordinary gain of 139 million euros, resulting from the sale, by Bank Millennium, of 80% of the shares of Millennium Financial Services sp. z o.o. as part of the strategic partnership in bancassurance business, also contributed largely to the favourable performance of net income of the Polish subsidiary.

In addition, the reduction of 108 million euros in the overall amount of mandatory contributions borne by the Polish subsidiary, from 121 million euros to 13 million euros, also contributed largely to the growth of net income. This reduction reflects, on one hand, the impact of the contribution to the Institutional Protection Scheme (IPS), established in 2022 and with no additional contributions in 2023, and on the other the temporary exemptions in the current year for other mandatory contributions. The net income of the Polish subsidiary also benefited, albeit to a lesser extent, from the reduction in loans impairment, with net commissions remaining stable compared to the amount recorded a year earlier.

On the other hand, the result of this subsidiary was penalised by the increase in costs associated with the portfolio of foreign exchange mortgage loans, that overall increased from 526 million euros to 780 million euros (before taxes), continuing to strongly influence the result of the subsidiary. The additional provisions booked to face the legal risk implicit in this portfolio, following the unfavourable decision of the Court of Justice of the European Union regarding remuneration for the use of capital on these loans, represent the most significant portion of these costs, increasing 229 million euros in the last year, from 394 million euros to 623 million euros (net of the amount originated by the operations of Euro Bank S.A., to be reimbursed by a third party).

Although on a smaller scale, it is also worth mentioning the impact of the increase in operating costs, mainly in staff costs and in other administrative costs on the performance of the net income of the Polish subsidiary, mainly reflecting high inflation rates and, regarding staff cots, also the characteristics of the Polish labour market. It should be noted however that the efforts to continue with measures that allow the improvement of the efficiency of the Polish subsidiary, allowed to offset these impacts. In this sense, reference should be made to the optimisation of the physical distribution network, associated with the Bank's progress in the area of digitalisation of the commercial business, resulting in a reduction in the number of branches, from 635 to 612. The number of employees of the Polish subsidiary, also showed a reduction of 115 employees last year, to 6,872 employees at the end of 2023.

It should be noted that the increase recorded in operating costs was more than offset by the increase in core income, namely in net interest income, leading the core operating profit of the Polish subsidiary to grow 12.1%, rising from 811 million euros in 2022, to 909 million euros in 2023.

Millennium bim in Mozambique, in turn, showed a net income of 105 million euros, in line with the amount recorded in the previous year (-0.9%). It should be noted however that 2022 result incorporates, under the item results from discontinued operations, the positive impact of the correction of the gain resulted from the sale of 70% of the stake that the Group held in “SIM”, as mentioned above. Income from continuing operations increased 3.2%.

In the performance of the Mozambican subsidiary, it is important to highlight the favourable evolution of loans impairment, mainly reflecting the impact of the partial recovery of a credit in litigation, following an out-of-court settlement.

It should also be noted that despite the rise in the reference interest rates, net interest income of the subsidiary remained in line with the amount recorded in 2022, due to the negative impact of the increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank. Other net operating income, in turn, increased compared to the amount recorded in the previous year, while operating costs, other impairment and provisions and net trading income performed less favourably than a year earlier. In the particular case of operating costs, this performance was largely due to the levels of inflation in the country.

Reflecting the increase in operating costs, core operating profit of the Mozambican subsidiary was 9.8% below the 128 million euros recorded in 2022, totalling 115 million euros at the end of 2023.

Millennium bim ended the year with 2,574 employees, 70 more than in the previous year and with 195 branches, two less than in 2022.

Despite its smaller relative weight within the scope of this analysis, the contribution of the Angolan operation evolved from a negative amount of 7 million euros in 2022, to a positive amount of 3 million euros in the current year. This performance was due, on the one hand, to the appropriation of the results of Banco Millennium Atlântico recognised in equity accounted earnings, and on the other, to the fact that the previous year's contribution was affected by impairments charges, including goodwill impairment, which did not exist this year.

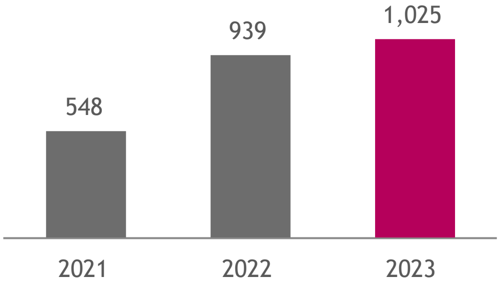
Net income of the international activity was also influenced, although not significantly, by the impact of the adjustment of the sale price of Banque Privée, reflected in the heading income from discontinued operations, in accordance with conditions previously established and already detailed above.

Benefiting from the increase in core income and despite the impact of inflation levels on operating costs, core operating profit of international activity grew by 9.1%, from 939 million euros in 2022, to 1,025 million euros in 2023.

CORE OPERATING PROFIT

International activity

Million euros



NET INCOME OF INTERNATIONAL ACTIVITY

Million euros

	2023	2022	2021	Chg. 23/22
Bank Millennium in Poland (1)	127	(217)	(292)	158.5%
Costs associated with foreign exchange mortgage loans	735	505	534	45.7%
Bank Millennium in Poland (exc. costs associated with foreign exchange mortgage loans)	862	288	242	199.3%
Millennium bim in Mozambique (1)(2)	105	102	83	3.2%
Banco Millennium Atlântico (BMA) (3)	3	(7)	(11)	136,9%
Other (4)	(3)	(102)	1	96,6%
Income from discontinued operations (5)	(3)	6	71	-151,3%
Banque Privée BCP (Suisse) S.A.	(3)	2	52	<-200%
Fidelidade Moçambique - Companhia de Seguros S.A.	—	4	19	-100.0%
Non-controlling interests	97	(73)	(113)	>200%
NET INCOME OF INTERNATIONAL ACTIVITY	131	(146)	(35)	189.8%

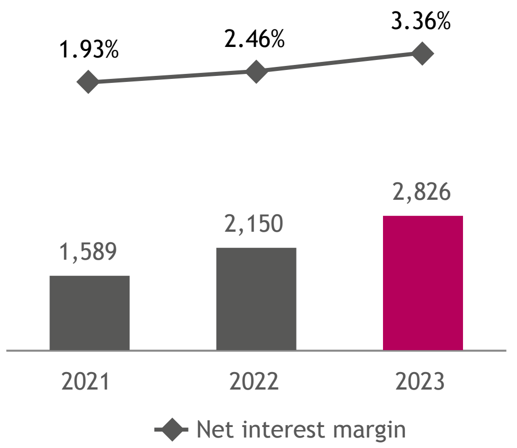
(1) The amounts showed are not deducted from non-controlling interests.
(2) Corresponds to net income after income taxes from continuing operations. Net income does not include the net income generated by SIM, now designated Fidelidade Moçambique - Companhia de Seguros S.A. up to the date of disposal of 70% of the stake that the Group held in the insurance company, nor the gain recognised with the aforementioned disposal in 2021. The correction of the gain, accounted for in 2022, is also not included in the reported results. Income arising from discontinued operations is presented in the line "Income from discontinued operations". The non-controlling interests related to the insurance company, meanwhile disposed, are reflected in the line "Non-controlling interests".
(3) Corresponds to the proportion of the results of Banco Millennium Atlântico appropriated by the Group, considering the equity method. In 2022 and 2021,the amounts presented also include provisions associated with the investment in this associate, also including in 2022 impairment of goodwill.
(4) In 2023, includes provisions associated with BIM, recognised in the consolidated accounts. In 2022, includes the total impairment of the goodwill associated with the acquisition by the BCP Group of the percentage of control over Bank Millennium SA. and the net income of the operation in Cayman Islands, fully attributable to the Bank. In 2021, includes the net income of the operation in Cayman Islands, fully attributable to the Bank.
(5) Income arising from discontinued operations includes the net income of Banque Privée up to the date of its disposal (1 million euros in 2021); the gain, in the amount of 51 million euros, generated with the sale of the participation in 2021 and the adjustment of that gain (2 million euros in 2022 and a negative amount of 3 million euros in 2023). Additionally, income from discontinued operations also includes the net income generated by SIM, now designated Fidelidade Moçambique - Companhia de Seguros S.A. up to the date of the sale of 70% of the stake that the Group held in the insurance company (7 million euros in 2021), as well as the gain generated with the sale, in that year, in the amount of 12 million euros net of taxes (of which 6 million euros reflected in the Millennium bim accounts). In 2022 is reflected in this heading, the correction made to that value (4 million euros).

NET INTEREST INCOME

In 2023, net interest income of the Group reached 2,826 million euros, showing a growth of 31.4% compared to the 2,150 million euros posted in the previous year. The favourable evolution of net interest income was observed both in the activity in Portugal, where there was a growth of more than 50%, and in the international activity.

NET INTEREST INCOME

Million euros



In fact, net interest income, in the activity in Portugal, showed a growth of 54.2% from the 951 million euros recorded in 2022, rising to 1,467 million euros, at the end of 2023.

The performance of net interest income in the activity in Portugal, in the last year, reflects above all, the favourable evolution of the commercial business, but also incorporating, on the one hand, the positive impact resulting from the management of the securities portfolio, and on the other, the increase in costs incurred with issued debt and subordinated debt.

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

Regarding securities portfolio, although the other securities also generated higher income compared to 2022, the increased contribution of the income generated by the sovereign debt portfolio stands out, benefiting on the one hand, from the evolution of interest rates and on the other, from the portfolio turnover. Although on a smaller scale, reference should also be made to the positive impact on the domestic net interest income of income generated by other assets and liabilities in 2023, compared to the previous year.

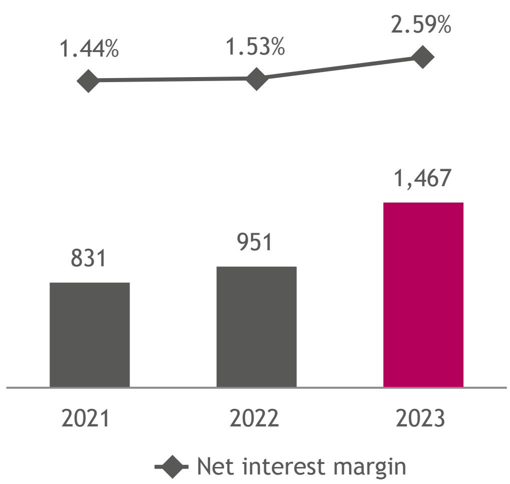
The evolution of net interest income in the activity in Portugal was negatively impacted by an increase, compared to 2022, of the costs incurred with issued debt and subordinated debt, arising not only from the increase in interest rates, but also from the impact of two issues of senior preferred debt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

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

NET INTEREST INCOME

Activity in Portugal

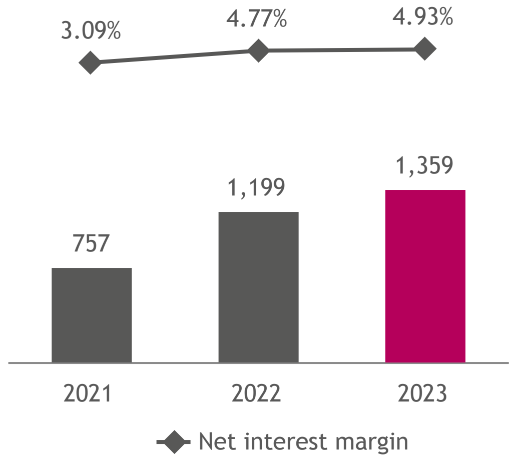
Million euros



NET INTEREST INCOME

International activity

Million euros



In the international activity, net interest income amounted to 1,359 million euros at the end of 2023, showing a growth of 13.4% from the 1,199 million euros accounted in 2022.

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

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

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

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

AVERAGE BALANCES

Million euros

	2023		2022 (restated)		2021	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	4,379	4.0 %	9,575	1.3 %	6,116	0.3 %
Financial assets	22,979	3.3 %	19,742	1.8 %	20,116	0.8 %
Loans and advances to customers	55,672	5.4 %	56,731	3.8 %	55,045	2.7 %
TOTAL INTEREST EARNING ASSETS	83,031	4.8 %	86,048	3.0 %	81,277	2.0 %
Discontinued operations (1)	—		—		726	
Non-interest earning assets	8,009		9,837		8,481	
TOTAL ASSETS	91,040		95,884		90,484	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	1,295	3.9 %	8,805	(0.2 %)	9,110	(0.8 %)
Deposits and other resources from customers	75,906	1.2 %	72,995	0.6 %	66,705	0.1 %
Debt issued and financial liabilities	3,468	3.8 %	3,263	1.0 %	3,523	0.8 %
Subordinated debt	1,388	7.8 %	1,377	5.1 %	1,248	4.5 %
TOTAL INTEREST BEARING LIABILITIES	82,057	1.4 %	86,439	0.6 %	80,586	0.1 %
Discontinued operations (1)	—		—		761	
Non-interest bearing liabilities	2,345		3,127		1,890	
Shareholders' equity and Non-controlling interests	6,637		6,318		7,247	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	91,040		95,884		90,484	
NET INTEREST MARGIN (2)		3.4 %		2.5 %		1.9 %

(1) Includes, in 2021, the activity of the Swiss subsidiary (adjusted from the inter group' movements) and from Seguradora Internacional de Moçambique, S.A. ("SIM"), until the date of the respective disposals.
(2)Net interest income as a percentage of average interest earning assets.
Note: Average balance calculated based on monthly average of end of month balances, accumulated in the period. Interest related to hedge derivatives were allocated, each year, to the respective balance item.

The Group's interest earning assets totalled 83,031 million euros in 2023, standing below the 86,048 million euros recorded in 2022. This evolution was mainly due to the decrease of deposits in credit institutions, from 9,575 million euros in 2022, to 4,379 million euros in 2023. Loans to customers also decreased from 56,731 million euros to 55,672 million euros in the same period. Financial assets, in turn, grew from 19,742 million euros in 2022, to 22,979 million euros in 2023. It should be noted, however, that, in terms of profitability, the reduction in the average amount of interest-earning assets was more than offset by the increase in the implicit rate, reflecting the context of reference rates prevailing in Portugal, Poland and Mozambique.

Regarding non-interest earning assets there was also a decrease compared to the 9,837 million euros recorded in 2022, totalling 8,009 million euros in 2023.

In terms of average balance sheet structure, interest earning assets represented 91.2% of average net assets that compares to 89.7% in the previous year. Although showing an average balance lower than a year earlier, loans to customers increased its relative weight in the balance sheet structure from 59.2% to 61.2%, remaining the main aggregate in the interest-earning assets portfolio and increasing its relative weight in this heading from 65.9% to 67.1% in the last year.

Financial assets portfolio, in turn, also reinforced its weight in the balance sheet structure, increasing from 20.6% in 2022, to 25.2% in 2023, while deposits in credit institutions, by contrast, decreased from 10.0% in 2022 to 4.8% in 2023.

Interest bearing liabilities decreased from 86,439 million euros in 2022, to 82,057 million euros in 2023, mainly reflecting the reduction of amounts owed to credit institutions, resulting from the early repayment of the bulk of the financing that had been contracted with the European Central Bank within the scope of targeted longer-term refinancing operations (TLTRO III). As a result, there was a significant reduction in the relative weight of amounts owed to credit institutions in the average balance of interest-bearing liabilities, from 10.2% in 2022 to 1.6% in 2023.

On the other hand, the average balance of customer deposits increased from 72,995 million euros in 2022 to 75,906 million euros in 2023, reinforcing its relative weight in the average balance of interest-bearing liabilities, from 84.4% to 92.5%, and thus remaining the main financing and activity support instrument.

The remaining items that contribute to average interest-bearing liabilities did not show materially relevant changes, so that the structure of average interest-bearing liabilities also did not show significant changes compared to the previous year. As such, the relative weight of the aggregate of debt issued and financial liabilities in average interest-bearing liabilities increased from 3.8% para 4.2% in the last year, while subordinated debt represented 1.7% of the same aggregate (1.6% in 2022).

OTHER NET INCOME

Other net income, that aggregates dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, totalled 944 million euros in 2023, corresponding to a significant growth of 33.4% compared to the 708 million euros recorded in the previous year.

The contribution of the Polish subsidiary was decisive for this performance, although its impact was offset by the lower results obtained in the activity in Portugal. In this sense, it is worth highlighting, on the one hand, the recognition, in 2023, of the gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., as part of the strategic partnership in bancassurance business, in the amount of 139 million euros, and on the other, the reduction by 108 million euros in mandatory contributions to which the Polish operation was subject. On the other hand, the evolution of other net income was penalised mainly by the reduction of 56 million euros in net trading income in the activity in Portugal.

In 2023, in the activity in Portugal, other net income amounted to 569 million euros, that compares to 620 million euros posted in 2022. In addition to the aforementioned reduction in net trading income, this evolution also reflects, albeit to a lesser extent, on the one hand, the drop of 8 million euros recorded in dividends from equity instruments, and on the other, the increases of 11 million euros and 2 million euros recorded in other net operating income and equity accounted earnings, respectively. Net commissions, in turn, remained in line with the amount recorded in the previous year.

In the international activity, other net income amounted to 375 million euros in 2023, showing a significant growth, from 87 million euros posted in the previous year, resulting from the contribution of the Polish subsidiary, as mentioned above.

From the gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., considered specific items, 128 million euros referring to the gain, were recognised in net trading income, contributing decisively to the growth of 151 million euros recorded under this heading, in international activity. The remaining 11 million euros, associated with the revaluation of the 20% minority stake held by Bank Millennium after the completion of the operation, were recognised in other net operating income, an item that increased 133 million euros mainly from the reduction in cost of mandatory contributions to which the Polish operation was subject last year. Additionally, the evolution of other net income, in the international activity, also benefited, albeit to a lesser extent, from the increase of 4 million euros recorded in equity accounted earnings. Net commissions and dividends from equity instruments, in turn, remained in line with the amount recorded in the previous year.

OTHER NET INCOME

Million euros

	2023	2022 (restated)	2021	Chg. % 23/22
Dividends from equity instruments	2	10	1	(82.3 %)
Net commissions	772	772	728	0.0 %
Net trading income	145	50	87	189.9 %
Other net operating income	(39)	(183)	(126)	78.9 %
Equity accounted earnings	64	59	57	9.6 %
TOTAL	944	708	746	33.4 %
of which:				
Activity in Portugal	569	620	582	(8.3 %)
International activity	375	87	164	>200%

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments, which incorporates dividends and income from equity shares received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, evolved from 10 million euros in 2022, to 2 million euros in 2023.

This evolution mainly reflects the reduction of income associated with investments that are part of the shares portfolio of the activity in Portugal, which totalled 1 million euros in 2023, compared to the 9 million euros observed in the previous year. In the international activity, dividends from equity instruments arising exclusively from the activity of the Polish subsidiary remained in line with the amount recorded in 2022, totalling 1 million euros at the end of the current year.

NET COMMISSIONS

Net commissions include commissions related to the banking business and commissions more directly related to financial markets.

In 2023, net commissions, as a whole, totalled 772 million euros, remaining in line with the amount recorded in the previous year, reflecting the performance of both the activity in Portugal and the international activity.

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

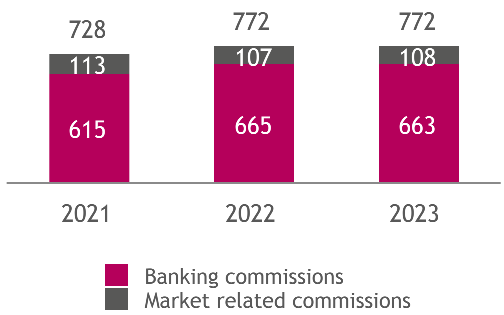
In fact, banking commissions amounted to 663 million euros at the end of the current year, standing 1 million euros (0.2%) below the amount recorded in 2022, while commissions related to financial markets totalled 108 million euros, 1 million euros (1.1%) above the amount recorded a year earlier.

Although the overall amount of the banking commissions of the Group remained stable compared to the amount recorded in the previous year, there were changes in the several types of commissions that make up this aggregate. In this sense, it is important to highlight the growth of 20 million euros (8.6%) recorded in commissions related to cards and transfers which, reflecting the performance of both activity in Portugal and international activity, increased from 228 million euros to 248 million euros. On the other hand, commissions related to credit and guarantees showed a reduction of 12 million euros (8.5%), standing at 129 million euros at the end of 2023, mainly reflecting the evolution of this type of commissions in the activity in Portugal, influenced, among other effects, by legislative restrictions, as in the international activity a growth was recorded compared to the previous year. Commissions related to management and maintenance of accounts, in turn, totalled 159 million euros, 6 million euros (3.9%) lower than the amount observed in 2022, with the increase in the activity in Portugal being more than offset by the drop in the international activity. Other bank commissions decreased from 11 million euros to 9 million euros (-17.7%) last year, mainly reflecting the performance of the international activity. Finally, it should be noted that bancassurance commissions, which incorporate commissions obtained from placing insurance products through the Bank's distribution networks operating in Portugal and Poland, were 1 million euros lower compared to the amount recorded in the previous year, due to the performance of the Polish subsidiary, totalling, in consolidated terms, 119 million euros, at the end of 2023.

Commissions related to financial markets totalled 108 million euros, standing 1.1% above the amount recorded in 2022, with this evolution resulting, on the one hand, from the increase of 4 million euros (6.2%) in commissions associated with asset management and distribution, and on the other, the reduction of 3 million euros (-7.7%) recorded in commissions associated with securities. Each one of these commission headings totalled, respectively, 72 million euros and 36 million euros, at the end of 2023. In both cases, the evolution was determined by the performance of the activity in Portugal, since in the international activity changes in the last year were not materially relevant within the scope of this analysis.

NET COMMISSIONS

Million euros



In the activity in Portugal, net commissions, in 2023, amounted to 560 million euros, remaining in line with the amount recorded a year earlier.

Both banking commissions, which amounted to 471 million euros, and commissions related to markets, which totalled 89 million euros, were at a similar level to that achieved in 2022, only changing -0.3% e 1.4%, respectively.

This evolution resulted, however, from different dynamics with regard to the several types of commissions that make up these two aggregates.

Thus, regarding banking commissions, in the activity in Portugal, the growth of 11 million euros (7.2%) in commissions related to cards and transfers stands out, totalling 158 million euros, at the end of the current year. These commissions include amounts charged for transactions carried out with cards and the respective payment networks, for bank transfers and for the use of points of sale (POS), thus demonstrating the increase in transaction levels in the last year.

Despite with smaller impact, the performance of commissions related to the banking business in the activity in Portugal also benefited from the growth in management and maintenance of account commissions, which increased by 2 million euros (1.4%), from 140 million euros in 2022, to 142 million euros in 2023, reflecting, on the one hand, the dynamics of new customers acquisition and, on the other, greater commercial dynamism and adequate management of value offers, with customers subscribing integrated solutions and service packages.

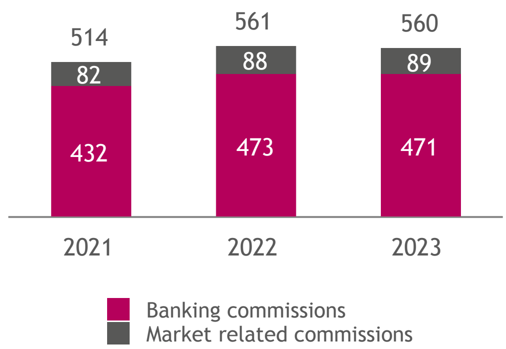
Conversely, the performance of banking commissions, in the activity in Portugal, was influenced by the reduction in commissions associated with credit and guarantees, which together stood 14 million euros below the 96 million euros reached in 2022, standing at 81 million euros at the end of 2023. This evolution reflects the lower credit production in the current context and the legal restrictions imposed in the meantime.

Commissions from the bancassurance activity, with regard to the activity in Portugal, remained in line with the amounts achieved in the previous year, totalling 84 million euros at the end of 2023, while other banking commissions amounted to 5 million euros, an increase of 2.8% from the amount recorded last year, not material within the scope of this analysis.

NET COMMISSIONS

Activity in Portugal

Million euros

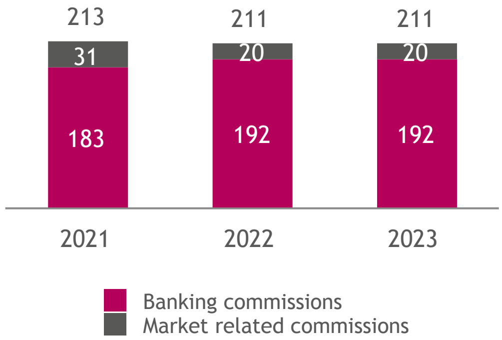


As previously mentioned, net commissions, in the international activity, remained in line with the amount recorded in 2022, standing at 211 million euros. Neither the Polish subsidiary nor the subsidiary in Mozambique showed significant changes in the overall amount of net commissions. Likewise, both commissions related to banking business and commissions related to markets in the international activity remained at identical levels to the previous year, totalling 192 million euros and 20 million euros, respectively at the end of 2023.

NET COMMISSIONS

International activity

Million euros



NET COMMISSIONS[1]

Million euros

	2023	2022	2021	Chg. % 23/22
BANKING COMMISSIONS				
Cards and transfers	248	228	186	8.6 %
Credit and guarantees	129	141	152	(8.5 %)
Bancassurance	119	119	116	(0.6 %)
Management and maintenance of accounts	159	165	149	(3.9 %)
Other commissions	9	11	12	(17.7 %)
TOTAL BANKING COMMISSIONS	663	665	615	(0.2 %)
MARKET RELATED COMMISSIONS				
Securities	36	39	37	(7.7 %)
Asset management and distribution	72	68	76	6.2 %
TOTAL MARKET RELATED COMMISSIONS	108	107	113	1.1 %
TOTAL NET COMMISSIONS	772	772	728	0.0 %
of which:				
Activity in Portugal	560	561	514	0.0 %
International activity	211	211	213	0.0 %

(1) In 2023, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to 2022 and 2021 of such items are presented considering these reclassifications with the purpose of ensuring their comparability. The overall amount of net commissions disclosed in previous periods remains unchanged compared to that published in previous periods.

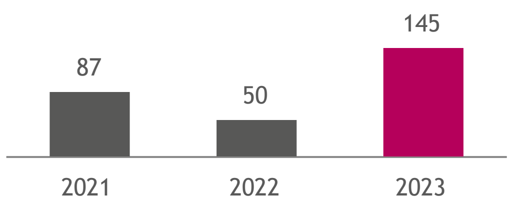
NET TRADING INCOME

Net trading income 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 financial liabilities not measured at fair value through profit or loss.

In 2023, net trading income amounted to 145 million euros, showing a very significant growth compared to the 50 million euros achieved in the previous year. This performance was determined by the recognition, in 2023, of the gains obtained by the Polish subsidiary with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the scope of the strategic partnership in the bancassurance business, which, as previously mentioned, totalled 128 million euros under this heading. In consolidated terms, this impact was partially offset by the reduction in net trading income in the activity in Portugal, compared to the amount recorded in 2022.

NET TRADING INCOME

Million euros



In the activity in Portugal, net trading income stood well below the 69 million euros posted in 2022, amounting to 13 million euros at the end of 2023.

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

The evolution of net trading income in the activity in Portugal was also influenced by the costs recognised in 2023 with the sale of credits, in contrast to the gains recorded in the previous year.

In the international activity, net trading income showed a significant increase, from a negative amount of 19 million euros in 2022 to an income of 132 million euros at the end of the current year.

This performance was determined by the already mentioned gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., that under this heading totalled 128 million euros in 2023, considered as specific items. It is important to note that this amount includes an additional gain of 10 million euros compared to the 118 million euros considered in the first quarter of the year, the recognition of which was subject to certain conditions.

In addition, the reduction in costs incurred by the Polish subsidiary in converting mortgage loans granted in Swiss francs, following the agreements with customers holding these loans, that in 2023 penalised net trading income in 60 million euros compared to 82 million euros recognised in 2022, also contributed to the favourable evolution of this item.

In the operation in Mozambique, net trading income was at a lower level than that achieved in 2022, despite having an immaterial impact within the scope of this analysis.

NET TRADING INCOME

Million euros

	2023	2022	2021	Chg. % 23/22
Net gains/(losses) from financial operations at fair value through profit or loss	(7)	27	0	(124.0 %)
Net gains/(losses) from foreign exchange	17	19	17	(9.9 %)
Net gains/(losses) from hedge accounting operations	22	(2)	4	>200%
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	112	5	n.a.	>200%
Net gains/(losses) from derecognition of financial assets and liabilities measured at amortised cost (only until 2021)	n.a	n.a.	(4)	n.a.
Net gains/(losses) from derecognition of financial assets measured at fair value through other comprehensive income (only until 2021)	n.a	n.a.	69	n.a.
TOTAL	145	50	87	189.9 %
of which:				
Activity in Portugal	13	69	76	(81.4 %)
International activity	132	(19)	11	>200%

OTHER NET OPERATING INCOME

Other net operating income includes other operating income, net of other operating costs, which 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 addition, other net operating income also includes the results from the sale of subsidiaries and other assets.

In 2023, other net operating income totalled a negative amount of 39 million euros, showing a significant improvement compared to the also negative amount of 183 million euros recorded in the previous year. This evolution was mainly driven by the international activity, namely by the reduction of mandatory contributions to which the Polish subsidiary was subject.

In the activity in Portugal, other net operating income went from a negative amount of 76 million euros in 2022, to an also negative amount of 65 million euros at the end of 2023. Similar to what happened in the international activity, it was also the reduction in costs with mandatory contributions that contributed mainly to this evolution, although this impact was offset by the lower gains recognised with the sale of non-current assets held for sale compared to the amount recognised in the previous year.

In fact, last year, the overall amount of mandatory contributions, including the supervisory fee charged by the ECB, decreased from 91 million euros to 75 million euros. This evolution corresponds to a reduction of 17.2%, mainly reflecting the reduction in contributions for the National Resolution Fund (NRF) and the Single Resolution Fund (SRF). The contribution to the NRF decreased by around 50%, from 19 million euros in 2022, to 9 million euros in 2023, mainly due to the reduction in the contribution rate, from 0.057% to 0.029%. The cost of the contribution to the SRF, in turn, went from 26 million euros in 2022, to 18 million euros in the current year, reflecting on the one hand the lower reinforcement needs of the fund determined by the Single Resolution Board (SRB) and on the other the increase, from 15.0% to 22.5%, of the share of this contribution that can be delivered as irrevocable payment commitments, thus reducing the impact on the profit and loss account of the institutions. Conversely, the cost incurred with the contribution on the banking sector increased from 37 million euros to 38 million euros in the same period, influenced by the growth of the Bank's balance sheet with the corresponding increase on average liabilities comprised in the calculation of the amount of this contribution. It should be noted that the balance sheet reduction at the end of 2022 will only have an higher impact on contributions for 2024, since the calculation of the amount payable considers the average values of the balance sheet of the previous year to which the contribution relates, taking into account the month-end observations. The additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to address the crisis caused by the COVID-19 pandemic, amounted to 7 million euros in 2023, in line with the amount calculated in the previous year. The supervision fee charged by the ECB amounted to 3 million euros, increasing from the 2 million euros recorded in 2022, while the contribution to the deposit guarantee fund did not change significantly compared to the amount recorded in 2022, standing at 1 million euros in 2023.

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

In the international activity, other net operating income improved considerably from a negative amount of 107 million euros recognised in 2022, to an income of 26 million euros at the end of 2023. This performance of other net operating income resulted from the reduction of about 90% of the costs with mandatory contributions that the Polish subsidiary was subject, from 121 million euros in 2022, to 13 million euros in 2023.

Although the costs of all mandatory contributions borne by the Polish subsidiary were lower than those recognised in 2022, the evolution of the overall amount of these contributions in the last year was mainly due to the contribution, supported in 2022, associated with the then created Polish institutional protection fund (IPS - Institutional Protection Scheme), which amounted to 59 million euros, non-existent in 2023. This fund was set up with the aim of ensuring the stability of the local financial system by ensuring the liquidity and solvency of the member banks, while serving to support situations of forced restructuring carried out by the Bank Guarantee Fund in banks that are public companies. Thus, the Bank, together with the other participating financial institutions, created a company that, in turn, constituted a "aid fund" to which each bank contributed the equivalent of 0.4% of its deposits covered by the local Deposit Guarantee Fund. On the other hand following the contribution to the IPS, the contribution of Bank Millennium to the deposit guarantee fund has been suspended since the first quarter of 2022. As such, Bank Millennium only recorded costs of the deposit guarantee fund for the first quarter of 2022, which amounted to 8 million euros also contributing to the favourable evolution of the global amount of mandatory contributions compared to 2022. The evolution of mandatory contributions in the Polish subsidiary also benefited from the suspension of the payment of the special tax on the Polish banking sector, following the activation, at the beginning of the second half of 2022, of the Bank Millennium Recovery Plan. In 2022 this tax amounted to 36 million euros. Charges for the resolution fund recognised in 2023, in turn, totalled 13 million euros, below the 18 million euros recognised last year.

In addition to the reduction of mandatory contributions in the Polish subsidiary, the evolution of other net operating income in the international activity also benefited, albeit to a lesser extent, from a gain of 11 million euros, considered a specific item, associated with the revaluation of the minority stake (20%) which Bank Millennium in Poland held following the sale of 80% of the shares of Millennium Financial Services sp. z o.o. The mentioned amount includes an additional gain amounting to 2 million euros, compared to the 9 million euros determined in the first quarter of the year.

Conversely, other net operating income was negatively influenced by the impacts related to foreign exchange mortgage loan portfolio that under this item went from an income of 22 million euros in 2022 to an income of 16 million euros in 2023. This performance reflects both the increase arising from court costs related to the counterclaims filed by Bank Millennium and the costs arising from negotiation with customers. On the other hand, the income to be reimbursed from a third party, as compensation for costs incurred with the booking of provisions to address the legal risk implicit in foreign exchange mortgage loans, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A., evolved from 37 million euros in the last year, to 52 million euros this year.

Finally, it should be noted that although other net operating income in the subsidiary in Mozambique almost doubled compared to the amount recognised in the previous year, its impact was not very significant on the evolution of this item.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates include the results appropriated by the Group related to the entities where, despite exercising some influence, it does not have control over their financial and operating policies.

In 2023, equity accounted earnings of the Group totalled 64 million euros, standing 9.6% above the 59 million euros posted in the previous year.

It should be noted that the amount for 2022 has been restated, thus diverging from the amount previously disclosed. In fact, following the simultaneous adoption of IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts on 1 January 2023 by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), an entity 49% owned by the Group, and taking into account that the initial application of IFRS 17 and IFRS 9 requires comparative information, Mbcp Ageas made the transition exercise on 1 January 2022. The restatement of 2022 Group's accounts resulted in an adjustment of 10 million euros, from 40 million euros to 30 million euros in the equity accounted earnings results from Mbcp Ageas in 2022, as detailed in note 59. Adoption of IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

In the activity in Portugal, equity accounted earnings evolved from 58 million euros in 2022, to 60 million euros at the end of the current year. This evolution was mainly due to the increase in results from Mbcp Ageas, including the impact of the restatement of the amounts posted in 2022, as previously mentioned. On the other hand, the lower income generated by the participation in SIBS and mainly in Unicre, compared to the amounts recorded in 2022, offset the growth in equity accounted earnings in the activity in Portugal.

In the international activity, equity accounted earnings evolved from 1 million euros in 2022, to 5 million euros at the end of the current year. Decisive for this evolution was the appropriation of the results generated by Banco Millennium Atlântico in Angola, that went from a negative amount of 1 million euros in 2022 to a positive amount of 3 million euros in 2023. The appropriation of the results generated by Seguradora Internacional de Moçambique, S.A. ("SIM"), currently known as Fidelidade Moçambique - Companhia de Seguros S.A., in turn, did not change materially compared to the previous year.

EQUITY ACCOUNTED EARNINGS

Million euros

	2023	2022 (restated)	2021	Chg. % 23/22
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	40	30	38	36.1 %
UNICRE - Instituição Financeira de Crédito, S.A.	7	12	5	(44.3 %)
Banco Millennium Atlântico, S.A.	3	(1)	(1)	>200%
Banque BCP, S.A.S.	3	5	4	(39.3 %)
SIBS, SGPS, S.A.	10	12	11	(15.7 %)
Other (1)	2	2	—	9.3 %
TOTAL	64	59	57	9.6 %

(1) The appropriation of the results generated by Fidelidade Moçambique - Companhia de Seguros S.A. justifies the entire amount of this heading in 2023 and almost its entirety in 2022.

OPERATING COSTS

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

In 2023, operating costs continued to be strongly influenced by the inflation rates in the three geographies in which the Bank operates. In fact, despite the disciplined management of costs followed by the Group, operating costs as a whole increased by 8.3% compared to the 1,073 million euros recorded in 2022, totalling 1,163 million euros, at the end of the current year.

The amounts presented do not exclude the specific items considered in each period in staff costs in the activity in Portugal. In 2023, specific items had a negative impact of 15 million euros, including costs related to the compensation for the temporary reduction in employees remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022 by the Bank's employees, costs with employment terminations, namely with early retirements, costs with mortgage financing to former employees and an income recognised after an agreement related to liabilities with former directors of the Bank. In 2022 the impact was also negative in the amount of 16 million euros, including distribution of part of the 2021 results by the Bank's employees, costs with mortgage financing to former employees, discretionary remuneration paid to employees as a measure to offset the impacts of inflation and the recognition of a provision for other structure adaptation measures.

Excluding specific items, operating costs of the Group amounted to 1,147 million euros, standing 8.6% above the 1,057 million euros accounted in the previous year. This performance was determined by the increase in both staff costs (9.3%, 52 million euros) and other administrative costs (11.4%, 40 million euros), in both cases more significant in the international activity, although activity in Portugal also showed an increase compared to the amount recorded in the previous year. Depreciations, in turn, were slightly below (1.3%, 2 million euros) the amount recorded in 2022, as the reduction recorded in the activity in Portugal was almost entirely offset by the increase in the international activity.

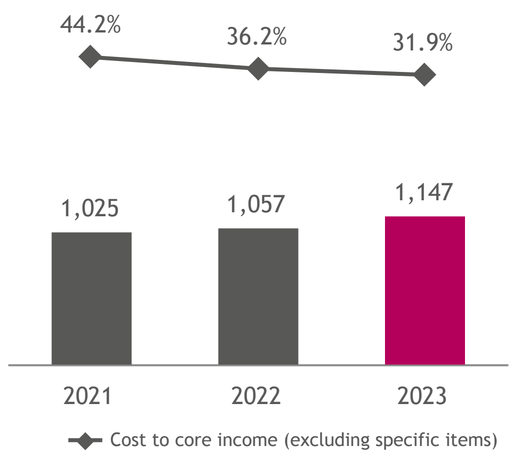
Although operating costs were higher than in 2022, the increase shown in both net operating revenues and core income allowed a significant improvement in cost to income and cost to core income ratios. In fact, excluding the specific items mentioned above and also excluding the positive impact of 139 million euros, recognised in 2023, in the international activity, associated with the sale of 80% of the shares in Millennium Financial Services sp. z o.o. also considered specific items, cost to income evolved from 37.0% to 31.6% and cost to core income from 36.2% to 31.9% in the last year.

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

OPERATING COSTS

(excluding specific items)

Million euros



In the activity in Portugal, operating costs totalled 617 million euros in 2023, standing 2.5% above the 602 million euros posted in 2022. Excluding the specific items mentioned above, operating costs increased 2.8%, from 585 million euros to 601 million euros.

This evolution of operating costs in the activity in Portugal, not considering the effect of specific items, reflects the increases of 5.4% (17 million euros) and 2.6% (5 million euros) recorded in staff costs and other administrative costs, respectively. Depreciations, in turn, contributed favourably to the evolution of operating costs in the activity in Portugal, standing 7.6% (6 million euros) below the amount recorded in 2022.

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

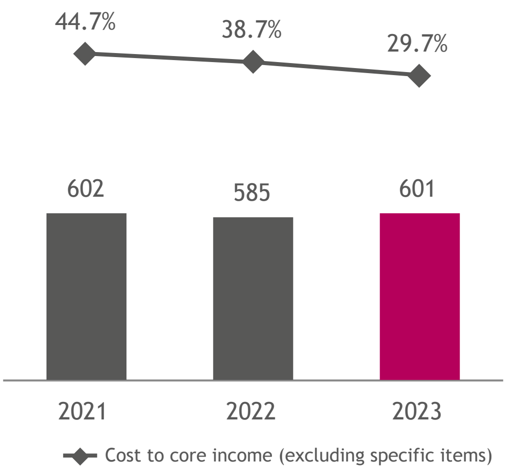
In fact, excluding the impact of specific items, cost to income ratio in the activity in Portugal stood at 29.5%, comparing favourably with the 37.2% recorded in 2022, while cost to core income ratio improved from 38.7% to 29.7%. Cost to income and cost to core income stated ratios stood at 30.3% and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

OPERATING COSTS

(excluding specific items)

Activity in Portugal

Million euros

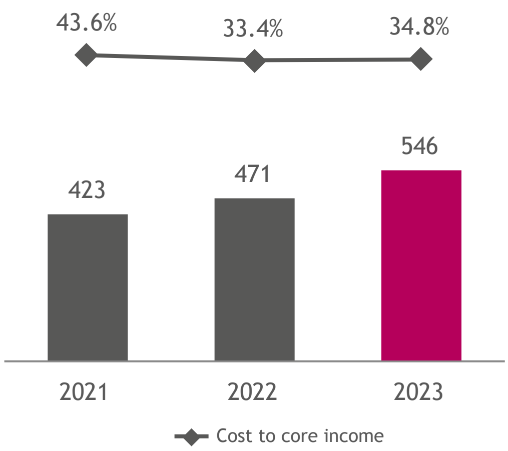


In the international activity, operating costs totalled 546 million euros at the end of 2023, standing 15.8% above the 471 million euros accounted in the previous year. This evolution was mainly due to the performance of the Polish subsidiary, although in the subsidiary in Mozambique operating costs were also higher than those recorded in 2022. In both cases, the inflation recorded in these geographies was decisive to this evolution.

OPERATING COSTS

International activity

Million euros



In the Polish subsidiary, the increase in operating costs resulted, above all, from the evolution of staff costs and other administrative costs, with depreciations showing a less significant increase. In addition to the inflation levels, it is also important to mention the impact that the characteristics of the labour market in Poland, with very low unemployment rates, had in operating costs, namely the increase in staff costs, as a way of retaining employees.

In turn, in the operation in Mozambique, operating costs were also higher compared to the amount recorded in 2022, mainly reflecting the increase in other administrative costs, but also, although to a lesser extent, staff costs and depreciations.

The evolution of operating costs in the international activity was thus due to the increases of 14.4% (35 million euros) in staff costs, of 21.0% (36 million euros) in other administrative costs and of 7.0% (4 million euros) in depreciations.

Despite higher operating costs, the evolution of net operating revenues also allowed an improvement in the cost to income ratio of the international activity, from 36.6% para 31.5%. Excluding the positive impact, in the amount of 139 million euros recognised in 2023, associated to the sale of 80% of the shares of Millennium Financial Services sp. z o.o., considered as specific items, cost to income ratio of the international activity was 34.2%. Cost to core income ratio in the international activity, in turn, evolved from 33.4% to 34.8%.

OPERATING COSTS

Million euros

	2023	2022	2021	Chg. % 23/22
ACTIVITY IN PORTUGAL (1)				
Staff costs	340	322	346	5.4 %
Other administrative costs	189	184	176	2.6 %
Depreciation	73	79	80	(7.6 %)
	601	585	602	2.8 %
INTERNATIONAL ACTIVITY				
Staff costs	277	242	218	14.4 %
Other administrative costs	205	169	148	21.0 %
Depreciation	64	60	57	7.0 %
	546	471	423	15.8 %
CONSOLIDATED (1)				
Staff costs	617	564	564	9.3 %
Other administrative costs	393	353	324	11.4 %
Depreciation	137	139	137	(1.3 %)
	1,147	1,057	1,025	8.6 %
SPECIFIC ITEMS	15	16	91	(7.4 %)
TOTAL	1,163	1,073	1,116	8.3 %

(1) Excludes the impact of specific items previously mentioned.

STAFF COSTS

In 2023, staff costs totalled 632 million euros, standing 8.8% above the 581 million euros accounted in the previous year.

These amounts include the specific items recognised in each period in the activity in Portugal. In 2023, specific items, related to staff costs, had a negative impact of 15 million euros, including the compensation for temporary reduction in employees remunerations in 2014-2017 as distribution of part of the Bank's results obtained in 2022 by the employees, costs with employees terminations, namely early retirements, costs with mortgage financing to former employees and an income recognised after an agreement related to liabilities with former directors of the Bank. In 2022, the impact was also negative in the amount of 16 million euros, including distribution of part of the 2021 results by the Bank's employees, costs with mortgage financing to former employees, discretionary remuneration paid to employees as a measure to offset the impacts of inflation and the recognition of a provision for other structure adaptation measures.

Excluding specific items, staff costs of the Group amounted to 617 million euros, increasing 9.3% from the 564 million euros accounted for in the previous year, mainly influenced by the international activity.

In the activity in Portugal, staff costs amounted to 355 million euros at the end of 2023, standing 4.8% above the 339 million euros recorded in the previous year. Not considering the impact of the specific items, staff costs in the activity in Portugal totalled 340 million euros in 2023, corresponding to an increase of 5.4% compared to the 322 million euros recorded a year before.

After the implementation of the headcount adjustment plan that the Bank carried out in 2021, the number of employees in the activity in Portugal remained stable, standing at 6,242 employees at the end of 2023, ten less than on 31 December 2022. It should be noted, however, that the Bank continued to acquire the required capabilities to meet current needs namely by hiring new employees with specific skills, namely on digital, new technologies and internal control areas.

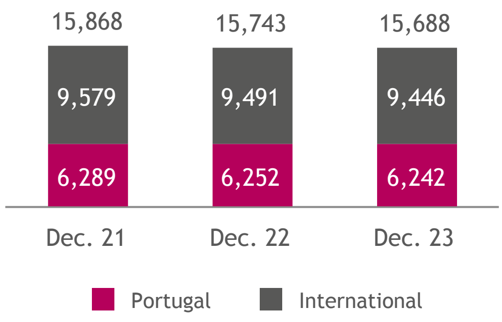
In the international activity, staff costs amounted to 277 million euros at the end of 2023, standing 14.4% above the 242 million euros recorded in 2022. The Polish subsidiary was mainly responsible for this evolution, although the subsidiary in Mozambique also contributed to the increase in staff costs compared to the previous year, albeit to a lesser extent.

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

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

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

EMPLOYEES



STAFF COSTS

Million euros

	2023	2022	2021	Chg. % 23/22
Salaries and remunerations	508	462	455	10.0 %
Social security charges and other staff costs	109	103	108	6.1 %
TOTAL EXCLUDING SPECIFIC ITEMS	617	564	564	9.3 %
of which:				
Activity in Portugal	340	322	346	5.4 %
International activity	277	242	218	14.4 %
SPECIFIC ITEMS	15	16	91	(7.4 %)
TOTAL	632	581	654	8.8 %

OTHER ADMINISTRATIVE COSTS

In 2023, the evolution of other administrative costs continued to be strongly influenced by inflation in the three geographies in which the Bank operates, especially in operations abroad. Thus, notwithstanding the disciplined management of costs followed by the Group, other administrative costs, in consolidated terms, were 11.4% above the 353 million euros recorded in the previous year, totalling 393 million euros at the end of the current year.

In the activity in Portugal, other administrative costs amounted to 189 million euros, standing 2.6% above the 184 million euros recorded in 2022.

To a large extent, the increase in costs associated with outsourcing, related to banking operations, contributed to this performance. Influenced by the effect of inflation, others supplies and services and rents and leases were also higher compared to the amount recorded in the previous year. On the other hand, the investment in technology and cybersecurity inevitably led to an increase in the respective costs, particularly maintenance of hardware and software, with an impact on headings information technology services and maintenance and related services. On the other hand, the increasingly digital servicing model, with the increasing transfer of transactions to machines, resulted in the growth of the number of deposit machines installed in branches, which, along with the inclusion of a greater number of branches in the deposit centralisation service was reflected in the increase in costs associated with the transport of values (reflected under transportation item), despite the fact that the cost per transaction has decreased. Costs associated with advertising, travel, hotel and representations, legal expenses and training were also higher than the amounts observed in 2022, but had a smaller impact on the evolution of other administrative costs in the activity in Portugal.

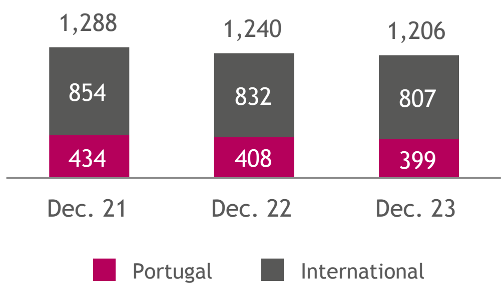
On the other hand, significant savings were obtained in water, electricity and fuel, resulting from the reduction in energy prices and from an efficient management of these consumptions. Costs associated with advisory services and other specialised services were also lower compared to the amounts recorded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

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

In the international activity, other administrative costs amounted to 205 million euros in 2023, representing a 21.0% increase from the 169 million euros posted in the previous year, largely reflecting the aforementioned general price increases with repercussions in both the Polish subsidiary and the subsidiary in Mozambique.

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

BRANCHES



OTHER ADMINISTRATIVE COSTS

Million euros

	2023	2022	2021	Chg. % 23/22
Water, electricity and fuel	15	18	13	(17.0 %)
Consumables	8	8	6	0.6 %
Rents and Leases	27	24	24	10.5 %
Communications	25	24	21	5.3 %
Travel, hotel and representation costs	7	5	3	36.9 %
Advertising	28	25	24	11.5 %
Maintenance and related services	18	17	14	10.5 %
Credit cards and mortgage	9	9	8	0.2 %
Advisory services	44	32	27	38.0 %
Information technology services	26	28	25	(7.1 %)
Outsourcing and independent labour	112	93	93	19.4 %
Other specialised services	29	29	28	(0.3 %)
Training costs	1	1	1	3.5 %
Insurance	5	5	5	2.0 %
Legal expenses	5	4	5	14.7 %
Transportation	11	10	8	9.9 %
Other supplies and services	24	21	19	13.5 %
TOTAL	393	353	324	11.4 %
of which:				
Activity in Portugal	189	184	176	2.6 %
International activity	205	169	148	21.0 %

(1) In 2023, some reclassifications were made, in order to improve the quality of the information reported. The historical amounts related to 2022 and 2021 of such items are presented considering these reclassifications with the purpose of ensuring their comparability, therefore diverging from the accounting values disclosed. The overall amount of other administrative costs disclosed in previous periods remains unchanged compared to that published in previous periods.

DEPRECIATIONS

Depreciations amounted to 137 million euros at the end of 2023, standing 1.3% below the amount recorded in 2022. This evolution mainly reflects the performance of the activity in Portugal, although its impact was largely absorbed by the increase recorded in the international activity.

In the activity in Portugal, depreciations showed a reduction of 7.6%, evolving from 79 million euros in 2022 to 73 million euros in the current year. It is important, however, to note that this evolution was possible, despite the increased investment made in software and IT equipment, given the Bank's commitment to the digital transformation process.

In the international activity, depreciations amounted to 64 million euros in 2023, standing 7.0% above the 60 million euros recorded in 2022, reflecting the performance of both the Polish subsidiary and the Mozambican subsidiary.

RESULTS ON MODIFICATION

In the fourth quarter of 2022, the Bank reviewed and reclassified the amount associated with costs arising from the moratorium program (credit holidays) in Poland, enacted in July of that year, which had been accounted for in other impairments and provisions, starting to recognise these costs as results on modification. Since then, this heading also started to include contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans, in accordance with IFRS9.

In 2023, results on modification totalled a negative amount of 19 million euros, which compares with an also negative amount of 310 million euros recorded in the previous year, with the amount recognised in 2022 resulting mainly from the recognition of costs arising from the aforementioned moratorium program (credit holidays).

In this context, it should be noted that, 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, access to credit holidays up to eight months in 2022-2023 for borrowers of mortgage loans denominated in Zlotys, the Bank estimated the maximum impact of implementing 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. In the fourth quarter of 2022, a review of the effective cost and use of credit moratoriums by eligible borrowers in the second half of 2022 was carried out and ongoing requests to suspend mortgage loan instalments in Zlotys in the year 2023 were analysed. As a result of this review, taking into account the analysis of Customers behaviour, Bank Millennium's Group adjusted the estimates of the participation percentage to 68%. The total estimated cost of credit moratoria was consequently reduced to 283 million euros at the end of 2022.

On the other hand, costs associated with contractual modifications negotiated with customers with foreign exchange mortgage loans, also in the Polish subsidiary, were lower compared to the amount recognised in 2022.

LOANS IMPAIRMENT

Impairment of loans to customers includes impairment of financial assets at amortised cost for loans granted to customers and for debt securities associated with credit operations, net of reversals and recoveries of credit and interest.

The reconciliation of the impairment of financial assets at amortised cost presented in the consolidated profit and loss account with the impairment of loans to customers considered for the purposes of this analysis is presented as follows:

Loans impairment (P&L)

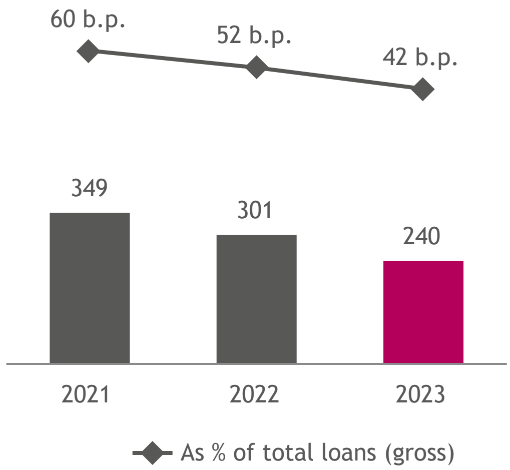
Million euros

	2023	2022	2021
Impairment of financial assets at amortised cost (accounting P&L) (1)	248	301	353
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	(1)	0	1
Impairment of financial assets at amortised cost not associated with credit operations (3)	9	1	3
Loans impairment considering management criteria (4)=(1)-(2)-(3)	240	301	349

In 2023, impairment for loan losses (net of recoveries) totalled 240 million euros, showing a reduction of 20.2% compared to the 301 million euros accounted for in the previous year, reflecting the favourable evolution recorded both in the activity in Portugal and mainly in the international activity.

LOANS IMPAIRMENT (NET)

Million euros

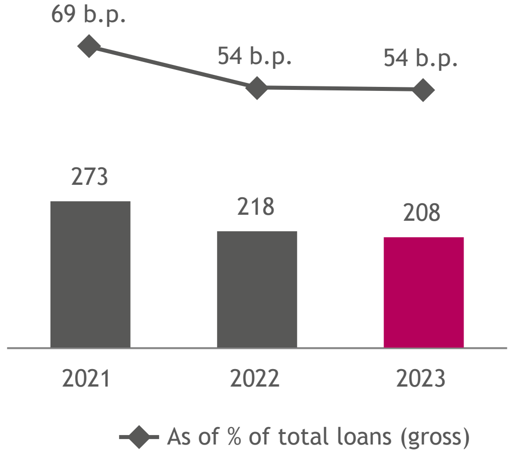


In the activity in Portugal, loans impairment charges (net of recoveries), amounted to 208 million euros in 2023, standing 5.0% below the 218 million euros recognised in 2022. The lower level of provisioning, compared to the previous year, reflects, on the one hand, the improvement in the risk profile of the credit portfolio and, on the other, the recovery of relevant non-performing exposures.

LOANS IMPAIRMENT (NET)

Activity in Portugal

Million euros



In the international activity, impairment charges (net of recoveries) stood significantly below the 82 million euros recognised in 2022, standing at 32 million euros at the end of 2023, as a result of the performance of both the subsidiary in Poland and mainly from the Mozambican subsidiary.

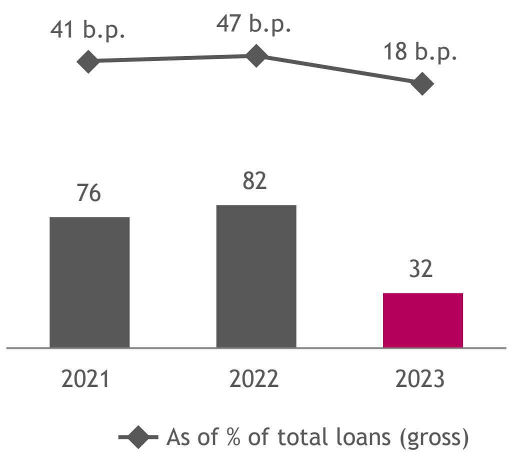
In the Polish subsidiary, the update of the impairment computation parameters for exposures guaranteed by the State, as well as the change in default definition, together with the impact of the sale of non-performing loans contributed to the improvement observed the last year.

In the subsidiary in Mozambique, in turn, the evolution of loans impairment benefited from the partial recovery of a credit in litigation, following an out-of-court settlement. Additionally, the reversal of impairments booked in previous periods also contributed, albeit in a less significant way, to the favourable evolution of loans impairment in this subsidiary.

LOANS IMPAIRMENT (NET)

International activity

Million euros



The evolution of impairment charges (net of recoveries), in consolidated terms, allowed the cost of risk of the Group, net of recoveries, to record a significant improvement in relation to the 52 basis points observed in 2022, standing at 42 basis points in 2023. Excluding the impact of the recovery associated with the out-of-court settlement, previously mentioned, the cost of risk in 2023 stood at 48 basis points.

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

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

LOANS IMPAIRMENT (NET OF RECOVERIES)

Million euros

	2023	2022	2021	Chg. 23/22
Loan impairment charges (net of reversions)	298	321	372	(7.4 %)
Credit recoveries	58	21	23	177.1 %
TOTAL	240	301	349	(20.2 %)
of which:				
Activity in Portugal	208	218	273	(5.0 %)
International activity	32	82	76	(60.5 %)
COST OF RISK:				
Cost of risk (net of recoveries)	42 b.p.	52 b.p.	60 b.p.	(10) b.p.

OTHER IMPAIRMENT AND PROVISIONS

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

In 2023, other impairment and provisions totalled 860 million euros, 13.8% above the 756 million euros recorded in the previous year. This evolution was, to a large extent, influenced by the reinforcement of the additional provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans, which amounted to 675 million euros in the current year vs 431 million euros recognised in the previous year. It should be noted, however, that the evolution of other impairments and provisions was also considerably influenced by the recognition, in June 2022, of impairment of the goodwill of the Polish subsidiary, in the amount of 102 million euros.

Other impairments and provisions, in the activity in Portugal, contributed favourably to the performance of this heading, as there was a significant reduction of 21.7% over the last year, from 205 million euros, to 161 million euros.

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

In the international activity, other impairment and provisions amounted to 699 million euros at the end of 2023, standing 27.0% above the 550 million euros recorded a year earlier.

As previously mentioned, this evolution essentially reflects the increase of 244 million euros in the provision booked by the Polish subsidiary to face the legal risk associated with foreign exchange mortgage loans, the impact of which on the evolution of this heading was largely offset by the impairment in the amount of 102 million euros, booked in June of the previous year, relating to the total goodwill associated with the participation that the Group holds in Bank Millennium.

In fact, the unfavourable decision of the Court of Justice of the European Union with regard to remuneration for the use of capital on foreign exchange mortgage loans in the Polish subsidiary and the inclusion of adjustments in the calculation methodology, in order to anticipate potential negative trends associated to this portfolio led to the mentioned reinforcement of provisions. It should be noted that the impact of the reinforcement of these provisions was, however, offset by the recognition of income, reflected in the heading of other net operating income, corresponding to the amount receivable from a third party, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A. (52 million euros in 2023 and 37 million euros in 2022).

Although other impairments and provisions, in the subsidiary in Mozambique, more than doubled compared to the amount recognised in 2022, their impact was not very significant on the evolution of this item in the international activity. The increases were essentially recorded in impairments associated with other financial assets and other assets, although there was a significant reduction in the impairment of non-current assets held for sale.

Conversely, the impairments that had been recognised in 2022 to cover the investment in the participation in Banco Millennium Atlântico (including impairment for goodwill) were non-existent in 2023, favourably influencing the performance of other impairments and provisions in the international activity.

INCOME TAX

Income tax (current and deferred) amounted to 537 million euros in 2023, which compares to 304 million euros posted in the previous year.

The recognised taxes include, in 2023, current tax of 180 million euros (110 million euros in 2022) and deferred tax of 358 million euros (195 million euros in 2022).

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

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

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

NON-CONTROLLING INTERESTS

Non-controlling interests are the part attributable to third parties of the net income of the subsidiary companies consolidated under the full method in which the Group Banco Comercial Português does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests record mainly the income for the year attributable to third parties related to the shareholdings in Bank Millennium in Poland (49.9%) and in Millennium bim in Mozambique (33.3%).

In 2023, non-controlling interests totalled 92 million euros, contrasting with the negative amount of 78 million euros recorded in the previous year. This evolution was mainly a result of the income for the year attributable to third parties via the consolidation of the Polish subsidiary, which went from a negative amount of 108 million euros to 63 million euros, following the better results obtained by Bank Millennium in 2023, compared to 2022.

Income for the year attributable to third parties via the consolidation of the subsidiary in Mozambique, in turn, amounted to 34 million euros in 2023, which compares with 35 million euros in 2022.

REVIEW OF THE BALANCE SHEET

Following the entry into force of the IFRS 9 – Financial Instruments on January 1, 2018 and the consequent impacts on the structure of the financial statements of Millennium bcp versus previous periods, some indicators were defined based on concepts that translate the management criteria adopted by the Group within the scope of preparation of financial information. The correspondence between the management approaches and the accounting information is described in the glossary and throughout the document, when applicable, especially the concepts related with loans to customers, balance sheet customer funds and the securities portfolio.

BALANCE SHEET

Million euros

	31 Dec. 23	31 Dec. 22 restated	31 Dec. 21	Chg. 23/22
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (1)	4,883	6,235	8,158	(21.7 %)
Financial assets measured at amortised cost				
Loans and advances to credit institutions	908	963	453	(5.7 %)
Loans and advances to customers	53,305	54,676	54,972	(2.5 %)
Debt instruments	17,579	13,036	8,205	34.9 %
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	823	767	931	7.3 %
Financial assets not held for trading mandatorily at fair value through profit or loss	467	553	991	(15.5 %)
Financial assets designated at fair value through profit or loss	32	0	0	
Financial assets measured at fair value through other comprehensive income	10,834	7,462	12,891	45.2 %
Investments in associated companies	356	315	462	13.1 %
Non-current assets held for sale	80	499	781	(84.0 %)
Other tangible assets, goodwill and intangible assets	830	757	857	9.5 %
Current and deferred tax assets	2,575	2,957	2,705	(12.9 %)
Other (2)	1,706	1,657	1,497	3.0 %
TOTAL ASSETS	94,380	89,877	92,905	5.0 %
LIABILITIES				
Financial liabilities measured at amortised cost				
Resources from credit institutions	829	1,468	8,896	(43.5 %)
Resources from customers	75,607	75,430	69,560	0.2 %
Non subordinated debt securities issued	2,713	1,482	2,188	83.0 %
Subordinated debt	1,397	1,333	1,395	4.8 %
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	207	242	231	(14.1 %)
Financial liabilities measured at fair value through profit or loss	3,608	1,818	1,582	98.5 %
Other (3)	2,718	2,167	1,990	25.4 %
TOTAL LIABILITIES	87,080	83,940	85,843	3.7 %
EQUITY				
Share capital	3,000	3,000	4,725	
Share premium	16	16	16	
Other equity instruments	400	400	400	
Reserves and retained earnings (4)	2,040	1,541	840	32.4 %
Net income for the period attributable to Bank's Shareholders	856	197	138	>200 %
Non-controlling interests	987	782	943	26.3 %
TOTAL EQUITY	7,299	5,937	7,062	23.0 %
TOTAL LIABILITIES AND EQUITY	94,380	89,877	92,905	5.0 %

(1) Includes Cash and deposits at central banks and Loans and advances to credit institutions.
(2) Includes Hedging derivatives, Investment property and Other assets.
(3) Includes Hedging derivatives, Provisions, Current and deferred income tax liabilities and Other liabilities.
(4) Includes Legal and statutory reserves and Reserves and retained earnings.

The reconciliation between the management criteria defined and the accounting values published in the consolidated financial statements are presented below.

Loans to customers (gross) includes loans to customers at amortised cost before impairment, the debt securities at amortised cost associated with credit operations before impairment and loans to customers at fair value through profit or loss before fair value adjustments. The amount of balance sheet impairment considered for the purpose of calculating loans to customers (net) and the coverage ratio of the loan portfolio includes the balance sheet impairment associated with loans to customers at amortised cost, the balance sheet impairment related with debt securities at amortised cost associated with credit operations and the fair value adjustments associated with loans to customers at fair value through profit or loss.

Loans to customers

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21
Loans to customers at amortised cost (accounting Balance Sheet)	53,305	54,676	54,972
Debt instruments at amortised cost associated to credit operations	1,908	1,501	1,308
Balance sheet amount of loans to customers at fair value through profit or loss	4	21	79
Loans to customers (net) considering management criteria	**55,218**	**56,198**	**56,360**
Balance sheet impairment related to loans to customers at amortised cost	1,583	1,502	1,849
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	9	5	7
Fair value adjustments related to loans to customers at fair value through profit or loss	5	8	14
Loans to customers (gross) considering management criteria	**56,814**	**57,713**	**58,231**

Regarding deposits and other resources from customers, the Bank continued to use the approach previously used for the item “Resources from customers and other loans”, aggregating resources from customers at amortised cost and customer deposits at fair value through profit and loss (non-existent on 31 December 2021). Balance sheet customer funds include, apart from deposits and other resources from customers, debt securities placed with customers either classified at amortised cost or designated at fair value through profit or loss.

Balance sheet customer funds

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	3,608	1,818	1,582
Debt securities at fair value through profit or loss and certificates (2)	1,287	1,341	1,582
Customer deposits at fair value through profit or loss considering management criteria (3)=(1)-(2)	**2,321**	**477**	**0**
Resources from customers at amortised cost (accounting Balance sheet) (4)	75,607	75,430	69,560
Deposits and other resources from customers considering management criteria (5)=(3)+(4)	**77,928**	**75,907**	**69,560**
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	2,713	1,482	2,188
Debt securities at fair value through profit or loss and certificates (7)	1,287	1,341	1,582
Non subordinated debt securities placed with institutional customers (8)	2,713	1,480	2,155
Debt securities placed with customers considering management criteria (9)=(6)+(7)-(8)	**1,287**	**1,343**	**1,615**
Balance sheet customer funds considering management criteria (10)=(5)+(9)	**79,215**	**77,250**	**71,175**

The securities portfolio includes debt securities at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding amounts related to credit operations and trading derivatives), and financial assets at fair value through other comprehensive income.

Securities portfolio

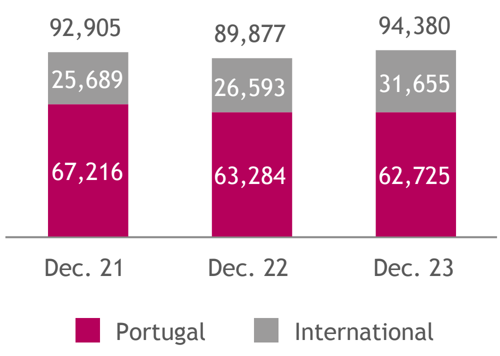
Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21
Debt instruments at amortised cost (accounting Balance sheet) (1)	17,579	13,036	8,205
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,908	1,501	1,308
Debt instruments at amortised cost considering management criteria (3)=(1)-(2)	**15,671**	**11,535**	**6,897**
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	467	553	991
Balance sheet amount of loans to customers at fair value through profit or loss (5)	4	21	79
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6)=(4)-(5)	**463**	**532**	**912**
Financial assets held for trading at fair value through profit or loss (accounting Balance sheet) (7)	823	767	931
of which: trading derivatives (8)	414	376	431
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (9)	32	0	0
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (10)	10,834	7,462	12,891
Securities portfolio considering management criteria (11)=(3)+(6)+(7)-(8)+(9)+(10)	**27,409**	**19,918**	**21,201**

The year 2023 was characterised by an increase in Millennium bcp's consolidated balance sheet, with an increase, on the assets side, driven by the significant reinforcement of the securities portfolio, despite the reductions observed in deposits at central banks, in loans to customers portfolio (net of impairment), in non-current assets held for sale and in deferred tax assets. Additionally, there was also an increase in liabilities, mainly due to the increase observed in deposits and other resources from customers and in non-subordinated debt securities issued and also, in equity, mainly due to integration of the net result for the year.

TOTAL ASSETS

Million euros



Note: 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 positive impact of 16 million euros in the 2022 consolidated balance sheet total assets.

The effect of the increase in deposits and other resources from customers on a consolidated basis combined with the decrease in loans to customers portfolio (net of impairment) led to a surplus increase of the commercial gap and, consequently, to the reduction of the loans-to-deposits ratio (measured by the ratio between net loans and deposits and other resources from customers), which evolved from 74.0% at the end of 2022 to 70.9% on 31 December 2023.

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

MAIN GEOGRAPHIES

Million euros

				International activity *								
	Portugal			Total Int Op			Bank Millennium			BIM		
	Dec. 23	Dec.22 restated	Dec. 21	Dec. 23	Dec. 22	Dec. 21	Dec. 23	Dec. 22	Dec. 21	Dec. 23	Dec. 22	Dec. 21
TOTAL ASSETS	**62,725**	**63,284**	**67,216**	**31,655**	**26,593**	**25,689**	**28,897**	**23,697**	**22,669**	**2,711**	**2,824**	**2,527**
LOANS TO CUSTOMERS (GROSS)	**38,625**	**40,149**	**39,866**	**18,190**	**17,564**	**18,365**	**17,535**	**16,881**	**17,739**	**654**	**683**	**626**
Mortgage loans	18,763	19,014	18,394	9,218	9,110	9,678	9,207	9,099	9,668	10	11	11
Personal loans	2,324	2,180	2,111	4,509	3,862	3,888	4,308	3,700	3,752	201	161	135
Companies	17,538	18,955	19,361	4,463	4,593	4,799	4,020	4,082	4,319	443	511	480
CUSTOMER FUNDS	**66,672**	**68,262**	**66,290**	**28,623**	**24,546**	**23,806**	**26,547**	**22,315**	**21,912**	**2,075**	**2,232**	**1,894**
BALANCE SHEET CUSTOMER FUNDS	**52,450**	**54,077**	**49,319**	**26,765**	**23,173**	**21,856**	**24,690**	**20,941**	**19,962**	**2,075**	**2,232**	**1,894**
Deposits and other resources from customers	51,163	52,734	47,712	26,765	23,173	21,848	24,690	20,941	19,954	2,075	2,232	1,894
Debt securities placed with customers	1,287	1,343	1,606	0	0	9	0	0	9	0	0	0
OFF BALANCE SHEET CUSTOMER FUNDS	**14,222**	**14,185**	**16,972**	**1,858**	**1,373**	**1,950**	**1,858**	**1,373**	**1,950**	**0**	**0**	**0**
Assets under management	4,351	4,307	4,629	1,210	806	1,143	1,210	806	1,143	0	0	0
Assets placed with customers	5,516	4,803	6,076	399	299	410	399	299	410	0	0	0
Insurance products (savings and investment)	4,355	5,075	6,267	248	268	397	248	268	397	0	0	0

*The international operations, in addition to the activity of Bank Millennium in Poland and Millennium Bim in Mozambique, also include the activity of Banco Millennium Atlântico in Angola and until 2022 the activity of Millennium BCP Bank & Trust in the Cayman Islands. The presentation of the international activity operations is in accordance with the Consolidated Accounts of the Group, and there may be differences in relation to the accounts disclosed locally. In 2022, the aggregate of international operations includes the impairment of the goodwill related to the Polish subsidiary, recorded in the consolidated accounts.

** In Poland, loans to customers (gross) include: buy-sell back transactions (i.e. reverse repos) (31 December 2023: 3 million euros, 31 December 2022: 1 million euros; 31 December 2021: 59 million euros) and customer funds include sell-buy back transactions (i.e. repos) (31 December 2021: 4 million euros).

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

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

Total liabilities of the Group stood at 87,080 million euros at the end of 2023, a value higher than the 83,940 million euros recorded at the end of 2022, with this evolution being driven by increases in deposits and other resources from customers resources and in non-subordinated debt securities issued, despite the decrease in resources from central banks and from credit institutions. Deposits and other resources from customers stood at 77,928 million euros on 31 December 2023, 2,021 million euros above the figure recorded at the end of 2022, with this evolution being driven by the positive contribution of the international activity, partly offset by the decrease in deposits in the activity in Portugal. The non subordinated debt securities issued also contributed to the aforementioned evolution of liabilities, increasing from 1,482 million euros at the end of 2022 to 2,713 million euros at the end of 2023, mainly due to the issue of two preferred senior debts, one within the scope of the activity in Portugal (issued by Banco Comercial Português) and another in the international activity (issued by Bank Millennium), to reinforce the capacity to comply with MREL (Minimum Requirements for Own Funds and Eligible Liabilities). These aforementioned issues amounted in both cases to 500 million euros and were carried out in September.

Equity showed an increase from 5,937 million euros figure recorded at the end of the previous year to 7,299 million euros at the end of 2023, with the positives impacts of the integration of net income for the year and the favourable evolution of the fair value reserve, influenced by the positive impact of cash flow hedging, being partially offset by the negative evolution of actuarial deviations associated with the pension fund.

LOANS TO CUSTOMERS

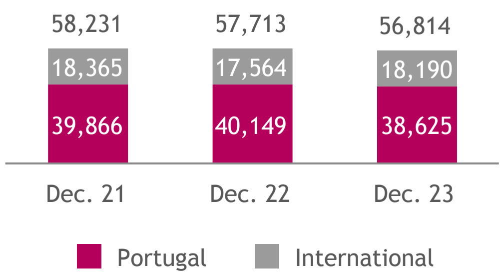
Millennium bcp's consolidated customer loan portfolio (gross loans, that is, before impairment and fair value adjustments) amounted to 56,814 million euros as of 31 December 2023, standing below the 57,713 million euros figure achieved at the end of the previous year. This evolution reflects the reduction in the activity in Portugal, although the increase recorded in the international activity partially offset this reduction.

The evolution of the loans to customers portfolio, compared to 31 December 2022, was mainly due to the reduction recorded in the loans to companies segment, mainly seen in the activity in Portugal, but also in the international activity, although in the latter case the reduction was less significant. In the opposite direction, there was a greater contribution from loans to individuals segment, due to the increase in personal loans, partly offset by the slight reduction seen in mortgage loans. It should also be noted that the good performance of individuals segment was driven by the increase observed in the international activity, as the activity in Portugal recorded a slight reduction.

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

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments

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

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million Euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21	Chg. 23/22
INDIVIDUALS				
Mortgage loans	27,981	28,124	28,072	(0.5 %)
Personal loans	6,833	6,042	5,999	13.1 %
	34,813	**34,165**	**34,071**	**1.9 %**
COMPANIES				
Services	7,528	8,037	8,297	(6.3 %)
Commerce	3,834	4,055	4,231	(5.4 %)
Construction	1,500	1,532	1,766	(2.1 %)
Other	9,139	9,923	9,866	(7.9 %)
	22,001	23,548	24,160	(6.6 %)
TOTAL	**56,814**	**57,713**	**58,231**	**(1.6 %)**

The structure of the consolidated (gross) loans to customers portfolio maintained balanced patterns of diversification, with an increase in loans to individuals (higher weight of personal loans and lower weight of mortgage loans) and a decrease in loans to companies recorded compared to last year. In terms of relative weights of credit in the total amount of the portfolio, loans to individuals stood at 61.3% as of 31 December 2023, 2.1 pp above the 59.2% recorded at the end of 2022 and loans to companies stood at 38.7% at the end of 2023, 2.1 pp below the 40.8% recorded as of 31 December 2022. Still regarding loans to individuals, at the end of the year 2023, mortgage loans represented 80.4% of loans to individuals, 1.9 pp below the 82.3% recorded at the end of the previous year and personal loans represented 19.6%, 1.9 pp above the 17.7% recorded in 2022.

Consolidated loans to individuals, at 31 December 2023 amounted to 34,813 million euros, showing an increase of 1.9% compared to the 34,165 million euros recorded at the end of the previous year, mainly due to the evolution of the international activity, which showed an expansion, rising from 12,971 million euros on 31 December 2022 to 13,727 million euros at the end of 2023. Conversely, there was a small contraction in the activity in Portugal, with loans to individuals going from 21,194 million euros on 31 December 2022 to 21,087 million euros on the same date in 2023.

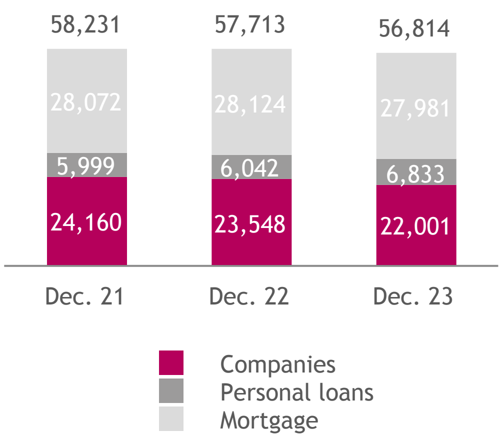
Consolidated mortgage loan portfolio stood at 27,981 million euros on 31 December 2023, showing a slight reduction compared to the value recorded on the same date last year (28,124 million euros on 31 December 2022). In the activity in Portugal, a reduction of 1.3% was recorded compared to the same date of the last year, in a context of a lower demand for new credits due to high interest rates and higher loan repayments. Conversely, in the international activity, mortgage loans showed an increase of 1.2% compared to the same date of the last year, with an increase in mortgage loans being recorded in the Polish subsidiary and a reduction in the Mozambican subsidiary.

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

On the other hand, consolidated personal loans increased by 791 million euros compared to the end of the previous year, reaching 6,833 million euros at the end of 2023. In this context, it is important to highlight the contribution of the international activity, where personal loans increased by 647 million euros compared to the level recorded in the previous year (driven by the growth recorded in the Polish and Mozambican subsidiaries, with the most significant increase being recorded in the Polish subsidiary). In the activity in Portugal, personal loans registered an increase of 144 million euros compared to the figure recorded on the same date of 2022.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments

Loans to companies, in consolidated terms, totalled 22,001 million euros on 31 December 2023, remaining below the 23,548 million euros recorded at the end of 2022, with the evolution being influenced both by the reductions observed in the activity in Portugal (minus 1,417 million euros than on the same date of the last year) and in the international activity (minus 130 million euros than on the same date of the last year).

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

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

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21	Chg. 23/22
MORTGAGE LOANS				
Activity in Portugal	18,763	19,014	18,394	(1.3 %)
International Activity	9,218	9,110	9,678	1.2 %
	27,981	**28,124**	**28,072**	**(0.5 %)**
PERSONAL LOANS				
Activity in Portugal	2,324	2,180	2,111	6.6 %
International Activity	4,509	3,862	3,888	16.8 %
	6,833	**6,042**	**5,999**	**13.1 %**
COMPANIES				
Activity in Portugal	17,538	18,955	19,361	(7.5 %)
International Activity	4,463	4,593	4,799	(2.8 %)
	22,001	**23,548**	**24,160**	**(6.6 %)**
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	38,625	40,149	39,866	(3.8 %)
International Activity	18,190	17,564	18,365	3.6 %
TOTAL	**56,814**	**57,713**	**58,231**	**(1.6 %)**

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

The Bank has in place a credit portfolio management and monitoring processes, namely with regard to the assessment of the risk profile of the exposure in different portfolios/segments. These procedures have the purpose of identifying and closely monitoring the customers potentially more affected by the macroeconomic and/or geopolitical context, anticipating possible difficulties in meeting their commitments and defining credit and performance strategies adjusted to the specific specificities of each customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk in cases where there are risks of loss in the exposure value.

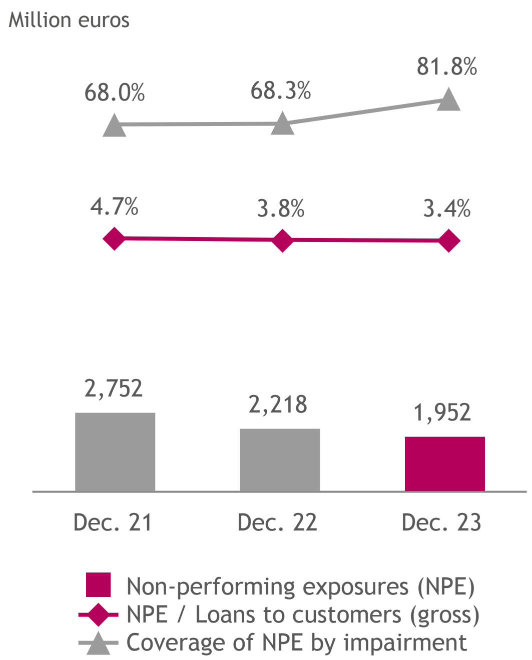
In this complex context, credit overdue for more than 90 days, on a consolidated basis, showed an increase compared to the 496 million euros recorded at the end of 2022, amounting to 512 million euros on 31 December 2023. The total volume of overdue credit, on a consolidated basis, also recorded an increase in relation to the 590 million euros recorded at the end of 2022, standing at 623 million euros on 31 December 2023, mainly due to the evolution seen in the activity in Portugal, where there was an increase from 201 million euros recorded at the end of 2022 to 230 million euros at the end of 2023.

The NPE stock, in consolidated terms, decreased to 1,952 million euros on 31 December 2023, showing a reduction of 266 million euros compared to the end of 2022. In the activity in Portugal, the NPE stock totalled 1,107 million euros at the end of 2023, with a significant reduction of 255 million euros being recorded in the same period.

Regarding credit quality indicators, there was a stabilisation compared to the same date of the previous year in terms of the credit overdue for more than 90 days as a function of total credit, on a consolidated basis, and NPL ratio for more than 90 days, on a consolidated basis, that stood at 0.9% and 1.3%, respectively in both years. In turn, NPE ratio in percentage of the total credit portfolio, on a consolidated basis, decreased from 3.8% to 3.4% in that period. In the activity in Portugal, the NPE ratio as a percentage of the total credit portfolio evolved from 3.4% to 2.9% in the last year.

Regarding coverage ratios by impairments, the NPL by more than 90 days coverage, in consolidated terms, evolved from 208.9% at the end of 2022 to 213.0% on 31 December 2023. The coverage ratio for credit overdue for more than 90 days by impairments, on a consolidated basis, was 312.1% on 31 December 2023, which compares with a ratio of 305.8% on the same date of 2022 and in the activity in Portugal the coverage level evolved from 519.5% at the end of year 2022 to 471.7% at the end of year 2023. The coverage of NPE by impairments, in consolidated terms, stood at 81.8% at the end of 2023, above the 68.3% recorded on 31 December 2022. In the activity in Portugal, the coverage of NPE by impairments stood at 89.3% on 31 December 2023, also at a level above the figure recorded in the previous year (68.6% on 31 December 2022).

CREDIT QUALITY



CREDIT QUALITY INDICATORS

	Group				Activity in Portugal			
	Dec. 23	Dec. 22	Dec. 21	Chg. 23/22	Dec. 23	Dec. 22	Dec. 21	Chg. 23/22
STOCK (M€)								
Loans to customers (gross)	56,814	57,713	58,231	(1.6 %)	38,625	40,149	39,866	(3.8 %)
Overdue loans > 90 days	512	496	949	3.2 %	210	180	586	16.5 %
Overdue loans	623	590	1,080	5.5 %	230	201	605	14.6 %
Restructured loans	1,729	1,866	2,564	(7.3 %)	1,186	1,341	2,069	(11.5 %)
NPL > 90 days	750	725	1,237	3.4 %	360	333	776	8.0 %
NPE	1,952	2,218	2,752	(12.0 %)	1,107	1,361	1,878	(18.7 %)
Loans impairment (Balance sheet)	1,596	1,515	1,871	5.3 %	989	935	1,286	5.8 %
NPE impairment (Balance sheet)	1,028	1,011	1,369	1.7 %	606	592	917	2.4 %
CREDIT QUALITY								
Overdue loans > 90 days / Loans to customers (gross)	0.9%	0.9%	1.6%		0.5%	0.4%	1.5%	
Overdue loans / Loans to customers (gross)	1.1%	1.0%	1.9%		0.6%	0.5%	1.5%	
Restructured loans / Loans to customers (gross)	3.0%	3.2%	4.4%		3.1%	3.3%	5.2%	
NPL > 90 days / Loans to customers (gross)	1.3%	1.3%	2.1%		0.9%	0.8%	1.9%	
NPE / Loans to customers (gross)	3.4%	3.8%	4.7%		2.9%	3.4%	4.7%	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.2%	2.6%	3.2%		2.0%	2.4%	3.2%	
COVERAGE BY IMPAIRMENTS								
Coverage of overdue loans > 90 days	312.1%	305.8%	197.0%		471.7%	519.5%	219.5%	
Coverage of overdue loans	256.4%	256.7%	173.3%		429.9%	465.6%	212.6%	
Coverage of NPL > 90 dias	213.0%	208.9%	151.2%		274.8%	280.4%	165.8%	
Coverage of NPE	81.8%	68.3%	68.0%		89.3%	68.6%	68.5%	
Specific coverage of NPE	52.7%	45.6%	49.7%		54.7%	43.5%	48.8%	

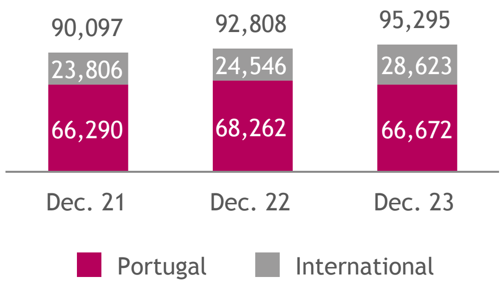
Note: NPE include loans to customers only, as defined in the glossary.

CUSTOMER FUNDS

On 31 December 2023, the consolidated total customer funds amounted to 95,295 million euros, showing a favourable evolution, increasing by 2,487 million euros compared to the 92,808 million euros obtained on the same date of the previous year, benefiting from the increase in the international activity (4,076 million euros more than on the same date of the last year), partially mitigated by the reduction in the activity in Portugal (1,590 million euros less compared to the same date of the previous year). The evolution of total customer funds reflects the good performance of most items, with emphasis on the rise in deposits and other resources from customers, which increased by 2,021 million euros compared to 31 December 2022.

TOTAL CUSTOMER FUNDS

Million euros



TOTAL CUSTOMER FUNDS

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21	Chg. 23/22
BALANCE SHEET CUSTOMER FUNDS				
Deposits and other resources from customers	77,928	75,907	69,560	2.7%
Debt securities placed with customers	1,287	1,343	1,615	(4.1%)
	79,215	**77,250**	**71,175**	**2.5%**
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	5,561	5,114	5,773	8.8%
Assets placed with customers	5,915	5,102	6,486	15.9%
Insurance products (savings and investment)	4,603	5,343	6,663	(13.8%)
	16,080	**15,558**	**18,922**	**3.3%**
TOTAL	**95,295**	**92,808**	**90,097**	**2.7%**

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

In the international activity, total customer funds increased by 4,076 million euros compared to the 24,546 million euros recorded on 31 December 2022, standing at 28,623 million euros at the end of 2023, mainly reflecting the positive contribution of the Polish subsidiary, slightly offset by the decrease recorded in the subsidiary in Mozambique. The aforementioned increase was mainly driven by the good performance of the balance sheet customer funds due to the rise of deposits and other resources from customers and also by the favourable evolution of the off balance sheet customer funds, although to a lesser extent in the latter case.

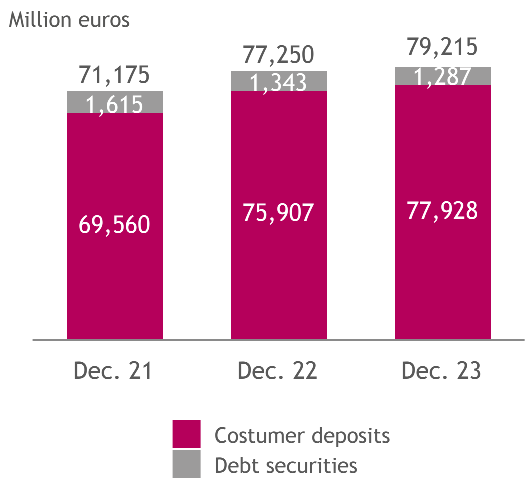
Consolidated balance sheet customer funds, which comprise deposits and other resources from customers and debt securities placed with customers, amounted to 79,215 million euros on 31 December 2023, showing an increase of 1,965 million euros compared to the 77,250 million euros reached at the end of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

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

Deposits and other resources from customers of the Group, totalled 77,928 million euros at the end of 2023, which compares with the 75,907 million euros obtained on 31 December 2022. In the international activity, at the end of 2023, the amount of deposits and other resources from customers increased by 3,592 million euros, benefiting from the increasing volumes of deposits in the Polish subsidiary, slightly mitigated by the decrease recorded in the Mozambican subsidiary. In turn, in the activity in Portugal, a reduction of 1,571 million euros was recorded, in a context of savings being drawn for the early repayment of credits and for other purposes.

Debt securities placed with customers, which corresponds to the Group's issues of debt securities subscribed by clients (in 2023 and in 2022 existing only in the activity in Portugal) recorded a decrease of 56 million euros compared to the end of 2022, standing at 1,287 million euros at end of 31 December 2023.

BALANCE SHEET CUSTOMER FUNDS

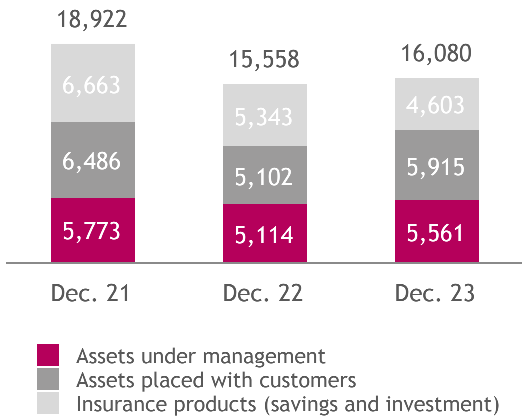


As of 31 December 2023, consolidated off-balance sheet customer funds stood at 16,080 million euros, showing an increase of 521 million euros compared to the figure posted on the same date in the prior year. The increases recorded in assets placed with customers and assets under management, were partially offset by the decrease seen in insurance products (savings and investment). Off balance sheet customer funds recorded a significant rise in the international activity and a slight increase in the activity in Portugal.

Assets under management, which result from the provision of the service of managing portfolios of clients under existing agreements for their placement and administration, amounted to 5,561 million euros on 31 December 2023, having shown an increase compared to the figure of 5,114 million euros recorded at the end of 2022, benefiting above all from the dynamism of the international activity. In the activity in Portugal, a slight increase was recorded.

OFF BALANCE SHEET CUSTOMER FUNDS

Million euros



Assets placed with customers, which in turn correspond to the amounts held by customers within the scope of placing third-party products that contribute to the recognition of commissions, also recorded an increase compared to the 5,102 million euros recorded as of 31 December 2022, amounting to 5,915 million euros on 31 December 2023, having benefited from the dynamism of the activity in Portugal and to a lesser extent also of the international activity.

Insurance products (savings and investment) amounted to 4,603 million euros on 31 December 2023, recording a decrease compared to the 5,343 million euros posted on the same date of the previous year, with this evolution being explained by the reductions recorded in the activity in Portugal and in the international activity, although in the latter case was of a smaller magnitude.

TOTAL CUSTOMER FUNDS

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21	Chg. 23/22
BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	52,450	54,077	49,319	(3.0%)
International Activity	26,765	23,173	21,856	15.5%
	79,215	**77,250**	**71,175**	**2.5%**
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	14,222	14,185	16,972	0.3%
International Activity	1,858	1,373	1,950	35.3%
	16,080	**15,558**	**18,922**	**3.3%**
TOTAL CUSTOMER FUNDS				
Activity in Portugal	66,672	68,262	66,290	(2.3%)
International Activity	28,623	24,546	23,806	16.6%
TOTAL	**95,295**	**92,808**	**90,097**	**2.7%**

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale registered a decrease of 84.0% on 31 December 2023 compared to the same date of the last year, amounting to 80 million euros at the end of the current year (499 million euros at the end of 2022).

Other assets (which mainly include equipment and financial assets) continue to have a small weight in the overall calculation of this item, with a decrease of 44.8% being recorded compared to 31 December 2022.

NON-CURRENT ASSETS HELD FOR SALE

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21	Chg. 23/22
REAL ESTATE				
Arising from recovered loans	48	236	503	(79.7%)
From investment funds and real estate companies	14	220	229	(93.6%)
For own use	2	14	17	(85.7%)
	64	**470**	**748**	**(86.4%)**
OTHER ASSETS				
Equipment	4	16	17	(75.0%)
Other assets	12	13	15	(7.7%)
	16	**29**	**32**	**(44.8%)**
TOTAL	**80**	**499**	**781**	**(84.0%)**

The Group's properties received under customer credits recovery (foreclosed assets), held directly and held by investment funds and real estate companies, are classified under non-current assets held for sale and also under the heading of other assets. The aggregate value of these properties net of impairment recorded evolved from 385 million euros at the end of 2022 to 188 million euros at the end of 2023, as a result of the divestment strategy in this type of non-productive assets.

SECURITIES PORTFOLIO

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

For the mentioned evolution, the increase of 5,562 million euros in the public debt securities portfolio held by the Group was determinant. This portfolio increased from 16,531 million euros at the end of 2022 to 22,093 million euros at 31 December 2023, representing 80.6% of the total portfolio amount at the end of 2023, below the 83.0% recorded at the end of 2022.

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

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

Taking into account the type of portfolio, there was a more significant increase in the portfolio of financial assets at amortised cost and, also, an increase in the portfolio of financial assets measured at fair value through other comprehensive income, reflecting the objective of holding securities for a longer period of time. On the other hand, there was a slight reduction in the portfolio of financial assets at fair value through profit or loss.

SECURITIES PORTFOLIO

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21	Chg. 23/22
Financial assets measured at amortised cost (1)	15,671	11,535	6,897	35.9 %
Financial assets measured at fair value through profit or loss (2)	904	922	1,413	(2.0 %)
Financial assets measured at fair value through other comprehensive income	10,834	7,462	12,891	45.2 %
TOTAL	**27,409**	**19,918**	**21,201**	**37.6 %**
of which:				
Activity in Portugal	17,271	14,561	16,128	18.6 %
International activity	10,138	5,357	5,072	89.2 %

(1) Corresponds to debt instruments not associated to credit operations, including treasury bills
(2) Excluding the amounts related to loans to customers and trading derivatives.

CASH, DEPOSITS AND LOANS TO ADVANCES TO CENTRAL BANKS AND CREDIT INSTITUTIONS

Cash and deposits at central banks and credit institutions and loans and advances to credit institutions (2023: 5,792 million euros; 2022: 7,199 million euros) net of resources from credit institutions, including central banks (2023: 829 million euros; 2022: 1,468 million euros) totalled a positive value of 4,963 million euros at the end of 2023, which compares with a positive value of 5,731 million euros at the end of 2022.

OTHER ASSET ITEMS

Other assets items, which includes hedging and trading derivatives, investments in associates, investment properties, other tangible assets, goodwill and intangible assets, current and deferred taxes assets and other assets, stood at 5,881 million euros on 31 December 2023, representing 6.2% of total consolidated assets. At the end of 2022, other asset items represented 6.7% of total consolidated assets, totalling 6,063 million euros.

EQUITY

On 31 December 2023, total equity amounted to 7,299 million euros, 1,363 million euros above the equity of 5,937 million euros existing at the end of the previous year. Non-controlling interests increased from 782 million euros at the end of the previous year to 987 million euros in 2023, in this case motivated mainly by the increase in the equity of the subsidiary in Poland, justified by the positive results generated in the year.

The increase in equity resulted mainly from the integration of the net profit for the year which totalled 856 million euros, the positive impact of the fair value reserve net of income taxes, which increased by 456 million euros and the positive exchange rate consolidation differences, totalling 8 million euros. Conversely, equity was affected by the negative actuarial deviations associated with the pension fund in the net amount of 124 million euros and the interest from coupons of the Additional Tier 1 instruments, which amounted to 37 million euros.

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 Investment Banking (*) Interfundos (*) Specialized Credit and Real Estate Division (*) Treasury and Markets International Division (*)
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.

(*) Units all together that serve mainly customers in the Companies & Corporate segment, but also customers in other segments, in which the corresponding income is recognized. The operating costs of those units are attributed to the Other segment.
(**) For the purposes of business segments, Millennium bcp Bank & Trust (Cayman Islands) is included in the Private Banking segment. In terms of geographic segments, this operation is considered Foreign Business. It should be noted, however, the liquidation of this operation during the year 2022.
(***) Consolidated by the equity method.

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

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

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

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

RETAIL

Mass Market

During 2023, the Mass Market segment focused its commercial activity on developing First Bank relationships, both with the current Customer base and with new Customers attracted.

Through various marketing actions and the high proximity and quality of service to the Customer, it was possible to increase the number of paid orders, as well as the day-to-day transactional relationship and cross-selling.

Taking into account the economic context of high inflation, a campaign was launched that remained active throughout the year and allowed Customers who paid their salary or pension to benefit from the refund of a percentage of the value of direct debits associated with their household expenses.

In the youth segment, the focus on positioning in the University segment stands out, with the promotion of the “Unni” Value Proposition, which integrates an Integrated GO! University, non-financial offer aimed at the segment, preferential conditions on personal training credit, discounts on specialization courses at partner Universities and insurance with coverage for protection needs during exchange programs (Erasmus).

The strategy of increasing Customers' digital engagement was also reinforced, through actions to encourage account opening on the App with *Chave Móvel Digital*; activating and encouraging the use and development of new functionalities and services.

Prestige

In 2023, the Prestige segment continued to increase its Customer base, leveraging targeted actions to attract customers, build loyalty and upgrades. Of particular note is the increase in the average involvement of the segment's Customers with the Bank.

In the Investment component, the Bank sought to constantly adjust the offer of different investment instruments, adapting it to different profiles and objectives.

The continuous improvement of the Prestige Customer experience continued to be a priority, highlighting the offer of local or remote personalized management service (monitoring by a Customer Manager), the “service password on the App” functionality with priority customer service Prestige and the features in the Millennium App that facilitate interaction with the Manager.

In Remote Customer Management, several initiatives were implemented to optimize the “Prestige Direto” service model, a service aimed at Digital Prestige Customers, which allows dedicated remote management during extended hours.

Portuguese Diaspora & Foreigners

In 2023, the Portuguese Diaspora & Foreigners segment continued its strategy of increasing proximity and relationships, as well as growing and rejuvenating the Customer base.

Given the particularities of the segment, we sought to develop the relationship with these Customers through a differentiated offer, which seeks to satisfy the specific needs of those who live or interact with the Bank abroad, as well as the promotion of the Bank's Digital channels, which allow greater proximity regardless of the geographic area where the Customer is located.

In order to guarantee greater support to Customers abroad, Millennium bcp maintains a physical presence through the local Network of Representative Offices in Brazil (Rio de Janeiro and São Paulo), the United Kingdom (London) and Switzerland (Geneva and Zurich).

Businesses

Millennium bcp maintained a strong commercial dynamic throughout 2023, despite the challenging economic context, characterized by rising interest rates and international conflicts. Attracting new customers continued to be one of Millennium bcp's main priorities.

Products

Loans to individuals

In 2023, the Bank sought to simplify and adjust the credit "offer" to Customers' needs.

In Personal Credit, we highlight the continued focus on boosting digital channels (App and website) with diversified promotional actions adjusted to the profile and needs of Customers, as well as the simplification of the "offer".

Recognizing a pressing need for energy conversion, the offer for investments aimed at improving the energy efficiency of residential buildings was reinforced.

The Bank maintained support for training, through University Credit with Mutual Guarantee and Personal Training Credit.

In Real Estate Credit, during the second half of the year, and in a context of higher interest rates, the “zero spread” campaign was launched, allowing the Customer to benefit from a lower instalment at an early stage of their loan.

Fixed rate solutions were also made available, as well as the possibility of choosing the Euribor index at 3, 6 or 12 months.

It is also worth highlighting the continuation of a strong investment in innovation, increasingly incorporating the Digital channel into the hiring journey in order to make the entire process simpler, more agile and faster.

Bearing in mind the relevance of the Sustainability policy, the "offer" was maintained with advantageous conditions for the acquisition of properties with better energy efficiency.

Throughout the year, the Bank also made available the possibility for the Customer to adhere to the different Government Support Measures aimed at Customers with Credit for their own and permanent Housing. In order to simplify and guarantee more comprehensive access, 100% Digital membership journeys were developed.

Investment solutions

In 2023, in the investment component, the Bank sought to adjust its offer of investment products to the new interest rate context.

The commitment to digital continues to be clear with the launch of an automated investment service (Easy Invest) which is sold exclusively on the App and also the provision of a savings assistance service using the definition of objectives called Apparte Account.

Insurance

During 2023, the insurance sales partnership maintained a high dynamic, with new offerings, process improvements and considerable investment in digital channels, namely the App.

“Insurance is at Millennium” and that is why, throughout 2023, we sought to increase the offer of protection available to the Bank's Customers.

Also in Insurance, Digital has gained a very important role, with an increase in its weight in total interactions and sales, with the launch of subscription to various insurance policies through the App.

The dynamics and improvements implemented resulted in a reinforcement of the bancassurance market share, which in Non-Life increased from 34.6% in 2022 to 35.5% in 2023 and in Life Risk from 18.8% to 21.1%.

Integrated Solutions

In 2023, the strategy of valuing the "offer" associated with having an integrated solution was reinforced with the launch of a savings product with exclusive remuneration for holders of these solutions.

Positioning itself as the reference Bank for young people, Millennium bcp extended its university offer to €0 also for Customers with a degree, master's degree or doctorate under the age of 30 and who domicile their salary and sign up to the digital statement.

At the end of the year, Millennium bcp made available a new banking solution aimed exclusively at Customers 55+ who have integrated solutions for banking products and services. Millenniumbcp thus continues its strategy of launching integrated solutions by segment, now allowing customization.

Current Accounts

Millenniumbcp has made new features available on the App, with a Digital Mobile Key that allows account opening without the need for video conferencing and uploading documents, as well as updating data without the need to send or upload documents.

Microcredit

Millennium bcp continued to be a reference bank in supporting Microcredit projects, having lines available with European guarantees, namely from the European Investment Fund, for these operations.

ActivoBank

In 2023, ActivoBank reinforced its focus on the young digital segment, through the development of digital products and functionalities in order to respond to the financial needs of this segment.

The bank attracted approximately 68 thousand new Customers, which allowed it to reach a base of 517 thousand Customers, with a very high degree of digitalization.

These results are the result of a consistent strategy for developing brand awareness. Additionally, from a procedural point of view, the new account opening process with Digital Mobile Key was implemented and account opening methodologies were also reinforced, such as scheduling account opening at any *Ponto Activo*.

The most significant notoriety actions were based on an influencer marketing strategy that ensured high levels of reach and specialization of audiences in digital media.

During 2023, ActivoBank maintained an increasing focus on digital marketing actions that were present in the majority of the offer and that supported the business capture regime consistently.

Regarding products, digital cards were made available on the App, which made it possible to make transactions immediately after opening a digital account.

In the scope of savings and investment products, the strategy was focused on the deposit portfolio with the recreation of the entire offer taking into account the new objectives and market context of increasing rates. This strategy allowed significant growth in the term deposit portfolio and the availability of new products that allowed greater diversification of the term deposit portfolio.

In terms of investments, we highlight the launch of a new product, "EasyInvest", a unit-linked insurance where, given the desired profile and strategy, the Customer can invest automatically in the ActivoBank App, and the reinforcement of the offer of funds investment distributed by ActivoBank.

With regard to credit, new products were launched with new purposes, such as Health Credit and Automobile Credit and Advance Credit ordered with contracting via App.

Still during 2023, ActivoBank continued its positioning in the area of Sustainability.

In the context of financial literacy, the podcast *No fim de contas* was launched, where financial management suggestions were presented in each episode.

During 2023, ActivoBank developed 12 social solidarity actions through its monthly item *Dar Créditos*, associating a Project or Social Cause that was supported with an amount of up to 2,000 euros.

As part of the reinforcement of the digital experience, new contracting journeys were made available that allow for the continued growth of the digital business, including insurance subscription through the App, updating of Customer data, issuance of the letter of approval for mortgage credit digital form and EcoActivo Credit.

ActivoBank's net profit in 2023 was 39.4 million euros, which represents an increase of 105.8% compared to the previous year.

Million euros

RETAIL BANKING in Portugal	Dec 31, 2023	Dec 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	882	621	41.9%
Other net income	450	446	0.9%
	1332	1067	24.8%
Operating costs	356	329	8.3%
Impairment and provision	45	67	-34.2%
Income before tax	931	671	38.8%
Income taxes	291	210	38.8%
Income after tax	640	461	38.8%
SUMMARY OF INDICATORS			
Allocated capital	1,001	891	12.4%
Return on allocated capital	63.9%	51.7%	
Risk weighted assets	7,251	7,127	1.7%
Cost to income ratio	26.8%	30.8%	
Loans to Customers (net of impairment charges)	26,003	26,361	-1.4%
Balance sheet Customer funds	39,079	39,739	-1.7%

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

Financial performance

As at 31 December 2023, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled 640 million euros, showing a 38.8% increase compared to 461 million euros in 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 882 million euros as at 31 December 2023, increasing 41.9% compared to the previous year (621 million euros), reflecting the effect of the normalization of interest rates, mainly benefiting from the net interest income arising from the deposit portfolio, which was penalized in the previous context of near zero or negative interest rates.
- Other net income reached 450 million euros as at 31 December 2023, showing an increase of 0.9% compared to the amount attained in the previous year. This evolution reflects the positive performance of commissions, mainly from management and maintenance of accounts, cards and transfer fees, although partially mitigated by lower commissions on credit operations, as a result of the legal restrictions imposed. On the other hand, during the year 2023, the level of the gains recognized with the sale of non-current assets held for sale was lower compared to those observed during the year 2022.
- Operating costs were 8.3% higher than the amounts recognized in 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 45 million euros at the end of December 2023, remaining at a low level relative to the loan portfolio size of this segment, presenting a decrease of 34.2% compared to the amount of 67 million euros recorded in the same period of the previous year.
- In December 2023, loans to customers (net) totalled 26,003 million euros, decreasing 1.4% from December 2022 (26,361 million euros), while balance sheet customer funds decreased by 1.7% in the same period, amounting to 39,079 million euros in December 2023 (39,379 million euros in December of the previous year), mainly explained by the decrease in customer deposits.

COMPANIES AND CORPORATE

Millennium bcp reaffirmed its position in supporting Portuguese Companies and Entrepreneurs.

New support lines were made available, with financial guarantee provided by Banco Português de Fomento.

Also noteworthy is the leadership in placing guarantees from the European Investment Fund, with the execution of the largest national contract under the European InvestEU Program, around 400 million euros. A new guarantee was also signed with the European Investment Bank to grant credit worth 400 million euros to Medium and Large Companies and the Public Sector.

Continuing the work implemented during the Portugal 2020 community framework, in 2023, the Bank maintained its focus on supporting Business Investment that benefits from European Incentives. Millennium bcp actively contributed to the successful closing of the Community Portugal 2020 framework, exceeding 6 thousand project support operations.

In the Recovery and Resilience Plan, the Bank maintains a very important role in supporting entities that are responsible for executing the contracted investments by the end of 2026.

At the start of the Portugal 2030 Community framework, the accumulated experience and the level of internal specialization make Millennium bcp fully prepared to support the economy and Companies that are awaiting the first approvals or preparing and submitting applications.

Highlights include the Millennium Talks events, which brought issues such as Innovation, corporate financing, but also the way in which they can grow on sustainable foundations to the center of discussion.~

In 2023, Millennium bcp maintained close proximity to the primary sector. It has a specialized team with the capacity to monitor and respond to the specific financial needs of Entrepreneurs in the sector, it has dedicated financial solutions, such as credit lines registered with IFAP, it maintains a newsletter and regular presence at the main events national agricultural and livestock sectors, in which it gives up its space to give visibility to its Customers.

Millennium bcp maintains leadership in Leasing, with 597 million euros of new production in 2023. As a privileged solution to support investment for SMEs, the Bank has carried out several operational optimization initiatives with an impact on the Customer experience. The Leasing offer is today an integral part of the Guarantee Lines of the European Investment Bank and the European Investment Fund provided by Millennium bcp, reinforcing the Bank's capacity to respond to the investment needs of Companies.

In 2023, Millennium bcp once again surpassed 10 billion euros in turnover and led in this segment.

In the Trade Finance business, Millennium bcp continued to reinforce its positioning as a partner bank for Exporting and Importing Companies:

- Best Trade Finance Bank with "Best Service" and "Market Leader", according to Euromoney.
- Maintaining leadership in credit for exporting companies;
- Significant and sustained growth in credit insurance sales in partnership with COSEC, with emphasis on the contracting of new policies.

During 2023, Millennium bcp reinforced the Sustainable Business Credit aspects, having an offer within the scope of Green Mobility, Credit for Green Real Estate Promotion and Credit for Investment Projects. Of particular note is the financing of affordable housing projects, within the Controlled Cost Housing regime and housing projects with a sustainable approach, which mainly resides in the energy efficiency of the installed systems.

During 2023, Millennium bcp provided sustainable financing with European guarantees, namely from the European Investment Fund, and credit support from national entities such as Banco Português de Fomento and Turismo de Portugal should also be mentioned.

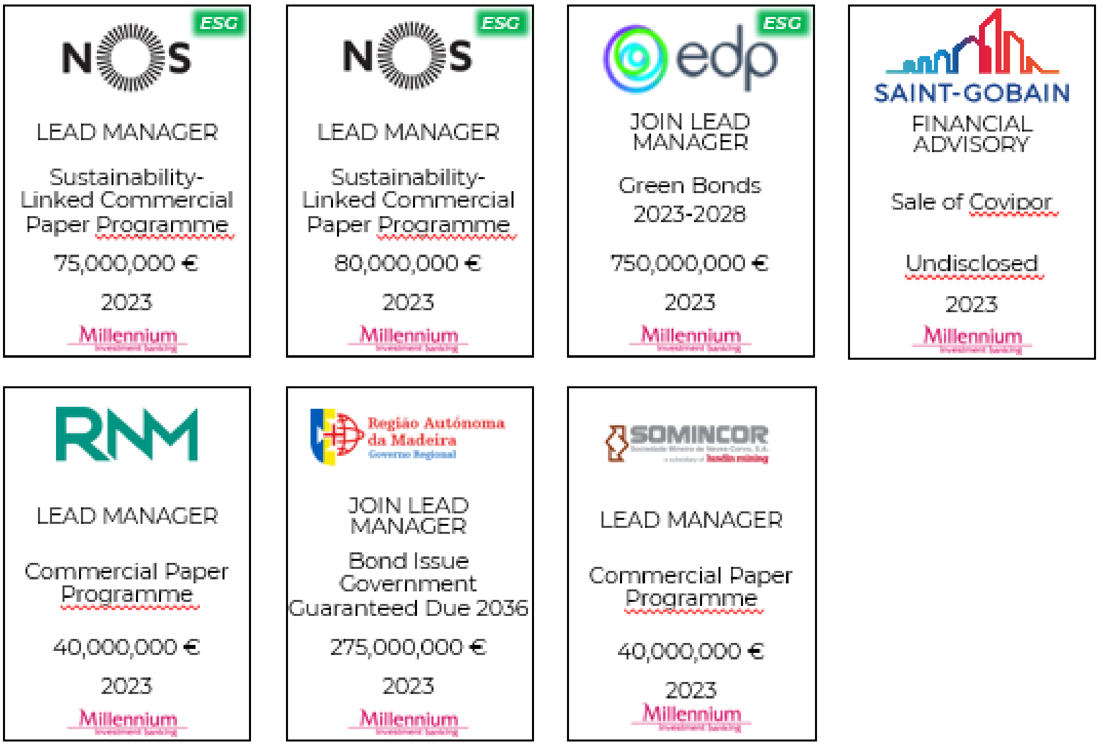
Investment banking

The Bank participated in several projects in Portugal and in international markets.

- In Corporate Finance, the Bank providing financial advisory to its Customers and to the Bank itself in various projects, involving researching, developing and completing M&A operations, valuation of companies, corporate restructuring and reorganization processes, as well as research and economic-financial analysis of projects. In the mergers and acquisitions segment, special mention should be made of providing exclusive financial advice to the Saint-Gobain Group on the sale of 100% of Saint-Gobain's flat glass transformation operations in Portugal, operated by Covipor – Companhia Vidreira do Porto, Lda.
- With regard to the Project Finance area, we highlight the participation in the financing of the construction of a portfolio of small solar production units with 157 MW of installed capacity and the refinancing of two solar

photovoltaic parks with a total installed capacity of 4.4 MW.

- In the Structured Finance area, we participated in the analysis, structuring, negotiation and setting up of new financing operations in Portugal, of which emphasis is given to financing the Electricity Company of Madeira and financing to the RNM group for the acquisition of two companies that allowed the expansion and diversification of its portfolio of products and services.
- Regarding Capital Markets activity, the joint leadership of the "green" debt issue by EDP, worth 750 million euros, and an issue by the Autonomous Region of Madeira with the endorsement of the Republic, worth a total of 275 million euros, stands out. millions of euros. Several new Commercial Paper Programs were also contracted with a number of relevant national companies, including two NOS Sustainability Linked Commercial Paper Programs worth 75 and 80 million euros, respectively, stands out.



Real estate business

Main areas of activity during 2023:

Management of real estate assets available for sale - The Bank developed and deepened its property sales strategy, managing to exceed the objectives of reducing assets on the Balance Sheet, selling properties with a long history in the portfolio, and with strict control of financial impacts. The external environment required the Bank's teams to constantly anticipate trends, as well as adapt to new opportunities and needs, through the development of commercial approaches, based on the experience and commercial relationships accumulated over recent years, and supported by the trust essential to decision making by Customers and other Agents in the Market. In this line, the Bank positions itself as a partner that presents investment solutions, not limited to the simple sale of a real estate asset.

Management of real estate assets not available for sale – The main objective continues to be to put properties up for sale in the shortest possible time, to this end the Bank continues to be demanding, rigorous and competent in its physical, legal and administrative regularization, in the thorough analysis of better alternatives to their appreciation, in the control and management of taxes related to properties, promoting their sale and disposal before the expiry of tax exemptions that some properties enjoy.

These procedures have successfully contributed to the reduction of these assets in the portfolio.

The Bank continued to manage the stakes controlled by the Bank in entities that manage real estate risk, Funds and Companies in a divestment strategy with value preservation.

Interfundos

As of December 31, 2023, Interfundos had under management 19 Alternative Real Estate Investment Organizations (Funds and Collective Investment Companies), corresponding to 881 million euros of net assets under management, which compares with 1,051 million euros recorded in the same period of 2022, showing a 16% decrease in the volume of assets managed compared to the same period last year. These assets guarantee to Interfundos a market share of 6.2% in all Real Estate Investment Organizations (OII).

Interfundos continued its strategy of creating liquidity conditions for Participants and Shareholders of Alternative Real Estate Investment Organizations, a situation evidenced by the completion of six capital reduction operations. Following a deliberation by the respective Participant, Interfundos extended the duration of the Imosotto - Accumulation - Closed Real Estate Investment Fund.

Interfundos also transferred the management of Multi24 - Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A. and liquidated Fundo Imopromoção – Portuguese Real Estate Development Fund, Oceânico II – Fundo de Investimento Imobiliário Fechado and Funsita – Fundo of Closed Real Estate Investment.

On May 28, 2023, the Asset Management Regime (RGA) came into force, published as an Annex to Law Decree 27/2023, of April 28, which became the common regulatory framework for all Collective Investment Organizations. The RGA required the implementation of a set of changes to be implemented by the end of the adaptation period set at 180 days, counting from the date of its entry into force, with Interfundos having made the changes, capable of being carried out, within the deadline 180 days granted.

In 2023, global sales amounted to 180 million euros, corresponding to a total of 259 properties.

Interfundos' net profit in 2023 amounted to 1,724 thousand euros, which corresponds to a decrease of 17% compared to the value recorded in the same period last year (2,084 thousand euros). This performance is mainly attributable to the unfavourable evolution of net commissions of 15%, resulting from the 170 million euros reduction in assets under management. Operating costs recorded a decrease of 15%, essentially resulting from the reduction in Other Administrative Expenses resulting from the Value Added Tax recovery exercise and the adjustment of costs to the activity, despite the increase in the General Price Index. This cost containment allowed a favourable evolution of the efficiency ratio from 47.6% to 47.3%.

Financial Institutions Group (FIG) - integrated into Treasury, Markets & Institutional Department

The year 2023 was characterized by the persistence of events with an impact on international trade, resulting from conflicts and geopolitical tensions, along with regulatory and market changes. This framework, insofar as it tends to potentiate different types of risks - namely legal, reputational, operational and compliance - implied a continuous investment in improving business processes and in due diligence activities with counterparties, reinforcing the quality of business relationships. correspondence that the Bank maintains with the main financial entities in the countries with which it maintains economic relations.

In the different lines of business, the following stand out:

- In international payments and transfers, particularly those associated with international trade, progress continues towards greater efficiency, speed and transparency.

- The Bank continues to deepen agreements and partnerships with leading international banks with a view to optimizing and maximizing efficiency in payments involving foreign exchange operations.
- In the custody activity, the publication of Decree-Law no. 27/2023, of April 28, is highlighted, which approves the Asset Management Regime, which resulted in the opportunity to revisit processes and update contracts and procedures in line with the new regulatory requirements and simultaneously reinforce the value proposition in this specific business segment, in which the role of depository was reinforced.
- In the multilateral segment, the Bank maintained close and fruitful collaboration with the EIB/FEI group, to the benefit of the national business community. Highlight is the signing of two guarantee agreements, one with the EIF under the InvestEU Program in the amount of 405 million euros and the other with the EIB in the amount of 400 million euros, to grant financing to Portuguese companies under preferential conditions. The agreement signed with the EIF aims to support the investment of micro, small and medium-sized companies in projects related to sustainability, innovation and digitalization, social entrepreneurship, microfinance, the cultural and creative sectors, skills and education, and competitiveness. On the other hand, the agreement signed with the EIB aims to support Midcap companies and Public Sector entities.

Million euros

COMPANIES AND CORPORATE in Portugal	Dec 31, 2023	Dec 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	207	203	1.9%
Other net income	152	190	-19.9%
	359	393	-8.6%
Operating costs	62	58	7.5%
Impairment and provision	155	150	3.3%
Income before tax	142	185	-23.3%
Income taxes	44	58	-23.3%
Income after tax	98	127	-23.3%
SUMMARY OF INDICATORS			
Allocated capital	1,276	1,494	-14.6%
Return on allocated capital	7.7%	8.5%	
Risk weighted assets	11,662	11,950	-2.4%
Cost to income ratio	17.3%	14.7%	
Loans to Customers (net of impairment charges)	11,097	11,751	-5.6%
Balance sheet Customer funds	9,465	11,539	-18.0%

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 98 million euros in December 2023, compared unfavourably to an amount of 127 million euros presented in December 2022. This evolution results mostly from a lower other net income. As at December 2023 the performance of this segment is explained by the following changes:

- Net interest income stood at 207 million euros as at 31 December 2023, 1.9% above the amount attained as at 31 December 2022 (203 million euros), as the lower net interest income arising from the loan portfolio was more than offset the improvement in the margin on deposits, enabled by the normalization of interest rates.
- Other net income reached 152 million euros in December 2023, being 19.9% lower compared to the amount achieved in December 2022, which is mainly explained to the gains recognized with the sale of non-current assets held for sale recorded throughout 2022, substantially higher than those recorded in 2023.
- Operating costs totalled 62 million euros by the end of December 2023, 7.5% above the overall amount of costs recorded in the same period of the previous year.
- Impairments charges recorded 155 million euros in December 2023, increasing from 150 million euros in December 2022, an evolution explained by the higher level of recoveries recorded in 2022, with a higher incidence in the 4th quarter.
- In December 2023, loans to customers (net) totalled 11,097 million euros, decreasing 5.6% from December 2022 (11,751 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 9,465 million euros, 18.0% below the amount recorded in December 2022, particularly through the shrinkage of the client’s deposits base, mostly from institutional customers.

PRIVATE BANKING

In 2023, the Bank adjusted its investment "offer", with the launch of new term deposit solutions, new structured deposits and an increase in the "offer" of funds, thus providing solutions for different objectives and risk profiles, allowing the diversification of Customers' assets, and increasing return opportunities.

Throughout the year, permanent monitoring of Customer assets and knowledge sharing were ensured, keeping Customers informed about market developments.

The positioning as the main Bank was reinforced, as a partner for Customers, not only in the management of their financial investments, but also in the management of their day-to-day activities, promoting the cross-selling of payment methods, risk insurance and savings and digital services.

The focus on Digital resulted in the intensive use of remote channels and digital tools, a key component of business success, through the simultaneous use of digital and human channels.

It continued to invest in the dissemination of digital channels among Customers, in increasing the use of these channels, and in the continuous improvement of the quality of service through the improvement of the online experience of Customers in their relationship with the Bank, either on a day-to-day basis either in the savings and investments component, with a special focus on the remote investment hubs of the Millennium App.

In 2023, there was significant growth in the number of Customers with the Millennium App, which reached 60% and in the number of users of the Millennium website, which reached 90.5%. The number of execution customers using the Mtrader App reached 64%. 94.6% of Private Customers adhere to the digital statement.

It is also worth highlighting the importance given to attracting Customers, as well as the onboarding of new Customers, providing Customers, from the outset, with products and services suited to their needs.

Millennium bcp was elected, within the scope of the PWM Wealth Tech Awards 2023, "Best Private Bank For Self-Directed Investments" in Europe by Professional Wealth Management magazine, a publication of the Financial Times Group.

Million euros

PRIVATE BANKING in Portugal	Dec 31, 2023	Dec 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	35	20	72.9%
Other net income	32	33	-0.1%
	67	53	27.8%
Operating costs	15	14	4.1%
Impairment and provision	0	0	
Income before tax	52	39	34.2%
Income taxes	16	12	34.2%
Income after tax	36	27	34.2%
SUMMARY OF INDICATORS			
Allocated capital	24	25	-6.5%
Return on allocated capital	>100%	>100%	
Risk weighted assets	207	203	1.9%
Cost to income ratio	22.2%	27.3%	
Loans to Customers (net of impairment charges)	333	345	-3.4%
Balance sheet Customer funds	2,679	2,747	-2.5%

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 36 million euros in December 2023, showing an increase of 34.2% compared to the net profit reached in December 2022 (27 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 67 million euros in December 2023, 27.8% up from the amount recorded in the previous year (53 million euros), driven by the growth shown in net interest income. Net interest income totalled 35 million euros in December 2023, comparing favourably to 20 million euros reached in December 2022, benefiting from the increase in interest rates and the corresponding improvement in the margin on deposits. Other net income amounted to 32 million euros in December 2023, reflecting a slightly decrease of 0.1% compared to the amount shown in the previous year, with lower commissions from asset management activity and from exchange and brokerage transactions offset by commissions from cards and transfer fees.
- Operating costs amounted to 15 million euros in December 2023, being 4.1% above the operating costs recorded in December 2022.
- The impairment and provision charges had no material impact in the income statement on both periods.
- Loans to customers (net) amounted to 333 million euros in December 2023, showing a decrease of 3.4% compared to the figures accounted in December of the previous year, while balance sheet customer funds corresponded to 2,679 million euros in December 2023, 2.5% below the level achieved in December 2022.

FOREIGN BUSINESS AND OTHERS

Poland

- In 2023, net income amounted to 126.8 million euros which compares to -223.5 million euros in 2022, excluding Foreign Exchange effect.
- Bank Millennium, in Q4 2023 reported positive results of 26.2 million euros, thus presenting positive results for the last five consecutive quarters, after two years of negative results. Bank Millennium results in 2023 continued to be constrained by costs related to the mortgage loan portfolio denominated in Swiss francs that amounted to 735.3 million euros.
- Net profit in 2023 without extraordinary items (mostly related to costs related to the mortgage loan portfolio denominated in Swiss francs and the gain associated to the sale of 80% of Millennium Financial Services stake as a result of the strategic partnership in the bancassurance business) increased from 493.2 million euros, excluding Foreign Exchange effect to 659.3 million euros, corresponding to a 34% change.
- Net interest income (NII) increased by 12.9% y-o-y, excluding credit holidays impact.
- Net fees and commissions decreased slightly by 3% y-o-y.
- Operating costs decreased 4.8% y-o-y (costs excluding BFG/IPS, increased 14% y-o-y).
- Operating income, excluding credit moratoria, increased by 14% y-o-y.
- Impaired loans (stage 3) ratio stood at 4.58% which compares to 4.45% in the previous year.
- Cost of Risk stood at 39 b.p. in 2023 which compares to 44 b.p. in 2022.
- Loans to deposits ratio stood at 68.7% at the end of 2023.
- Significant increase of Group's capital ratios that stood at 18.06% for Total Capital Ratio (TCR) and at 14.73%% for T1 ratio, compared to 14.42% and 11.28%, respectively in 2022, above P2R requirements (12.21% and 9.85%, respectively).

Mozambique

- Net income stood at 105.1 million in 2023, an increase of 1.6% compared to the same period last year, on a comparable basis.
- Net interest income increased by 2.3% and commissions by 3.2%, excluding Foreign Exchange effect.
- Operating costs increased by 13.7%, excluding Foreign Exchange effect, in 2023.
- Stated cost/income ratio increased from 42.6% in 2022 to 47.7% in 2023.
- Loans to customers decreased by 0.9% to 654 million euros, while customer funds decreased by 3.8% to 2.1 billion euros.
- Ratio of NPL more than 90 days overdue stood at 3.2% in December 2023, with coverage of 133% on the same date.
- Cost of risk of -371 b.p. in 2023 (118 b.p. in the same period of 2022) resulting from the partial recovery of a credit in litigation. Without this effect, the cost of risk would be 161 b.p.
- Capital ratio of 36.9%.

Macao[1]

- Net income reached euros 9.1 million in 2023, aligned with Macao Branch's target, down 35%, on a comparable basis, versus 2022. This underperformance was mainly due to the increase in impairments for credit risk that more than offset the increases in net interest income, net trading income and commissions. Loans to customers originated by the Macao Branch increased by 12.8% compared to 2022.
- The Branch acted as a support platform for companies doing business in Macao an in Mainland China.
- Financing of local and Internacional corporate customers.
- Trade finance operations to support companies with exports to and/or imports from China.
- Attracting companies with international trade operations with China.
- Attracting Chinese clients wishing to invest in Portugal, both individually and at the business.
- Promoting contacts between the Investment Banking area of Millennium bcp and Chinese companies seeking investment opportunities in the Portuguese-speaking countries.

[1] For the purpose of the computation of the net income generated by business segments, Macao activity is included in the "Other" segment, since it is carried out through a branch.

Milhões de euros

Poland	Dec 31, 2023	Dec 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	1,157	996	16.2 %
Other net income	311	24	
	1,468	1,020	43.9 %
Operating costs	420	357	17.7 %
Result on modification	-19	-310	-93.7 %
Impairment and provision	740	509	45.2 %
Income before tax	289	-156	
Income taxes	162	61	167.8 %
Income after income tax	127	-217	
BALANCE SHEET			
Loans to Customers (net of impairment charges)	16,955	16,356	3.7%
Balance sheet Customer funds	24,690	20,941	17.9%

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	Dec 31, 2023	Dec 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	202	202	-0.2%
Other net income	62	64	-3.0%
	264	266	-0.9%
Operating costs	126	113	11.0%
Impairment and provision	-11	15	-174.3%
Income before tax	149	138	8.0%
Income taxes	44	36	21.7%
Income after tax from continuing operations	105	102	3.2%
Income from discontinued operations	—	4	-100.0%
Income after income tax	105	106	-0.9%
BALANCE SHEET			
Loans to Customers (net of impairment charges)	626	628	-0.2%
Balance sheet Customer funds	2,075	2,232	-7.0%

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	Dec 31, 2023	Dec 31, 2022	Chg. % 23/22
PROFIT AND LOSS ACCOUNT			
Net interest income	1,359	1,199	13.4 %
Other net income (*)	375	87	>200%
	1,734	1,286	34.9 %
Operating costs	546	471	15.8 %
Result on modification	-19	-310	-93.7 %
Impairment and provision	732	632	15.7 %
Income before tax	437	-127	
Income taxes	206	97	113.2 %
Income after tax from continuing operations	231	-224	
Income from discontinued operations	-3	6	-151.3 %
Income after income tax	228	-218	
SUMMARY OF INDICATORS			
Allocated capital (**)	1,942	2,036	-4.6 %
Return on allocated capital	11.8%	-10.8%	
Risk weighted assets	14,325	16,821	-14.8%
Cost to income ratio	31.5%	36.6%	
Loans to Customers (net of impairment charges)	17,582	16,983	3.5%
Balance sheet Customer funds	26,765	23,173	15.5%

(*) 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 228 million euros in December 2023, comparing favourably with a negative amount of 218 million euros achieved by the end of December 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 1,359 million euros in December 2023, which compares to 1,199 million euros achieved in December 2022. Excluding the impact arising from foreign exchange effects, it would have increased 11.0%, 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, constrained by an increase in the minimum level of non-remunerated cash reserves maintained with the central bank.
- Other net income attained 375 million euros in December 2023, increasing significantly when compared to the 87 million euros recorded in 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 546 million euros as at 31 December 2023, 15.8% up from December 2022. Excluding foreign exchange effects, operating costs would have increased 14.0%, 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 affected both the Polish subsidiary and

the subsidiary in Mozambique, despite the optimization of the branch network verified in the Polish subsidiary.

- Results on modification totalled a negative amount of 19 million euros at the end of December of 2023, which compares with an also negative amount of 310 million euros recorded in the previous year. The amount recognised during 2022 results mainly from the potential costs arising from the moratorium program (credit holidays). 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 December of 2023 presented a 15.7% growth compared to the figures reported in 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.. In 2023, the adjustments correspond exclusively to the discontinued operation in Switzerland.
- Loans to customers (net) stood at 17,582 million euros in December 2023, 3,5% up from the amount attained in December 2022 (16,983 million euros). Excluding foreign exchange effects, the loan portfolio decreased 3.6%, influenced by the evolution of the Polish subsidiary. The Foreign business' balance sheet customer funds increased 15.5% from 23,173 million euros reported in December 2022 to 26,765 million euros in December 2023. Excluding the foreign exchange effects, balance sheet customer funds increased 8,2%, mainly driven by the performance of the subsidiary in Poland.

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 b.p.), 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

	2023	2024
C/I ratio	32%[1]	**~40%**
Cost of risk	42 b.p.[2]	**~50 b.p.**
ROE	16.0%	**~10%**
CET1 ratio	15.4%	**>12.5%**
NPE ratio	3.4%	**~4%**
Share of mobile customers	68%	**>65%**
Growth of high engagement customers (vs. 2020)**	+13.5%	**+12%**
Average ESG rating*	67%	**>80%**

1Adjusted cost to income: without the positive one-off effect related with the sale of 80% of Millennium Financial Services stake (international operations) and without the charge regarding mainly the compensation for the temporary reduction of remuneration in the period 2014/2017 in Portugal.
2Includes an impairment reversal in international operations, without this effect, the cost of risk would be 48 bps.
3Active Customers with card transactions in the previous 90 days or funds > €100 (>MZM 1,000 in Mozambique)
4Average of Top 3 indices (DJSI, CDP and MSCI) | NPE include loans to Customers only.

Risk and Outlook

Internal Control System

The internal control system governance model encompasses the organizational structure, the lines of reporting and levels of authority, the set of lines of responsibilities and processes, that result from the applicable laws and regulations, as well as the Bank's by-laws and internal regulations, to ensure a prudent and effective management of the Bank and adequate checks and balances.

The governance model promotes a conduct and risk culture across all the areas of the Bank, which is materialized in an overarching set of principles, strategies, policies, systems and functions.

The Board of Directors promotes a strong governance and internal control culture, embedded in all levels of the organization, and based on high standards of ethical behaviour, with rules established in the Code of Conduct, available in the Bank's site.

The Board of Directors provides the Bank's governance, guidance and oversight and sets the broad strategies and major policies of the organization, approves the overall organizational structure, and has the ultimate responsibility for ensuring that adequate governance and internal controls system are established and maintained, being supported in this function by the Audit Committee.

The Audit Committee plays a central role in the development of a governance culture and an internal control system with a direct relation with the Board of Directors, the Bank's internal control units and the external auditors.

The current management of the Bank is delegated in the Executive Committee. This Committee established different specialized commissions, with the participation of two or more Executive Directors, and first line Managers who directly report to them.

The organizational structure of the Group is based on the principle of the segregation of functions between the business units and internal control functions, aiming that any situations of potential conflict of interests are identified in advance, minimized and subject to careful and independent monitoring.

The internal control system includes a set of principles, strategies, policies, systems, processes, rules, and procedures established in the Group aimed at ensuring:

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the business continuity and survival of the Group, namely through an adequate management and control of the activity risks, through a prudent and correct assessment of assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud.
- The existence of financial and managerial information, which is complete, pertinent, reliable, and timely, to support decision-making and control processes, both at an internal and external level.
- Observance of the applicable legal and regulatory provisions issued by the Supervision Authorities, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical codes of conduct, standards and practices, internal and statutory rules, guidelines of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, Shareholders, Employees and Supervisors.
- An effective Risk Management Function (RMF) with well-defined processes to identify, manage, monitor, and report the risks that the Group is exposed.
- A Compliance Function ensuring the alignment with legal, regulatory, and statutory requirements, and with internal rules, including rules of conduct and relationship with Clients, Investors, Supervisors' Entities, and others, which rules are established in a Code of Conduct.
- An Internal Audit Function ensuring the effectiveness and consistency of the internal control processes and mechanisms.
- The alignment of subsidiaries operating model with the organizational and managerial principles defined by the Bank, as the consolidating Entity.
- The adoption of sound sustainability principles, namely regarding Environmental, Social and Governance (ESG) factors, and its coherence with the Group's activity.
- The good image and reputation of the Bank towards its stakeholders.

To achieve these objectives, the internal control system is based on the compliance function, the risk management function and internal audit function. The Heads of these three divisions are appointed by the Bank's Board of Directors, by proposal of the Committee for Nominations and Remunerations, after an opinion from the Audit Committee and of the Committee for Risk Assessment.

The internal control system is based on:

- A control environment supported by high integrity and honesty standards, promoting a strict compliance with the laws and regulations, by the effective enforcement of a ‘check and balance’ system, including adequate segregation of duties, with the objective of preventing conflicts of interest, and by process based operational management models and control activities, that allow for clear identification of the implemented controls and the assessment of their efficiency.
- A solid risk management system, aimed at the identification, evaluation, follow-up, and control of all risks which might influence the Group's activities.
- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing, and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks.
- An effective monitoring and correction process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identify any flaws (defined as the group of existing, potential, or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective action.
- Strict compliance with all the legal and regulatory provisions by the Group's Employees in general, and by the people who hold senior or managerial positions, including members of the management bodies.
- A governance model that defines that the business areas are responsible for risk taking, ensuring the effective monitoring, control and management of the risks assumed, and supporting the independent review of the risk levels incurred as compliant with the Risk Appetite Framework.

The internal control system is consistently applied across all Group entities, supported on group codes issued by BCP defining global policies, principles, and rules, considering, and complying with local, legal or regulatory requirements of the countries where operations are based.

Three lines of defence model

The Bank’s internal control system is based on the “Three Lines of Defence Model”, aiming to ensure:

- A clear accountability of the business areas for the respective assumption of risks.
- The effective monitoring, control and management of the risks assumed.
- An independent evaluation, to be reported to the Board of Directors and to the Executive Committee, of the levels of risk assumed, their compliance with the Risk Appetite Framework and the effectiveness of the established internal control systems.

The business lines, as the first line of defence, take risks and are responsible for their operational management directly and on a permanent basis. For that purpose, business lines have appropriate processes and controls in place that aim to ensure that risks are identified, analysed, measured, monitored, managed, reported and kept within the limits of the institution’s risk appetite and that the business activities comply with the external and internal requirements.

The risk management function and the compliance function form the second line of defence.

The risk management function facilitates the implementation of a sound risk management framework throughout the institution and has responsibility for further identifying, monitoring, analyzing, measuring, managing, and reporting on risks and forming a holistic view on all risks on an individual and consolidated basis. It challenges and assists in the implementation of risk management measures by the business lines to ensure that the process and controls in place at the first line of defence are properly designed and are effective.

The compliance function monitors the Bank’s compliance with legal, regulatory, and internal policies requirements, including the reputational protection of the Bank, comprising, among others, the prevention of financial crime activities. It provides advice on compliance matters to the management body and establishes policies and processes to manage compliance risks and to ensure an overall compliance culture within the Bank.

Both the risk management function and the compliance function intervene to ensure the improvement and strengthening of internal control and risk management systems interacting with the first line of defence whenever necessary.

The internal audit function, as the third line of defence, conducts risk-based audits and reviews the internal governance arrangements, processes, and mechanisms to ascertain that they are sound and effective, implemented and consistently applied, to assess the suitability and efficiency of the organizational culture, of the risk management process, of the internal control system and of the governance models in place. The internal audit function performs its tasks fully independently of the other lines of defence.

Internal Control subsystems

The internal control system includes the following subsystems: the risk management system, the information and reporting system and the internal control monitoring system.

Risk management system

The risk management system corresponds to the set of integrated and permanent processes which enable the identification, assessment, monitoring and control of all risks, to which the Group's institutions are exposed, in order to keep them at levels that are predefined by the management and Supervisory Bodies, and takes into consideration the BCP risk taxonomy which includes the risks identified by the Regulatory and Supervisory Authorities, as well as all other risks which, in view of the specific situation of the Group's institutions, could become materially relevant. The Risk Office is responsible for keeping the BCP risks taxonomy updated as well as for promoting and conducting the regular risk identification process in the Group.

The risk management system takes into consideration the credit risk, market risk, interest rate risk, foreign exchange rate risk, liquidity risk, compliance risk, operational risk, information technology risk, strategy risk and reputation risk, as well as all other risks that, in view of the institution's specific situation, may prove material for its feasibility and sustainability. Environmental and social aspects are included in the assessment of these risks, once they are considered risk drivers that are transversal to all risk types.

The risk management system ensures the segregation between the risk management function and the risk-generating business activities, respectively the second and first lines of defence. The internal audit, as third line of defence, ensures independent analysis concerning the risk activity of the first and second lines. The credit analysis and granting process ensure the segregation and independence between the credit analysis and rating structures and the business origination units.

The risk management system ensures timely reaction to changing circumstances and conditions that engenders new risks and change the risk profile of the Bank.

Management information and reporting system

The management information and reporting system ensures the existence of information, which is substantive, up-to-date, understandable, consistent, timely and reliable, to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the Group and the behaviour and prospective evolution of relevant markets and risks.

The output of the system is an information flow enabling the management with a global and comprehensive view on the Group's financial standing, non-financial information and risk data on the compliance with the obligations assumed before third parties, legal and regulatory, and the regular monitoring of the activity, the implementation of the defined strategy and objectives so as to support decision-making processes, and also on the Group's overall risk profile, in aggregate terms and detailed by risk; and the performance, evolution and risk profile of the market(s) in which the Group operates.

For this purpose, each entity of the Group develops, implements, and maintains formal processes for obtaining and processing information that is appropriate to the respective size, nature and complexity of the activity carried out, developing communication processes and reporting lines that ensure an adequate and swift transmission of relevant information to the due intervenient, both internal and external. An adequate organizational structure promotes the necessary data flow between the relevant parties in a process and ensures the necessary confidentiality in information flows.

The financial information process is supported by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete, and consistent manner, all the operations carried out by the Bank and its subsidiaries, in accordance with the rulings and policies issued by the Board of Directors and the Executive Committee.

Clear duties and responsibilities are set for each organizational unit in the information and communication processes and in the decision-making process.

Planning process

The Group planning process defines a long run sustainable strategy, compatible with the corporate vision and previously established goals, with its market positioning, approved risk profile and with the implemented internal control system.

The planning process is based on properly grounded assumptions, subject to sensitivity analysis and on reliable and understandable information. As a result, clear, precise, and sustainable objectives are defined for the global activity and for each business area, including the products, activities, systems and processes of the Group and the human and material resources, namely the adequate levels of capital and liquidity, necessary to fulfill the defined strategy are identified.

The planning process complies with the Risk Policy of the Group, as per the Risk Appetite Framework, ensuring that the profitability levels are aligned with the risks involved.

The Group's planning process includes the preparation of the annual and three-year budget, the verification of the sufficiency of capital and liquidity (ICAAP e ILAAP), the execution of stress tests within the internal or supervision scope, the preparation of the Funding and Capital Plan and of the Recovery Plan, the activities deriving from the resolution planning and remaining initiatives that, at each moment, are required to be implemented to comply with the requirements issued by the Supervision Authorities.

The Chief Financial Officer and Chief Risk Officer of the BCP, are responsible for the different elements of the Group's planning process, together with the Chief Financial Officers of the main subsidiaries.

The Group's strategy is communicated, by the adequate means and detail, to all the Employees of the Bank.

Monitoring process

The monitoring and correcting system includes all the control and assessment actions to ensure the permanent effectiveness and adequacy of the internal control system, namely, through the identification of deficiencies in the system - in terms of its design, implementation and/or use.

This process is continuously executed and complemented by independent, periodical and or extraordinary evaluations made by the Internal Audit.

The frequency of the control and assessment actions depend on the nature and magnitude of the risks inherent to the activity carried out and the effectiveness of the associated specific controls.

All internal control of deficiencies and events of non-compliance are duly recorded in a deficiencies data base at Group level, documented, and reported to the appropriate management levels to enable the adoption of correction measures in line with the respective remediation plan. Processes for the follow-up and validation of the measures implemented are established with clear deadlines according to the inherent risk level.

Internal control system governance

The internal control system is supported by a governance model that defines the responsibilities for the assumption of risks by the Business Areas, and ensures an effective follow-up, control and management of the risks assumed, and an independent evaluation of the risk levels assumed as per the Risk Appetite Framework.

The key pillars of the governance model implemented in the Bank are:

- Clear, transparent, and understandable rules are set and communicated to all employees to enable supporting the development of the activity while ensuring an adequate broad and effective internal control system.
- Coherent, clear, and objective definition of the competences and responsibilities of each structure unit and/or function, reporting lines and authority levels, information flows, are communicate across the organization, including an appropriate segregation of potentially conflicting functions or duties, also ensure that any potential conflict of interests is identified in advance, minimized and subject to an independent and careful monitoring.

- Sufficient and appropriate material and human resources are provided at all levels of the organization for the execution of the responsibilities, activities, and tasks inherent to the internal control system.
- Physical and functional segregation of the business activities and the respective operational and control services, avoiding possible conflict of interests through ensure robust control activities, including regular reviews, physical controls, authorization, verification, and reconciliation.

The Risk Office's activity is essentially focused on ensuring the effective application of the Group's risk management system, namely, by developing, proposing, implementing, and controlling the use of a set of assessment methodologies and metrics, that allow for a correct assessment of the risks incurred and arising from the Group's activities, which are documented by internal rules and regulations. It is also responsible for promoting and coordinating the policies and rules applicable to risk management and control at all entities of the Group, with the responsibility of ensuring the global monitoring of risk and the alignment of concepts, practices, and objectives on a consolidated basis. Under this framework, the Risk Office has access to all the sources of information of the Group entities that are necessary for the exercise of the identification, measurement, limitation, monitoring, mitigation and reporting of the various types of risk at consolidated level.

The activity of the Compliance Office is transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Compliance Office has access to the preventive information systems on money laundering and terrorism financing adopted by the different entities of the Group, being equally informed and giving an opinion on all changes to the IT alert systems and the processes for identifying Customers and communication of irregular cases verified in the Group's entities, within the scope of the control of money laundering and terrorism financing, in order to promote an alignment of systems, methodologies and criteria with those used by BCP.

The Accounting Division and the Studies, Planning and ALM Division receive and centralize the financial information of all subsidiaries.

The corporate areas of the Bank, namely the Research, Planning and ALM Division, Accounting and Consolidation Division, the Treasury, Markets and International Division, the Compliance Office, the Risk Office, and the Audit Division ensure the existence of the procedures necessary to obtain all relevant information for the consolidation, accounting and financial information and remaining elements supporting the management, as well as the supervision and control of the risks at Group's level. These procedures include:

- The definition of the contents, the terms, and the format of the information to be reported by the companies included in the consolidation perimeter of the parent-company, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required.
- The identification and control of the intra-Group operations.
- Assurance that the relevant accounting and financial information is consistent between the different subsidiaries, so that it is possible to measure and monitor the evolution and profitability shown by each business, verify the compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms.
- Timely communication of extraordinary events which are relevant in terms of risk for the subsidiary or for the Group.
- A financial information and reporting system that is supported by adequate contingency arrangements.
- Validating and monitoring the implementation of the corrective measures to resolve internal control deficiencies that have a material potential impact.

The Audit Department is responsible for an on-site control function of the internal system, exercising this function transversally on a permanent and independent basis, assessing, always and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, issuing recommendations based on the outcome of those assessments. The Audit Division is informed of the conclusions of the inspection and internal audit actions carried out in each entity of the Group, especially from those that assess the effectiveness and integrity of the entity's internal control system.

Common principles across the Group

To foster Group coherence, and keeping up with local laws and regulations, internal control system's organizational models similar to that of the Bank are established in the Group's subsidiaries abroad and in the entities in Portugal in which the Group participates and which are part of the Group, by anticipating the existence of an Audit Committee and a Risk Assessment Committee, or equivalent bodies. The local Supervisory Bodies have, in what the internal control system of each entity is concerned, the mission to verify its quality, integrity and effectiveness, as well as to evaluate its coherence and adherence with the internal control system of BCP and the Group.

The Bank’s governance model and internal control system is extended to all subsidiaries, in a way which is compatible with their nature, complexity and business model, ensuring the maximum possible level of coherence and alignment:

- The CRO of BCP is responsible for coordinating the risk management system at Group’s level through the Risk Officers and the Compliance Officers of each subsidiary.
- The CFO of BCP is responsible for coordinating the financial and accounting information system as well as for the planning process at Group’s level.
- There is always at least an Executive Board member of BCP representing the parent company in each subsidiary’s Board of Directors, being responsible for monitoring the overall performance of the entity.
- Notwithstanding, to ensure the maximum consistency of the criteria, methods, processes, and models used in all subsidiaries, the CRO of BCP is appointed as a non-executive director of the subsidiary’s management body, with supervision functions, being also designated for the subsidiaries’ Audit Committee and Risk Assessment Committee when these governance bodies exist.

The Bank, as the Group's parent company, ensure that all subsidiaries implement internal control systems that are coherent with each other, proportionate to the risks undertaken and with the local regulations and legislation in force.

Whistleblowing

The Group has in place and maintains a Whistleblowing Policy and procedures, which are available for staff or any person regardless of their relationship with any entity of the Group to report potential or actual breaches of regulatory or internal requirements, through specific, independent, and autonomous channels.

The Whistleblowing Policy covers eventual or potential irregularities, the acts and omissions, both with malicious intent or negligence, related with management, accounting organization, internal supervision or serious evidence of breaches of duties that, in a serious manner, are susceptible namely of infringe the law, articles of association, the regulations and other rules in effect, endanger, directly or indirectly, the assets of the Customers, of the Bank and of the Shareholders or cause reputational damage to Bank.

The Whistleblowing procedures ensure, among others the protection of the identity and personal data of both the person who reports the breach and the natural person who is allegedly responsible for the breach, through which the Entity shall adopt the highest form of anonymity legally available and that the person reporting the breach is appropriately protected from any negative impact (e.g. retaliation, discrimination or other types of unfair treatment). Any information about irregularities provided through the whistleblowing procedures is analyzed by the Audit Committee, supported by the Compliance Office and the Audit Division, ensuring that the potential or actual breaches raised are assessed and escalated, including as appropriate to the relevant competent authorities.

Main Risks and Uncertainties

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Regulatory and legal *	• Demanding or under review legislative and regulatory framework, including in emerging areas such as ESG and digital operational resilience, the implementation of the Basel III reform, bank recovery and resolution, and macroprudential policy with a potential impact on operational processes and compliance with regulatory requirements • Increasing regulatory requirements of an AML nature, the initial phase of a new supervisory framework and increased complexity of measures resulting from international sanctions • Possible impacts of Central Bank Digital Currency (CBDC) on the commercial banking model, if not correctly implemented • Impact of government measures to support households, notably in Poland	Medium	↔	▪ Culture of compliance and anticipation of regulatory and legal requirements ▪ Rigorous and efficient management of capital and liquidity and its implications on the business model ▪ Capital buffer growth vs regulatory minimum supported by strong organic capital generation. Robust liquidity buffers ▪ Assessment of the materiality of environmental factors in the Bank's risks and definition of mitigation measures ▪ Promotion of commercial strategies and solutions that promote the transition to low-carbon production models ▪ Development of more sophisticated AML models and adoption of practices in compliance with regulatory requirements, ensuring adequate prevention and compliance with restrictive measures
Sovereign	▪ Volatile interest rates and confidence of the sovereign debt investors ▪ Uncertainty about the timing of the ECB's monetary policy normalisation: interest rates and quantitative easing ▪ Impacts on the budgets of European states resulting from support for Ukraine in the geopolitical conflict ▪ Size of exposure to Portuguese sovereign debt and those of other Eurozone, Polish and Mozambican countries ▪ Volatility of credit spreads ▪ Increased political instability	High	↔	▪ Implementation of contingency measures at European and national level ▪ Diversification of the sovereign debt portfolio ▪ Adoption of hedging measures of portfolio interest rate risk ▪ Relatively small size of the portfolio classified to fair value through other comprehensive income (FVOCI) ▪ Improvement of Portugal's rating and reduction of the share of public debt in GDP
Operational	▪ Context with a greater propensity for cybersecurity threats (penetration, digital channels and geopolitical context) and new fraud formats ▪ Growing number of digital Customers and increase in internet and mobile transactions, requiring the maintenance of a high level of availability, security, timeliness and efficiency of the ICT systems (Information and Communication Technologies) ▪ Implications of the acceleration of automation, integration and digitalization of processes on the operational resilience of the banking sector ▪ Increase in reporting information needs, implying a greater rigour in data quality management and control	Medium	↔	▪ Increased capabilities to protect and mitigate cybersecurity risks ▪ Permanent monitoring of the alignment of the technological development plan with the business strategy ▪ Strengthening of the culture and awareness for an adequate internal control environment, with a focus on the training of Employees and awareness / information to Customers ▪ Implementation of a comprehensive technology renewal program ▪ Development of continuous improvement processes of Data Quality according to the principles of the BCBS239 ▪ Strengthening the structure and mechanisms for the protection of personal data

*Excluding litigation associated with the CHF loan portfolio in Poland

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Credit	▪ Persistence of geopolitical conflict in Eastern Europe ▪ Conflict in the Middle East has aggravated geopolitical risks and could constrain global growth ▪ Prospect of a political context of greater instability in Portugal ▪ Uncertainty regarding the maintenance of high interest rates in the medium and long term ▪ Potential deterioration in the economic and financial situation of less robust firms, due in particular to the impacts of higher financing costs ▪ Slowdown in the growth of the world economy ▪ Delay in the implementation of the Recovery and Resilience Plan (RRP) ▪ Limitations on access to available and skilled labor ▪ Competitive pressure due to excess liquidity in the market ▪ Impact of ESG risk drivers on credit and collateral portfolio valuation	High	↔	▪ Positive and recurrent track record in the execution of the NPA reduction plan ▪ Reduction in the NPE Ratio, standing at 2.9% in Portugal ▪ Reinforcement of the level of coverage of the NPE portfolio due to impairments ▪ Additional support to the economy through the Recovery and Resilience Plan (RRP) ▪ Protected credit risk in a significant part of corporate credit exposures (including with state or multilateral entity guarantees) ▪ Rigorous approach to loan origination and monitoring ▪ Incorporation of ESG risk drivers into credit and collateral assessment policies ▪ Relatively low volume of exposures to sectors exposed to high climate transition risks ▪ Maintenance of impairment overlays to address the uncertainties of macroeconomic scenarios ▪ Proactivity in the monitoring and implementation of credit restructuring solutions, particularly in private individuals ▪ Increase in the weight of the fixed-rate loan portfolio ▪ Increase in the weight of the securitized loan portfolio
Market	▪ Volatility in the capital markets ▪ Uncertainty about monetary policy, namely in the Eurozone ▪ Uncertainty about economic growth, the implications of continued geopolitical tensions.	Low	↔	▪ Limited exposure to trading portfolios ▪ Balance sheet hedging of interest rate risk ▪ Hedging of foreign exchange risk arising from financial participations ▪ Preference for placing lower risk products on Customers
Liquidity and Funding	▪ Pressure on the average cost of customer funds after a cycle of rising interest rates and increased competition from banks and non-banks ▪ Restrictive monetary policy, with systemic impacts, particularly in Mozambique with high minimum reserve requirement ratios ▪ Change in the structure of customer deposits, with a greater weight of savings products	Low	↑	▪ Resources from balance sheet clients, mainly retail, which are decisive in the funding structure and its stability, with wholesale funding needs arising mainly from compliance with MREL requirements ▪ Increase in the cost of resources with no material impact on liquidity ▪ Large size of the portfolio of discountable assets with the ECB and the Polish and Mozambican central banks ▪ Improvement of the Bank's external rating, with an impact on the cost of wholesale funding. ▪ Rigorous management of the transformation ratio in Mozambique

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Litigation associated with the CHF loan portfolio in Poland	▪ Increasing in the number of court cases against the banking system in Poland ▪ Increasing participation of lawsuits with judicial decisions not favourable to the Banks ▪ Risks related to verdicts issued by Polish courts in lawsuits against Bank Millennium ▪ Complexity and uncertainty regarding the outcome of judicial proceedings	High	↓	▪ Decrease in Banco Millennium's CHF mortgage loan portfolio ▪ Increase in the level of coverage of the mortgage loan portfolio in CHF by provisions ▪ Agreements with debtors with mortgage claims in CHF
Pension Fund	▪ Effect of rising inflation on the dynamics of wages, pensions and, consequently, on the volume of liabilities ▪ Portfolio valuation	Medium	↓	▪ Integrated management of assets and liabilities in order to obtain an adequate balance between risk and return ▪ Comfortable coverage ratio of the fund's liabilities by the assets ▪ Review of the management policy of the Defined Benefit Fund.
Real estate and other investments	▪ Uncertainty regarding the development of real estate activity ▪ Uncertainty related with market and regulatory trends in terms of environmental awareness ▪ Risks related to the Bank's collaterals and properties ▪ Impact of legislative measures for housing support ▪ Uncertainty about price developments in the real estate market	Medium	↓	▪ Positive track record in asset portfolio reduction ▪ Moderate expectation of entry of new assets as a result of execution processes ▪ Impact of Insurance Policies on Risk Mitigation with Real Estate Assets ▪ Reduction of exposure to Restructuring Funds ▪ Non-material value of real estate and other assets portfolio.
Recurring profitability/ Business Model	▪ Regulatory limitations on fees and commissions ▪ Impact of economic deterioration on asset values ▪ Pressures on operating costs ▪ New global players and competition from Big Techs ▪ Cycle Reversal Net Interest Margin Rate	Low	↔	▪ Need for strict management of net interest margin ▪ Strict cost structure control ▪ Comfortable capital position of the Bank ▪ Exceeding the objectives of the Bank's strategic plan for 2024 in 2023 ▪ Update of the Bank's strategic plan scheduled for 2024 ▪ Judicious interest rate risk management

Risk management

Framework

Risk appetite

The BCP Group carries out its business activities in a prudent and sustainable manner, always based on the adequacy and compatibility between the business objectives and the levels of risk tolerance defined in terms of sustainability and profitability, in the long-term.

The Group establishes and implements controls and limits on the material risks to which its activities may be subject, based on its “Risk Appetite Statement” (RAS) which concurs for a standing of prudence and sustainability of the business, in view of its profitability, as well as of the satisfaction of the different stakeholders: Shareholders, Customers and Employees.

The Group RAS is composed by a broad set of indicators of primary importance and representative of the risks assessed as "material", in the formal risks’ identification and quantification process, that is regularly updated. The RAS metrics are grouped in five blocs covering solvency, funding, profitability, reputation and franchise and sustainability risks.

For each indicator, 2 levels of limitation are established: an 'alert level', up to which the level of risk is still acceptable, but from which corrective measures must be taken to make the level of risk regress to a level of comfort, and a 'level of excess', which requires immediate measures to reduce the level of risk.

Stemming from the RAS indicators, other lower-level indicators (and respective limits) are established, with a higher level of granularity, ensuring a more detailed monitoring in the day-to-day approach to the risks’ control of business processes. All risk limits are approved by the competent Governance bodies defined in the internal regulations and are periodically reviewed and updated.

For the main Entities of the Group, specific risk appetite indicators (“individual” RAS) are also established. The Group RAS involves indicators for Portugal, Poland and Mozambique, some of which are part of the Corporate RAS, which is a set of obligatory metrics for all Entities (but with appropriate limits for each of the operations and structure in question), disaggregating the Group’s risk appetite into the risk appetite of each Entity. Besides the Corporate RAS metrics, the RAS of each Entity can include other metrics aiming to measure, for instance, idiosyncratic risks in each geography.

Risk strategy

The delimitation of risk appetite, translated into the RAS, is one of the guiding vectors of the Group's "Risk Strategy", which is approved by BCP's Board of Directors, by proposal of the Executive Committee, after hearing the Risk Assessment Committee. In fact, from the RAS, the main lines of action to be developed are established in order to address the mitigation and/or control of all identified risks, which together constitute the Group's Risk Strategy. The RAS and the Risk Strategy are inseparable elements to the control and mitigation of the risks classified within the scope of the process of identifying them.

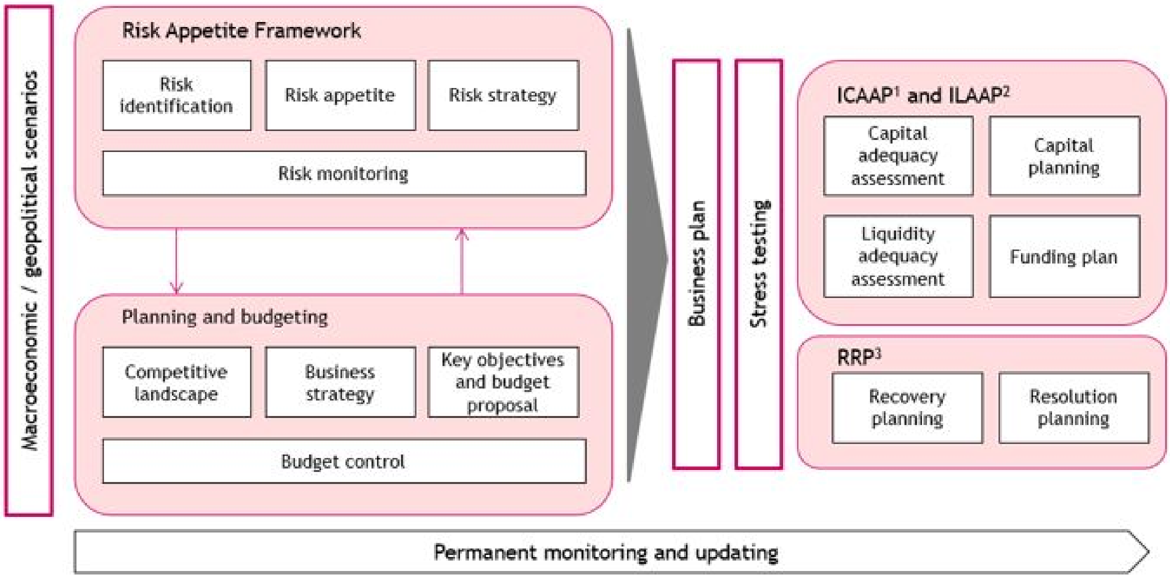
In this context, it should be noted that the Group, in the revision of the RAS for 2024 has adopted a conservative approach in setting the risk tolerance by approving tighter thresholds than those in force in 2023, for circa 25% of the RAS indicators, reflecting a continuity orientation to promote the process of improving the Group's overall risk profile.

Integration between the business and risk management

The risk appetite framework – which includes the identification of material risks, the RAS and the Risk Strategy – is reviewed quarterly. The RAS and the risk strategy provide the reference framework for the establishment of business objectives, which will have to respect the risk appetite and strategy approved by the Board of Directors.

The planning and risk appetite processes are the foundations for all the activities and business lines developed, also guiding the overall controls on the robustness of the Group, such as the stress tests and the internal processes for assessing the adequacy of Capital (ICAAP) and Liquidity (ILAAP), as well as the Recovery Plan and the activities within the scope of resolution planning.

The following figure summarizes the relationships described above, providing a graphic representation of the integration of risk management within the scope of the business developed by the BCP Group.



[1] Internal Capital Adequacy Assessment Process
[2] Internal Liquidity Adequacy Assessment Process
[3] Recovery and Resolution Planning

Risk management Governance

The composition, capacities and responsibilities of the management and control bodies that intervene in the risk management governance are the following:

Board of Directors

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

Risk Assessment Committee

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

- Evaluate the integrity and adequacy of the Risk Management function, in line with the business strategy, corporate culture and values.
- Advising the BoD on risk appetite and risk strategy, accompanying and intervening in the definition and review of the Group's Risk Appetite Framework and providing an opinion on its adequacy to the BoD.
- Monitoring the evolution of the RAS metrics, verifying their alignment with the defined thresholds and levels and monitoring the action plans designed to ensure compliance with the established risk limits.
- Advising the BoD on the policies regarding the risks' identification, management and control within the Group, monitoring the global risk levels in order to ensure that those are compatible with the goals, the available financial resources and the approved strategies for the development of the Group's activities.
- Oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks to the Group, such as market, credit, operational (including legal, IT and compliance), and reputational risks, in order to assess their adequacy against the approved risk appetite and strategy.
- Monitoring the capital and liquidity planning processes (ICAAP and ILAAP), providing an opinion to the BoD concerning the respective conclusions, as well as analyzing and approving the conclusions of the regular follow-up on these processes.
- Monitoring and intervening in the Recovery Plan review, the Liquidity Contigency Plan and the Business Continuity Pans, providing an opinion to the BoD on the respective adequacy.

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

The Risk Officer, maintains a functional reporting duty to this Committee and participates in its meetings, presenting the evolution of the key risk metrics and indicators, as well as all incidences, changes and evolutions relative to the Risk Management System (RMS).

Audit Committee

The BoD's Audit Committee is elected by the Shareholders' General Meeting and is composed by three to five non-executive Directors, mainly independent. Within the competences of this Committee, this Committee has global corporate supervising capabilities - e.g. in what concerns financial information, namely risk levels follow-up - as well as those that are attributed within the Internal Control System, namely:

- Overseeing the management activity of the Bank.

- Monitoring the suitability and effectiveness of the Bank's organizational culture, governance models and internal control and risk management systems, including the prevention of money laundering and terrorist financing.
- Monitoring the accounting policies and processes adopted by the Bank, the financial reporting process and submit recommendations aimed at ensuring its integrity.
- Overseeing the performance of the Compliance and Internal Audit functions.
- Supervising and controlling the effectiveness of the risk management system, in conjunction with the Risk Assessment Committee; as well as the internal control system in its different aspects and also the internal audit system itself.
- Issuing an opinion in relation to operations of acquisition of goods and services and involving related parties, aiming to avoid conflicts of interests.
- Analyzing the information is received through the whistleblowing mechanism as well as the clients claims.
- Monitor the activity of the External Auditor and periodically assess its independence and objectivity in the exercise of its activity.

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

The Compliance Officer participates in the meetings of this Committee, presenting the evolution of the monitoring of compliance risks, as well as all developments and interactions with regulation/supervision in terms of regulatory compliance.

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

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

Committee for Corporate Governance, Ethics and Sustainability

This Committee, appointed by the Board of Directors, is composed of a minimum of three and a maximum of five non-executive directors.

Amongst other that may be delegated by the Board of Directors, the competences of the Committee for Corporate Governance, Ethics and Sustainability include:

- Recommend the adoption by the Board of Directors of policies, that observe the ethical and professional conduct principles and best corporate governance practices and social responsibility.
- Support the Board of Directors and its Committees in the evaluation of the systems that identify and solve conflicts of interest.
- Assess the compliance function, analyzing the procedures in place and the identified non-compliances.
- Issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles.
- Every time it deems necessary, submit to the Board of Directors a report on the evaluation and monitoring of the structure, ethical and professional conduct principles and corporate governance practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these issues.
- Issue an opinion for the Board of Directors on the Annual Corporate Governance Report.
- Issue an opinion on the Annual Sustainability Report, concerning issues for which it is responsible.
- Time it deems necessary, submit to the Board of Directors a proposal on the guidelines for the Company's policies, based on a culture identified with the ethical and professional conduct principles targeted at contributing for the pursuit of social responsibility and sustainability goals. Proposing, particularly, guidelines for the social responsibility and sustainability policies of the Company,

including, among other, the values and principles for safeguarding the interests of the shareholders, investors and of those interested in the institution and also principles of social charity and environmental protection.

- Issue an opinion on the Group Codes and respective annexes whenever this competence has been delegated to it by the BoD.

Committee for Nominations and Remunerations

This Committee, appointed by the Board of Directors, is composed of a minimum of three and a maximum of five non-executive Directors.

The Board of Directors delegates in the Committee for Nominations and Remunerations the monitoring on issues related with human resources, assessment and composition of the Board of Directors and of its Committees, reviewing the Remuneration Policies of the Directors and Employees, including the Key Function Holders (KFH), and monitoring their respective implementation, in accordance with the powers conferred to it by the law and its own Regulations.

Other functions of this Committee:

- Monitor the existence of specific policies related with selection and recruitment, evaluation of performance, promotion and career management, training, and development of competences.
- Elaborate and report to the BoD recommendations on the candidates to members of the Governance and Supervisory bodies of the Bank, ensuring the Fit & Proper assessment process.
- Issue an opinion to the BoD on the Selection, Assessment and Succession policies for members of the Governance and Supervisory bodies and responsible for control functions.
- Prepare and maintain a succession plan for members of the Board of Directors and KFH.

Executive Committee

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

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

The Executive Committee is supported, to carry out its responsibilities, by several management commissions in a wide range of dimensions: Business Activity; Credit Decisions; Risk and Compliance Management; Planning, Costs and Investments; Capital Structure and Liquidity Management; Human Resources Management; Operational Resilience. These management commissions can benefit from the presence of one or more internal control function units (Risk Office, Compliance Office and Internal Audit) which ensures timely detection of any potential internal control deficiencies.

The Executive Committee delegates in the Risk Commission, the Compliance and Operations Risk Commission (CORC) and the Operational Resilience Commission, the mission of monitoring the risks the Group is exposed to, as well as the deficiencies identified regarding the internal control system. These commissions are also responsible for monitoring the adoption of corrective measures and the overall progress of open recommendations. Furthermore, the CORC may also evaluate and propose improvements to be introduced to the internal control system.

Risk Commission

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

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

Models Monitoring and Validation Sub-commission

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

Credit and Non-Performing Assets Monitoring Commission

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

- Monitoring of the evolution of the credit exposure and the credit underwriting process.
- Monitoring the evolution of the credit portfolio's quality and of the main performance and risk indicators.
- Monitor the results achieved by the credit monitoring systems.
- Follow-up the counterparty risk and the largest exposures concentration risk.
- Monitoring the impairment evolution and the main cases of individual analysis.
- Assessment of the recovery procedures performance.
- Monitoring the divestment in the foreclosed assets portfolio.
- Follow-up the execution of the operational plans to be developed within the scope of non performing exposures and reduction of certain asset classes.

Pension Funds Risk Monitoring Commission

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

- Assessing the performance and risk of the Group's Pension Funds in Portugal.
- Establishing, for these, the appropriate investment policies and hedging strategies.
- Approving changes to the Fund´s actuarial assumptions.
- Issuing a opinion on material investment decisions.

Compliance and Operational Risks Commission

This Commission, appointed by the EC has a number of tasks and responsibilities, with a view to ensuring that the Bank's activity contributes to an adequate culture of risk and internal control, including ensuring and monitoring the adoption and compliance by all the Group's institutions with the internal and external rules that shape its activity, the relevant contractual commitments and ethical values of the organization, in order to contribute to the mitigation of compliance and operational risks, strengthening the internal control environment, mitigating or eliminating the imputation of significant sanctions or property or reputational losses.

Operational Resilience Commission

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

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

Corporate Risk Monitoring Commission

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

- Monitor the evolution recorded by the main performing corporate Clients credit exposures, focusing on the specific risk factors of each client (sector of activity, financial standing, cost structure, etc.), issuing opinions regarding the credit strategy to adopt.
- Follow-up the counterparty risk and the largest exposures concentration risk.

Sustainability Commission

This Committee is responsible for defining and monitoring the initiatives that allow the implementation of the Sustainability Master Plan (SMP), in its strategic components (Environmental, Social and Corporate Governance), in compliance with the guidelines of the Plan approved by the Executive Committee.

It has the following attributions and responsibilities:

- To assist the EC in integrating the principles of Sustainability (Environmental, Social and Corporate Governance) in the decision and management processes of the Bank.
- To assess and approve the initiatives required to implement the actions defined to materialize the strategic axes of the Sustainability Master Plan in force, as well as other changes or adaptations necessary to meet the defined objectives.
- To follow-up and monitor the progress of approved initiatives, compliance with the respective deadlines and budgets and the evolution of the results achieved, as well as the key performance indicators of the plan's dimensions.

CALCO

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

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

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

Credit Commission

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

Risk Office

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

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk.
- Promoting the revision of the Group's Risk Appetite and the risk identification process.
- Issuing opinions related with the Group Strategic Plan and compatibility of the risk management decisions considering the approved RAS limits.
- Participate in the definition of the risk strategy and decisions related with risk management.
- Issuing opinions on the assumption of significant risks by the Bank and its subsidiaries, ensuring they are properly identified and adequately assessed.
- Integrate the climate, social and internal governance (ESG) dimension into the risk management framework;
- Coordinating the NPA (non-performing assets) Reduction Plan and of the ICAAP and ILAAP processes.
- Ensuring the existence of a body of rules and procedures, of an effective IT platform and of a database for the robust and complete management of risk.
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations, and limits.
- Participating in the Internal Control System.
- Preparing information relative to risk management for internal and market disclosure.
- Supporting the works of the following Commissions: Risk, NPA Monitoring, Pension Funds Risk Monitoring and participating in the Credit Commission, CALCO, Operational Resilience, Compliance, Operational Risk, Sustainability and Corporate Risk Monitoring Commission.

The Risk Officer is appointed by the BoD, and reports to the CRO of the Group, with a functional reporting duty to the Risk Assessment Committee.

Compliance Office

The Compliance Office (COFF) is part of its organizational structure, construed upon "3 lines of defence model". It ensures the compliance function assigned to the "second line of defence", which includes control and regulatory compliance activities, analysing and advising the corporate bodies and the various Divisions of the Bank prior to the making of decisions that may involve the assumption of specific risks which are monitored by the compliance function.

Furthermore, the COFF has also the mission to:

- Verify if the respective regulatory requirements are complied with, as well as the ethical values of the organization, fulfilling all the attributions that are legally conferred on it, ensuring the existence of a culture of internal control, thus contributing to the mitigation of the risk of attribution to the Group Entities of sanctions or significant assets or reputation damages.
- Promoting the preparation, approval, application, verification of compliance and periodic updating of the Code of Conduct.
- Ensure compliance with the regulatory framework on the prevention and fight against money laundering and terrorism financing (hereinafter "AML/CTF").
- Participate in the definition of policies and procedures related with Conflicts of Interest and transactions with Related Parties, following-up their implementation and effective application.
- Ensure the management and controls adequacy of the whistleblowing process.
- Provide support to the International Entities in the development of their activities, seeking to normalise their action principles, systems and processes, in compliance with local regulatory specifications.

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

As a second line of defence structure responsible for compliance risk, for the risks associated with money laundering and the financing of terrorism, with conduct and market abuse, with conflict of interests and for other risks of an operational nature, the COFF issues decisions, with binding force for its recipients, aiming at the legal and regulatory compliance of the various business and business support areas.

The functions attributed to the COFF are exercised in accordance with the law or with other applicable normative source, as well as by the Bank's corporate bodies, and the performance of the Compliance Office should be based on a risk approach, at the level of the business, Customers and transactions, allowing the identification, assessment, monitoring and control of compliance risks that may influence the strategy, reputation and objectives defined for the Bank.

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

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

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

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

In compliance with the Principle of Coherence of the Group's internal control, the 1st responsible for the Compliance Officer of BCP is also responsible for the follow-up and monitoring of the compliance activities and Policies at Group level, highlighting the follow-up and monitoring of the AML/CFT risk through the International AML/CFT Committees, with the participation of the management and Compliance Bodies of the local units.

The COFF is also responsible for coordinating the process of structuring, drafting and approving the annual self-assessment reports on the effectiveness of the organisational culture and the governance and internal control systems, both individual and consolidated, and on the ML/FT prevention system to be submitted to the Banco de Portugal and the Securities Market Commission, under the terms of the respective Notices and Regulations, and as well for the preparation and submission of reports to the management body, at least once a year, identifying the compliance flaws verified and the recommendations issued for their correction.

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

Audit Division

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

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

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

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

Main developments and accomplishments in 2023

In 2023, the Risk Management Function maintained the focus on the improvement of the Group's risk control framework, permanently monitoring the risk levels in relation to the RAS tolerance limits, while ensuring, full compliance with regulatory and supervisory requirements, the update of the internal risk management and control policies and regulations.

The most relevant activities developed during 2023 were, synthetically, as follows:

- Monitoring the level of compliance with the risk limits, in particular the RAS, at the consolidated level and of the main entities;
- Preparation of the Risk Management Function Independence Report;
- Carrying out the Risk Identification Process with the revision of the RAS and the Risk Strategy for 2024;
- Preparation of quarterly Risk Assessment Reports updating the perspectives on the evolution of the risks to which the Bank is subject in its activity and the risk strategy to address them;
- Development and validation of new methodologies for calculating economic capital;
- Completion of ICAAP and ILAAP reports, and their respective regular monitoring, ensuring the Group's capital and liquidity adequacy on an ongoing basis;
- Continuous improvement of the internal governance, management, measurement and control of risk at Group level, with a special focus on strengthening credit risk monitoring and the inclusion of climate and environmental risk factors in the framework of risk management and monitoring of its implementation within the scope of the Bank's RAS;
- Close monitoring of the financial situation of clients, with the aim of identifying situations potentially more affected by the macroeconomic context, anticipating possible difficulties in fulfilling their responsibilities;
- Consolidation of the process of assigning credit strategies to corporate segment costumers, with different review periodicities, depending on the level of risk associated with the assigned strategy;
- Revision of the parameters of the impairment models and update of the macroeconomic scenarios;
- Approval by the ECB of applications for material changes to the IRB models, namely the Probability of Default (PD) and Loss Given Default models applicable to the Retail and Corporate segments;
- Implementation of the approved models in the Bank's IT processes and systems, ensuring the start-up of the new PD models concomitantly with the introduction of a new Rating Master Scale as of January 2024;
- Application to the ECB for authorisation to use a new Credit Conversion Factor (CCF) model;
- Maintenance of the overlay policy to incorporate uncertainty associated with relevant risk factors in the current macroeconomic and geopolitical context;
- Review, update and implementation of NPA/NPE and exposure to corporate restructuring funds reduction Plans;
- Participation in the CDP questionnaires – Carbon Disclosure Project and Corporate Sustainability Assessment (S&P Global);
- Update of the Climate and Environment materiality assessment;
- Preparation of replies to the ECB's "Targeted Review on Digitalization" questionnaire;
- Publication of the Annual Market Discipline Report and quarterly disclosures;
- Execution of EBA's capital stress tests;
- Participation in the ECB's Cyber Resilience Stress Testing;
- Continuous improvement of liquidity and financing risk management and control systems at Group level;
- Participation in the annual liquidity exercise of the SSM/SRB (Single Supervisory Mechanism/Single Resolution Board), followed by a self-assessment of the Bank's ability to report the data of the model (Joint Liquidity Template);
- Consolidation of a liquidity management framework in the context of resolution planning;

- Improvement of the interest rate risk control and management framework (IRRBB and CSRBB), in line with regulator guidance (EBA/GL/2022/14);
- Implementation of a new platform to support core risk quantification processes (SAS Cloud);
- Obtaining authorisation from the ECB for the application of Article 352(2) CRR for the exclusion of structural foreign exchange positions from the calculation of net open foreign exchange positions;
- Submission of the report for the EBA Market Risk Benchmarking Exercise 2024;
- Continuation of projects aimed at continuous improvement of the quality of decision support data and risk control metrics according to BCBS239 and the development of the upgrade of the technological platform to support risk management;
- Presentation of the results of the 2022 annual exercise on risk self-assessment (RSA-Risk Self-Assessment) and execution of the corresponding exercise in 2023;
- Execution of the annual Risk Self-Assessment (RSA) exercise of operational processes;
- Consolidation of the framework for monitoring and controlling ICT (information, communication and technology) and cybersecurity risks, as well as outsourcing risk;
- Participation in the project of renewal and reformulation of the Business Continuity Management System;
- Participation in the update of the Group's recovery plan for 2023;
- Continuous updating of the regulations of the risk management function at Group level;
- Participation in the Budget and Plan for 2024/26;
- Follow-up of several On-Site Inspections and Deep Dive exercises of the Supervisory Entities.

In 2023, the compliance function maintained its focus on the continuous improvement of the Group's compliance risks´s control environment, ensuring, fulfilling regulatory and supervisory requirements and updating the internal regulation’s compliance risk management and control framework.

The most relevant activities and initiatives developed during 2023 were, as follows:

- Identification and due diligence, for the appropriate pre-validation, substantive and formal, of the opening and maintenance of entities and accounts and credit operations, in a context of increased risk, highlighting the effect of the war in Ukraine, with the issuance of successive sanctions packages.
- Examination of operations, with emphasis on the filtering operations process, essential for complying with the sanctions and embargo regimes decreed by the competent national and supranational authorities, and their monitoring, with a view to detecting and preventing potentially irregular situations.
- Control, by improving IT systems and monitoring mechanisms, adapting them to new regulatory requirements and new risk factors, contributing to the effectiveness of the AML/CFT risk management model.
- Communication, adapting governance and processes in order to inform the competent authorities in a timely manner whenever there are suspicions or sufficient reasons to suspect that certain funds or other assets, regardless of the amount involved, come from criminal activities or are related to their financing, in a context of growing risk factors in this area.
- Collaboration with all the supervisory and inspection bodies responsible for the activity of BCP and its Subsidiaries in Portugal.
- Co-operation with Direção-Geral de Política Externa of the Foreign Office and with Gabinete de Planeamento, Estratégia, Avaliação e Relações Internacionais of the Ministry of Finance, ensuring compliance with the regulatory and legal framework on restrictive measures.
- Training, through the fulfilment of a training and communication plan.

This functional perimeter, based on dedicated technological solutions, also provides for the definition and management of risk models according to the evolution of the various competing variables for establishing the scorings to be applied to operations. Also noteworthy is the development of new, more effective and efficient solutions based on automation processes for analysing the risk factors inherent in new account openings and transaction screening, and the effort to update internal rules in order to bring them into line with recent changes in the legislative environment. Of the various initiatives undertaken in 2023, we would highlight:

- Reinforcement of automatic control processes relating to transaction filtering, in order to ensure permanent and timely compliance with the sanctions and embargoes decreed by the various international organisations, in a more demanding international context resulting from the war in Ukraine.
- Strengthening AML/CFT risk control in the area of customer onboarding, in the segments and jurisdictions involved in business relationships.
- Reinforcement of the model of an integrated view of Customers in the business relationship with the Bank and the inherent risk factors, in order to strengthen effectiveness in the fulfilment of AML/CFT duties, mainly identification and diligence, control, examination and communication.
- Continued development of automatic solutions that promote alignment and cooperation between the Bank's first and second lines of defence in fulfilling the various AML/CFT duties.
- Reinforcement of controls over Correspondent Banks, ensuring a timely periodic review of their AML/ CFT practices and policies according to their risk, the assessment of which now includes a set of new risk factors, in compliance with recent regulatory changes and restrictive measures related to the war in Ukraine.
- Continuing to strengthen, train and specialise the Compliance Office teams in the various dimensions of PBC/FT.

With regard to the effectiveness of the internal control system contribution, the role of the Compliance Office in monitoring the implementation of the internal control recommendations should be emphasised, namely through the issuing of periodic reports to the Bank's Management and Supervisory Bodies responsible for monitoring them and participation in a working group aimed at promoting their implementation.

In 2023, promoting a culture of compliance was one of the Bank's important initiatives, both through the normal development of the Training Plan and through communication programmes close to all areas of the Bank, particularly the commercial networks. The "100% Compliance", "Expedients", "10 Compliance Commandments", "Prevention is better" and "Compliance Express" headings are some of the most visible aspects of the transformation that began in 2019. Through weekly headings addressed to all of the Bank's employees and commercial structures, the aim is to inform, clarify and support employees on the most important aspects to take into account, both in terms of the risk of financial crime and other compliance risks, using simple but informative and educational language. Innovative solutions were also used, including the participation of employees from the Bank's first line of defence on a wide range of compliance and conduct risks.

As for the most important training activities, we would highlight: the Code of Conduct and the AML/CFT courses for all Bank employees, a set of training programmes to ensure the necessary certifications in the Markets in Financial Instruments Directive (MIFID II) and the sale of insurance on the Bank's networks, among others.

In pursuit of aligning strategies and priorities in the risk management of the Group's Operations, efforts continued to update Group policies, also applicable to International Operations, ensuring that there were nodelayed documents and highlighting the adoption of Group policies on the Code of Conduct and Conflicts of Interest.

In addition, the Compliance Office strengthened its monitoring of the activity of the Compliance function in those Operations, implementing a series of initiatives, including:

- Continued efforts to adapt the Group's entities' response capacity to the challenges posed by compliance and regulatory issues, in particular by promoting training programmes for local compliance teams.
- Consolidation of control procedures, particularly on new business relationships and high risk AML/CFT products.
- Monitoring and collaborating in the resolution of control deficiencies identified by external auditors.
- Collaboration in the implementation of new IT platforms to reinforce AML/CFT.
- Reinforcement of the process of sharing information on risk clients, within the scope of AML/CFT, for greater harmonisation of their risk classification, promoting the effectiveness of the duty of examination and the completeness of information in the exercise of the duty of communication.

It should be noted that monthly reports analysing the transactions of high-risk customers were issued.

Credit risk

The materialisation of this risk arises from the losses in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations.

The control and mitigation of this risk are carried out through a solid and reliable structure of risk analysis and assessment, based on internal rating systems suited to the different business segments, through a model for the early detection of potential default of the portfolio, through processes regarding the management and follow-up of the collateral value and through structural units that are exclusively dedicated to credit recovery.

Evolution and breakdown of the loan portfolio

The next table presents the evolution of the Group's portfolio subject to credit risk and counterparty credit risk between December 31, 2022 and December 31, 2023, in terms of EAD (Exposure at Default) (*), in the three main geographies in which the Group operates - Portugal, Poland and Mozambique - which represented the Group's total EAD by December 31, 2023.

(million euros)

Geography	Dec. 23	Dec. 22	Change	
			Amount	%
Portugal	62,585	61,716	869	1.4%
Poland	26,730	24,023	2,707	11.3%
Mozambique	2,466	2,446	20	0.8%
TOTAL	**91,781**	**88,185**	**3,596**	**4.1%**

* The EAD represents the expected exposure if the customer defaults. 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.

Without impairment deduction to the exposures treated prudentially under the Standardized Approach (STD) and including all risk classes (i.e. besides credit to Customers, debt positions from Sovereign entities and Institutions are included).

Considering the position on December 31, 2022 as a basis for comparison, the Group's loan portfolio, measured in euros (EUR), registered an increase of 4.1% during 2023, in contrast to 2022 (a decrease of 3.7%). This evolution is explained by growth in all geographies.

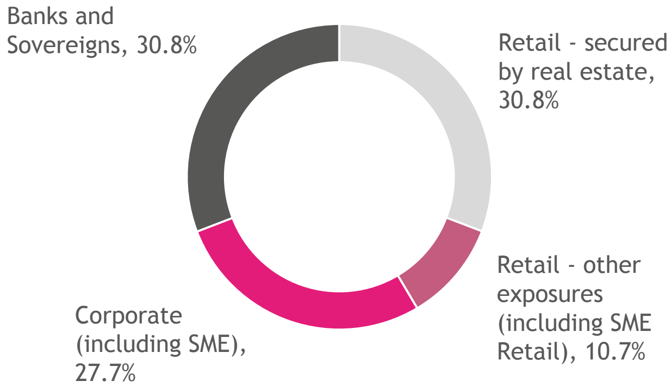
The increase in the portfolio in Portugal is associated with the growth in Sovereign and Institutional exposures and the retail portfolio, as opposed to the decrease in the portfolio of the Corporate segments and Banco de Portugal deposits. Additionally, should be noted the decrease in non-performing loans, particularly in the Corporate segments, which contributed to NPE portfolio´s reduction in Portugal by 260 million euros (circa 19% of reduction) during 2023.

In Poland's loan portfolio there was an increase of 11.3%, measured in euros, largely explained by the increase in Sovereign and Institutional exposures, which amounted to approximately 4.5 billion euros, countered by a decrease in credit exposure to Corporate and Retail credit, which amounted to 1.8 billion euros.

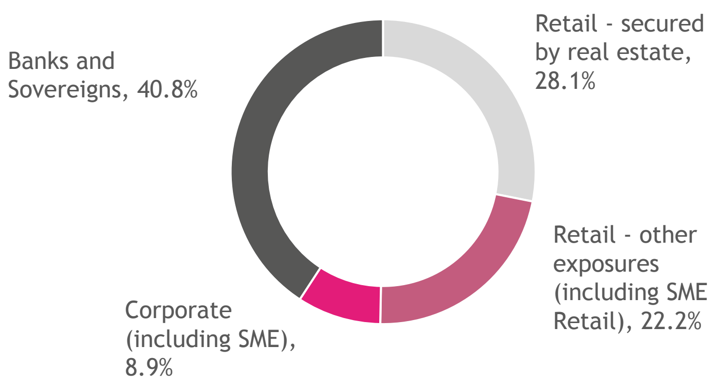
With regard to Mozambique, there was a 0.8% increase in the loan portfolio, measured in euros, mainly due to the growth in exposure to the Banco de Moçambique.

The portfolio composition by risk classes is illustrated by the following graphs, on December 31, 2023:

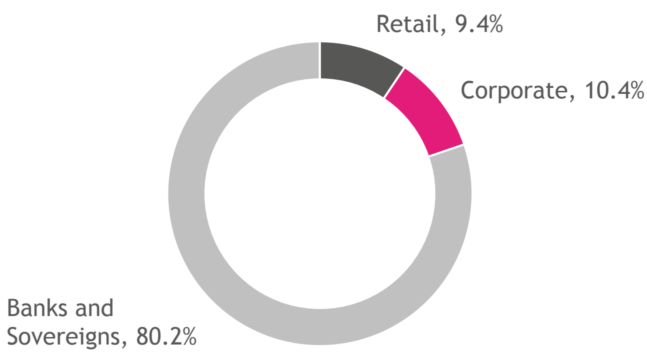
Portugal



Poland



Mozambique



In what concerns the structure of portfolios by counterparty segment, in Portugal the most significant portion continues to be assumed by the retail segment with 41.5% of the total, 30.8% of which relates to exposures benefiting from mortgages. The Corporate segment has a weighting of around 27.7%, slightly lower than at the end of 2022, highlighting the increase in the weight of the Banks and Sovereigns segment, which recorded an increase in its representativity to a level close to 30.8%, from a weight of 29.7% at December 31, 2022.

In Poland we highlight the Retail segment, with a weight of 50.3%, observing a decrease in the weight of exposures collateralized by mortgage guarantee to 28.1%, observed mainly in the CHF loan portfolio, a reduction in the representativeness of the Corporate segment and an increase in the Banks and Sovereigns component, ending 2023 with weightings of 8.9% and 40.8%, respectively.

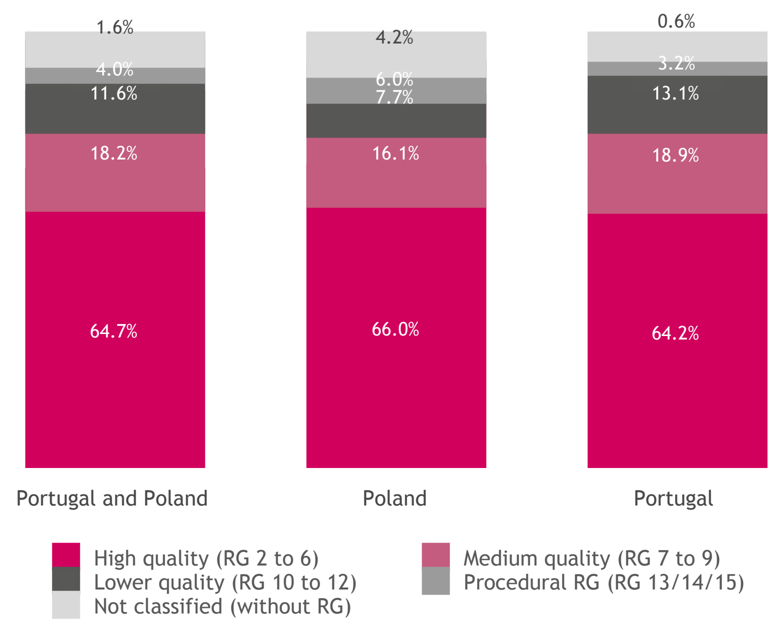
Regarding Mozambique, the structure remained stable, with emphasis on the relevance of the weight of the Banks and Sovereigns segment, which rose to 80.2% of the portfolio. The Corporate and Retail segments assumed a representativity of 10.4% and 9.4%, respectively.

The Bank has performed the regular update of the sectors considered to be the most vulnerable in Portugal, taking into account the evolution of the prevailing environment, characterized by multiple geopolitical conflicts, with impacts on various aspects such as a more modest level of economic growth, budgetary pressures to cope with the impacts felt by economic agents, the need to allocate budget amounts to areas such as Defense, limitations on the movement of goods, pressure on energy costs, inflationary impacts, high levels of interest rates and rising unemployment rates.

Probability of Default (PD) and Loss Given Default (LGD)

The main parameters for credit risk assessment, used in the calculation of Risk Weighted Assets (RWA) within the scope of the Internal Ratings Based method (IRB) - the Probability of Default (PD) and the Loss Given Default (LGD) – assigned to the portfolio's credit operations, have been registering a continuous positive evolution, reflecting a clear trend of improvement in the portfolio's quality.

The following graph illustrates the distribution of the portfolio amounts, in terms of Exposure at Default (EAD) by the risk grades (internal ratings) attributed to the holders of credit positions in Portugal and Poland, on December 31, 2023. These risk grades (RG) are defined on an internal scale, transversal to the Group (the Rating Master Scale), with 15 grades, corresponding to different levels of debtors' PD. Risk grades 13 to 15 are called "procedural" and correspond to problematic credit; RG 15 corresponds to the Default status.



As shown in the above chart, the weight of the EAD corresponding to medium and higher quality risk grades, for the two geographies in consideration, represented 82.9% of total EAD at December 31, 2023, with the structure remaining close in both geographies, with an increase in the weight of risk grades between 1 and 6 in the case of Poland, where there was an increase in this segment, while in Portugal the weight of this segment remained at 64.2%. This weighting compares with year-on-year weights of 82.3%, 80.9%, 80.7% and 76.8% at the end of 2022, 2021, 2020 and 2019, respectively, reflecting a consistently favourable evolution.

Regarding the weight of exposure in the set of the two geographies corresponding to customers with procedural risk grades, it reached 4% on December 31, 2023, maintaining the downward trend in previous years: 4.2% (2022), 4.8% (2021), 5.9% (2020) and 7.8% (2019). In the case of Portugal, the trend of reduction is faster: 3.2% (2023), 3.7% (2022), 4.7% (2021), 6.1% (2020) and 8.8% (2019).

Regarding the LGD parameters, representative of expected losses in case of Default and which, to a good extent, reflect not only the efficiency of credit recovery according to the different types of credit segments/products, but also the collateralization levels of credit operations, the following table shows the respective average values for Portugal (weighted by EAD) at the end of 2023 and 2022:

	Mortgages	SME Retail	Retail (other)	Real Estate Promotion	SME Corporate	Corporate	GLOBAL AVERAGE
2023	15.8%	31.9%	31.2%	26.5%	38.2%	37.4%	24.5%
2022	16,2%	32,1%	34,6%	37,0%	46,0%	32,4%	25,4%

The LGD parameters improving overall, with the exception of the Corporate segments.

It should also be noted that around 28% of the corporate loan portfolio in Portugal benefits from guarantees issued by various entities (Mutual Guarantee Societies; European Investment Fund and European Investment Bank), which provide an additional level of protection in the event of default.

In Poland too, part of the corporate loan portfolio benefits from this type of guarantor (around 5%)

Main credit risk indicators

The following chart presents the quarterly evolution of the main credit risk indicators, between 31/12/2022 and December 31, 2023, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Dec 23	Sep 23	Jun 23	Mar 23	Dec 22
CONSOLIDATED					
NPE/Gross credit	**3.40 %**	3.60 %	3.70 %	3.80 %	3.80 %
NPL > 90 days / Gross credit	**0.90 %**	0.90 %	0.90 %	0.90 %	0.90 %
Past due credit / Gross credit	**1.10 %**	1.10 %	1.10 %	1.00 %	1.00 %
Impairment / Gross credit	**2.80 %**	2.70 %	2.70 %	2.70 %	2.60 %
PORTUGAL					
NPE/Gross credit	**2.90 %**	3.00 %	3.20 %	3.20 %	3.40 %
NPL > 90 days / Gross credit	**0.50 %**	0.60 %	0.50 %	0.40 %	0.40 %
Past due credit / Gross credit	**0.60 %**	0.60 %	0.60 %	0.50 %	0.50 %
Impairment / Gross credit	**2.60 %**	2.50 %	2.40 %	2.40 %	2.30 %
POLAND					
NPE/Gross credit	**4.60 %**	4.70 %	4.60 %	4.80 %	4.50 %
NPL > 90 days / Gross credit	**1.60 %**	1.70 %	1.60 %	1.60 %	1.60 %
Past due credit / Gross credit	**2.10 %**	2.20 %	2.10 %	2.10 %	2.00 %
Impairment / Gross credit	**3.30 %**	3.40 %	3.30 %	3.20 %	3.10 %
MOZAMBIQUE					
NPE/Gross credit	**5.30 %**	7.10 %	11.80 %	12.70 %	13.50 %
NPL > 90 days / Gross credit	**2.90 %**	3.60 %	7.10 %	7.40 %	7.80 %
Past due credit / Gross credit	**3.10 %**	3.90 %	7.40 %	7.60 %	7.80 %
Impairment / Gross credit	**4.30 %**	3.90 %	8.20 %	8.30 %	8.10 %

Gross credit = Direct credit to clients, including credit operations represented by securities, before impairment and fair value adjustments. NPE include loans to Customers only.

The evolution of the credit risk indicators during 2023 was favourable at consolidated level, particularly in Portugal. Overall, the evolution is positive, as shown by the 'NPE/Gross Credit' ratio, with a reduction of 0.4 percentage points at consolidated level and 0.5 percentage points in Portugal. The overdue loans and 90-day overdue loans to gross loans indicators remained close to the values of December 2022, with these indicators registering values of 0.9% and 1.1% at consolidated level and 0.5% and 0.6% in Portugal.

The positive dynamics of these ratios are the result of the continued effort in recent years to reduce loans classified as non-performing.

The low value of the overdue credit ratio in Portugal (0.6%) when compared to the NPE ratio (2.9%) shows that a very significant part of the NPE´s portfolio is associated with "unlikeness to pay" situations".

It should also be noted that between the end of 2022 and 2023 the consolidated 'Impairment/Gross Credit' ratio increased by 0.2 percentage points, remaining below 3%, despite the reduction in the relative weight of the portfolio of loans in default in 2023.

In Poland, there was a slightly reduction of 0.2 percentage points in the 'NPE/Gross Credit' indicator, a maintenance of the ‘Past due 90 days/Gross Credit' ratio and a slight increase of 0.1 percentage points in the 'Past Due/Gross Credit' ratio.

Reflecting the persistence of a challenging economic and financial environment, the operation in Mozambique saw a deterioration in the NPE/Gross Credit ratio by 0.7 percentage points and an improvement in the other credit risk indicators during 2023, as a result of a prudent policy for granting new loans.

NPA Reduction Plan

The implementation of the Group's NPA (non-performing assets) Reduction Plan remained a priority throughout 2023, in its two components - problem loans (NPE-non performing exposures) and assets received in credit repayment (FA-foreclosed assets) - focusing mainly on the NPE loan portfolios and FA properties held for sale in Portugal.

The NPA Reduction Plan is framed by a specific governance model and a robust management framework, based on specialized credit recovery areas and systematized recovery strategies - both resulting from automatic analysis and decision models (for Retail) and based on the relationship of the recovery managers with their Corporate Clients, with tailor-made solutions. In order to respond to the challenges posed by changes in the business environment, particularly the impact resulting from a challenging geopolitical backdrop and increased financing costs for customers, the Bank has been developing and strengthening the methodologies and installed capacity of the monitoring and recovery areas, in order to ensure adequate monitoring of the most potentially impacted exposures and to minimize expected losses.

The FA management is based on a specialized structure, privileging circuits and procedures oriented towards the speed of the reception-preparation-sale cycle and the enhancement of the properties' values, in order to facilitate the sale of these assets.

The NPA Reduction Plan is supported by a set of operational initiatives designed with the objective of promoting an increasing effectiveness in the management of credit processes and foreclosed assets.

The fulfilment of the reduction targets of each area involved in the reduction of NPA is measured on a monthly basis and reported to senior management, namely to the Credit and Non-performing Assets Commission.

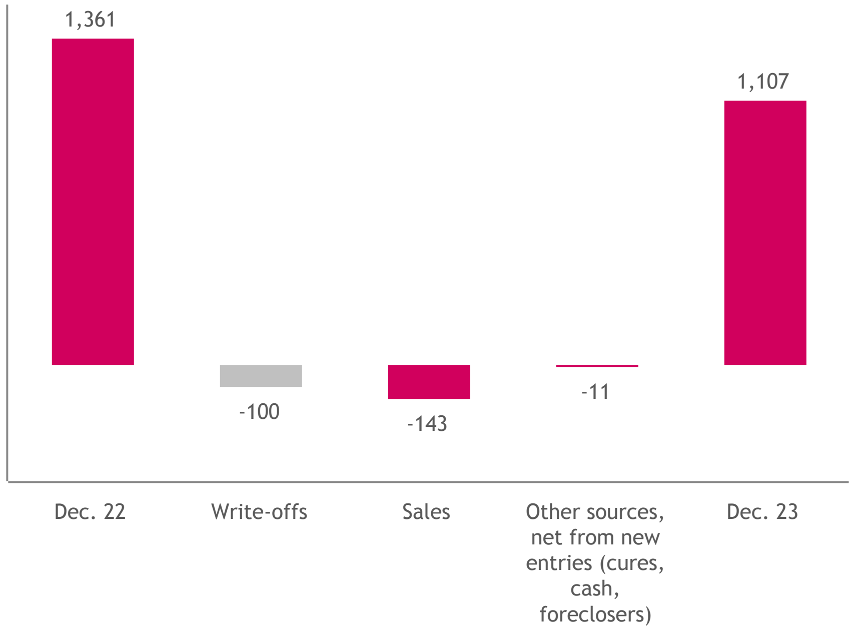
The following table presents the evolution of NPE volumes between December 31, 2022 and December 31, 2023, for the Group and for Portugal:

		Dec 23	Jun 23	Dec 22
CONSOLIDATED		**1,952**	2,142	2,218
	Change YoY	-266	-76	-539
PORTUGAL		**1,107**	1,262	1,361
	Change YoY	-255	-100	-521

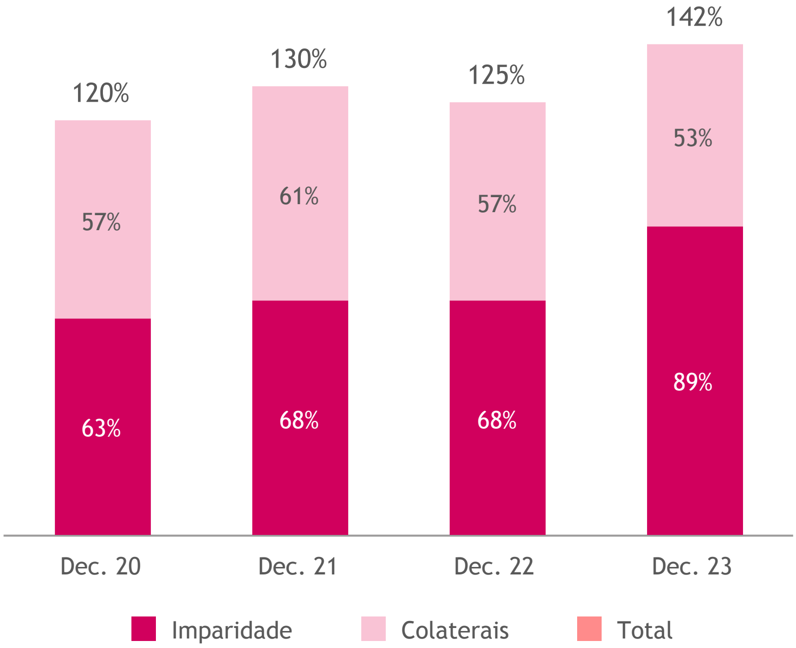
Comparing the size of the exposure of Customers classified as NPE at the end of 2023 with that seen at the end of 2022, we see a positive evolution, with a reduction of 266 million euros at consolidated level and 255 million euros in the activity in Portugal, which corresponds to a contraction of 12% and 18.7%, respectively. This result reflects the continued success achieved over the last few years in identifying and implementing solutions to reduce these non-productive assets, even in an adverse context.

Regarding the type of operations that explain the reduction in NPE in Portugal during 2023, the following graph highlights the contribution of write-offs, which amounted to 100 million euros. The gross value of sales amounted to 143 million euros, and the combined effect of the other sources of NPE reduction and new entries had a downward impact of 11 million euros, with a small number of larger exposure cases that were classified as NPEs.

(million euros)



The reduction of NPE was accompanied by an effort to reinforce the coverage ratio of the NPE portfolio by impairment in Portugal to increased to 89%. The following graph, which refers to domestic evolution, shows the decrease of four percentage points in the NPE´s total coverage (by impairments + collaterals) to 126% at the end of 2022, explained by the reduction in the weight of collateral coverage.



The trend observed in 2022 regarding assets on the balance sheet resulting from credits repayment (foreclosed assets - FA) was favourable, as shown in the following table, which presents the evolution of the total stock of FA in Portugal and its breakdown into the different types of assets, as well as the aggregate value of assets of this nature of subsidiaries abroad (amounts before impairment):

(Million euros)

	Dec. 23	Dec. 22	Dec. 21	Dec. 20
Real estate properties	169	262	565	809
Real estate Funds and companies	75	182	205	246
Other assets (non-Real estate)	57	73	81	92
SUB-TOTAL - Portugal	**300**	**517**	**851**	**1,146**
Other geographies Foreclosed Assets	57	65	65	40
GROUP TOTAL	**357**	**582**	**916**	**1,186**

Compared to the position at the end of 2022, there was a 38.6% reduction in the FA portfolio on December 31, 2023. The overall reduction in Portugal amounted to 217 million euros, explained by the reduction in the Real estate properties and Real estate Funds Companies components, which amounted to 93 million euros and 107 million euros, respectively.

In this year, the decrease in the stock of these real state assets by a gross amount of 225 million euros should be highlighted, based on the commercial dynamics of sales and relatively low volumes of new entries. This reduction can be explained by the shrinking size of the NPE credit portfolio, the sale of credit portfolios to companies with real estate collaterals, and the proper functioning of judicial sales instruments to third parties. The assets received in 2023 amounted to approximately €14 million, primarily consisting of residential properties.

It should also be noted that the reduction in the gross value of the foreclosed assets portfolio was accompanied by an increase in the level of impairment coverage, with this ratio rising from 38% in December 2022 to 46% in December 2023, therefore, the value of this net impairment portfolio represents only 237 million euros at the consolidated level and 196 million euros in Portugal.

Credit concentration risk

The following chart presents the weights, in total exposure, of the Group's 20 largest performing exposures (non-NPE), as at December 31, 2023, in terms of EAD and using the concept of "Groups of Clients/Corporate Groups", excluding the risk classes of "Banks and Sovereigns":

	Dec. 23	Dec. 22
Client Groups	Exposure weight in total (EAD)	Exposure weight in total (EAD)
Client group 1	0.9%	0.9%
Client group 2	0.8%	0.8%
Client group 3	0.5%	0.7%
Client group 4	0.4%	0.4%
Client group 5	0.3%	0.3%
Client group 6	0.3%	0.3%
Client group 7	0.3%	0.3%
Client group 8	0.3%	0.3%
Client group 9	0.3%	0.3%
Client group 10	0.2%	0.3%
Client group 11	0.2%	0.3%
Client group 12	0.2%	0.2%
Client group 13	0.2%	0.2%
Client group 14	0.2%	0.2%
Client group 15	0.2%	0.2%
Client group 16	0.2%	0.2%
Client group 17	0.2%	0.2%
Client group 18	0.1%	0.1%
Client group 19	0.1%	0.1%
Client group 20	0.1%	0.1%
Total	**6.0%**	**6.4%**

Overall, the 20 largest productive exposures represented 6.0% of total EAD on December 31, 2023, compared with a weight of 6.4% on December 31, 2022. Hence, there was a decrease in the concentration of credit in the 20 largest productive exposures, measured in terms of EAD.

It should be noted that, in addition to complying with the regulatory limits on Large Exposures, the Group defines specific objectives for controlling credit concentration, materialized into RAS metrics. Furthermore, other indicators are periodically monitored for various types of credit concentration: single-name, by sectors of activity, by country, for Institutions and for Sovereign risks.

In the case of the single-name concentration, the limits are defined for performing Clients, since the NPE are covered by the NPA Reduction Plan. For Clients with exposure above the established limit excess, specific reduction plans are drawn-up.

Operational risk

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

In the management of this type of risk, the Group adopts duly documented principles and practices, promoting the continued improvement of the control environment. This framework has a variety of features, such as: functions segregation, definitions for lines of responsibility and respective authorisations' levels, tolerance limits for exposure to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, assessment and monitoring of the risks over technological assets, information security and Outsourcing, key risk indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products and services approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

The operational risk management framework encompasses the three relevant Group geographies – Portugal, Poland and Mozambique – and the operational risk management system adopts the 3 lines of defence model, based on an end-to-end processes' structure. Each geography adapts its own processes' structure, which is regularly reviewed/updated. This approach, transversal to the functional units of the organisational structure, is appropriate for the perception of risks and to implement the corrective measures for their mitigation. Furthermore, this processes' structures also support other initiatives, such as the actions to improve operating efficiency and the management of business continuity.

The responsibility for the day-to-day management of operational risk lies with the 1st line of defence, with special relevance of the operations' areas and the process owners (seconded by process managers), whose mission - beyond the management of their processes' effectiveness and efficiency - is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the RSA exercises, as well as to identify and implement appropriate actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment.

Operational Risks Self-assessment (RSA)

The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

The aim of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered:

R1 Internal fraud and theft	R11 Monitoring and reporting errors
R2 Execution of unauthorised transactions	R12 Customer related errors
R3 Employee relations	R13 Products or services flaws/errors
R4 Issues of workplace health and safety	R14 External fraud and theft
R5 Discrimination over employees	R15 Property and disasters risks
R6 Loss of key staff	R16 Regulatory and tax risks
R7 Hardware and Software	R17 Inappropriate market and business practices
R8 Communications infrastructure	R18 Project risks
R9 Systems security	R19 Outsourcing related problems
R10 Transaction, capture, execution & maintenance	R20 Other third parties' related problems

The assessments are positioned in a risk tolerance matrix, considering the 'worst-case event' that might occur in each process, for three different scenarios: Inherent Risk (without considering the existing/implemented controls), Residual Risk (considering the existing/implemented controls) and Target Risk (the desirable risk level). These exercises are typically carried out in the second half of each year.

The 2023 RSA exercise for operational risk processes incorporated:

- The results of the Information and Communication Technology (ICT) 2022 RSA, computed in 2023, as input information to process owners, regarding 3 of the 20 risks assessed (R7/R8/R9). The ICT risks RSA was made over 172 critical technological assets – hardware, software and communication lines and infrastructures – under 3 evaluation dimensions: availability/integrity/confidentiality;

- The input stemming from the CORPE (Compliance and Operational Risk Process Evaluation) factors, which introduce and highlight operational risk components that result from the compliance and internal control status of the processes;
- With the Process Owners' assessment of the relevance of the most severe information security scenarios, resulting from the self-assessment exercise carried out by the Information Security Division (DSI) over identified risk scenarios (vulnerabilities/threats).

In 2023, the results of the RSA covering the operational processes of Portugal, Poland and Mozambique, for the 20 risk sub-types assessed, point to moderate operational risk levels. In Portugal, on a total of 2164 applicable risks, only 18 residual risks were classified as medium or high (score of 3 or 4, in a scale of 0 to 5, in which 0 = risk not applicable and 5 = catastrophic risk). In Poland and Mozambique, the number of medium/high residual risks was of, respectively, 52 (out of 1646 applicable risks) and 21 (out of 499 applicable risks).

Operational losses capture

The operational losses data capture (i.e. the identification, registration and typification) of operational losses and of the originating events aims at the strengthening of the awareness to this risk and to provide relevant information for process owners to incorporate within their process management. As such, it is an important instrument to assess risk exposures as well as for a generic validation of the RSA results.

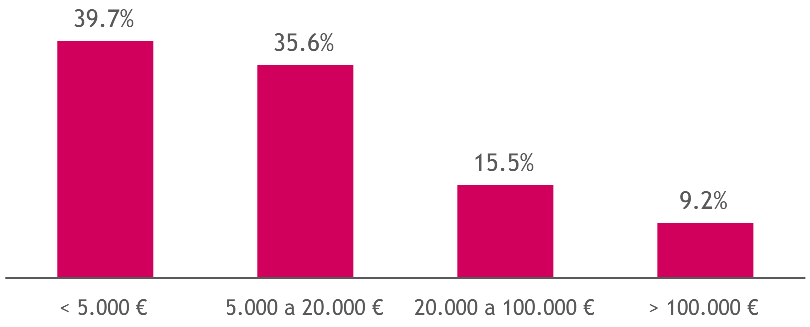
The detection and reporting of operational losses is a responsibility of all Employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of the processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause). For losses of amounts exceeding certain thresholds, “Lessons Learned” reports are presented to and discussed at the specialised Compliance and Operational Risks Commission). The lessons learned reports include an action plan to mitigate the risks that led to the losses, where appropriate.

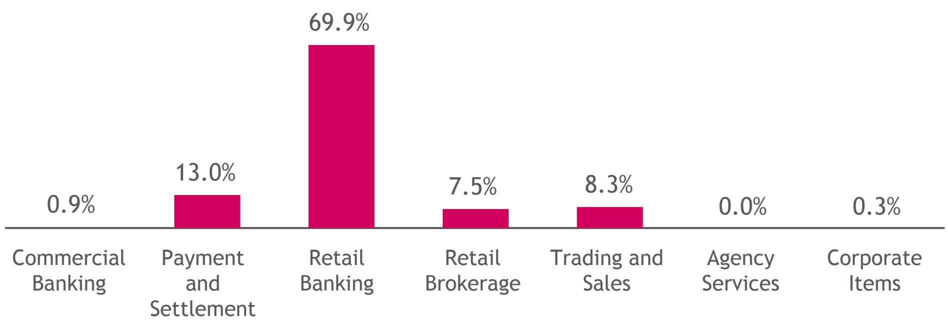
The following graphs present the profile of the losses captured in the respective database in 2023:

LOSSES AMOUNTS DISTRIBUTION
By cause

LOSSES AMOUNTS DISTRIBUTION
# of events by amount range



LOSSES AMOUNTS DISTRIBUTION
By business line



Regarding the distribution of losses by cause, the weight of those relating to 'External risks' and 'People risks' totalled around 72.5%, corresponding essentially to external and internal fraud events, respectively. This distribution of losses does not include the accruals relating to legal cases of foreign currency mortgage loans from Bank Millennium (Poland), which are allocated to the year of registration of the global event in question (2022) and was influenced by a significant increase in losses due to external fraud in 2023, caused by events related to frauds in credit operations in Poland and Mozambique.

In what concerns the distribution of losses by amount range (in number of losses), there was no change on the typical profile of the distribution of operating losses in 2023.

Finally, regarding the distribution of losses by business line, the weight of losses for 'Retail banking' was much lower than in 2022 (which was of 90.2%), in contrast to the weight of ‘Payments and settlements’ and ‘Trading and sales’ which, together, reached a weight of around 21.3% (c. 5.0% in 2022). The increase in the weight of these segments was caused, mainly, by an event in Poland relating to a product with high FX risk that has been discontinued for some years.

Key risk indicators (KRI)

KRI provide alerts concerning changes in the profile of the operational risks or in the effectiveness of controls, thus enabling to identify the need to introduce corrective actions within the processes, in order to prevent potential risks from materialising into losses. These indicators currently encompass all processes in the main Group operations (Portugal, Poland and Mozambique).

Processes management also uses Key Performance Indicators (KPI) and Key Control Indicators (KCI), the monitoring of which, even if oriented towards the assessment of operative efficiency, also contributes for the detection of risks.

Business continuity management

At the beginning of 2023 in Portugal, the Bank began a project to renew and overhaul its Business Continuity Management System (SGCN), with the aim of simplifying and optimising its operating and governance models.

The initiatives developed required the necessary participation of the various areas of the Bank that play a relevant role in Business Continuity Management (BCM): information and communication technologies (IT Division), information security (Information Security Division), corporate and customer communications (Communication Division), operational risk (Risk Office) and other business and/or support areas. The following activities were completed as part of the project:

- The assessment of the SGCN's current level of maturity in relation to best practices and current regulations;
- Review of risk scenarios to be considered in business continuity planning;
- The redesign of the operating and governance models in line with the latest developments and threats identified;
- Definition of a new BIA (business impact analysis) methodology for analysing/assessing the severity of potential impacts and inclusion of an intermediate phase for assessing the impact of risk associated with critical resources (RIA – risks' impact analysis);
- The development of a 'proof of concept' to test the suitability of the ongoing reformulation, specifically in terms of the degree of scenarios considered and the priorities defined for recovery;
- The revision and creation of normative documents to support the SGCN.

At the end of 2023, the following activities of this revamping were still in deployment:

- Definition and approval of the test plan (in accordance with the revised BCM definitions), aligned with the areas responsible for critical resources;
- Creation of training content and definition of a global training plan for employees, together with the Human Resources Department;
- Finalising the preparation and publication of business continuity plans associated with scenarios and the respective critical resources affected.

The revamping of the SGCN is expected to be concluded within the first half of 2024.

In Poland, as usual and along the established lines, business continuity management was assessed in the 1st half of 2024 by carrying out a business impact analysis (BIA) for the risks of 91 operational processes (including 2 new ones), the results of which were presented to Bank Millennium's Processes and Operational Risk Commission. This exercise resulted in no changes in the severity of the impacts analysed. In the first half of the year there was also an inspection visit by the Polish Central Securities Depository (KDPW), which resulted in a positive assessment of the Bank's alternative spaces for continuing its operations. In the last quarter of the year, tests and workshops were carried out on the backup facilities and infrastructure (equipped with 17 workstations, 2 hot desks and printers), which were completed with no remarks. In what concerns the remote-working tests (which covered entire units and not just their critical positions, in order to achieve results without any involuntary influence from those who remained at the office), these involved 293 employees from 72 units and were completed with a 96.93% level A assessment (without any restrictions in terms of the full execution of current activities) and a 3.07% level B (normal execution of activities, despite some minor limitations, relative to systems or equipment).

In Mozambique, in the first half of 2023, the business continuity team of Millennium bim was mainly involved in documentation management, pursuing the review the Business Recovery Plans of the organisational units involved in critical processes, in terms of human and technological resources. Regarding the equipment of alternative spaces, efforts were made to provide IT capabilities for those premises, along with the capacity to mobilise employees in up to 24 hours (as it existed before the pandemic), as a recognition of the need to proceed with integrated exercises, with evacuation drills and the provision of technological means, within the defined recovery period.

In the second half of the year, business continuity management at Millennium bim focussed on reviewing and validating the BIA of critical processes with the respective Process Owners, with a view to align process recovery requirements for the units involved in those processes. An analysis of cybersecurity was also carried out during the second half of 2023, to take specific preventive actions against this disruptive threat within the scope of the SGCN.

17 Millennium bim units were involved in the two recovery exercises carried out in 2023 (alternative location, each lasting 3 days), using alternative technological processing resources for the processing of Cards, POS and of the Accounting Control Centre team that manages the electronic currency interoperability process.

Insurance contracting

The contracting of insurance for risks related to assets, persons or third-party liability is another important instrument in the management of operational risk, where the objective is the transfer - total or partial - of risks.

The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Compliance and Operational Risks Commission and approved by the EC.

Legal, Compliance, Conduct and Financial Crime risks

Banco Comercial Português´s activity is governed by operating principles and rules that ensure a good conduct, following the best international practices and adopting the appropriate measures in terms of preventing compliance and conduct risks. With the purpose of permanently adapt its internal practices to the best market practices, to the evolution of Banking activity, and to society as a whole, the Bank regularly reviews its internal regulations and procedures to safeguard that the conduct of its Employees is always guided by highest ethical principles, of satisfaction and protection of the interests of the client and the Bank, in the pursuit of sustainable profitability. The Compliance Office strengthened the monitoring of the Bank’s activity and internal conduct, by implementing a system for monitoring potential situations of conflicts of interest, covering various aspects of this issue such as operations with related parties, credit operations, development of extra-professional activities and the receipt of gifts by Employees.

To comply with the relevant legal and regulatory norms related with Anti Money Laundering and Counter Terrorism Financing (AML/CFT), as well as to safeguard the compliance with best international practices on this matter, the Bank has a set of policies, procedures and systems that ensure an effective control of the financial crime risk prevention, also ensuring an operational model that allows the Bank to identify, assess and mitigate the potential risks inherent to the activity of its Clients, non-Clients and business relationships established with one or the other.

The impact and relevance of this risk in the Banking activity developed, compels the Bank to address this risk in multiple dimensions and on a continuous basis, whether in the establishment of new business relationships or in the continuous evaluation of an already established business relationship. Through a risk-based approach (RBA) for the assessment and monitoring of its business relationships or occasional transactions execution, the Bank complies with all the required duties enshrined in Law no. 83/2017, of 18 of August, like for example, due diligence, abstention, refusal or communication.

For an effective and efficient AML/CFT activity, the Bank defines a set of policies and procedures that are supported by a wide range of information systems, of which it is worth highlighting:

- Business Relations monitoring and alerts system;
- Financial transactions monitoring system;
- Entity filtering system;
- New Business relationships validation system;
- External information platforms.

Pursuing the continuous improvement of the internal control processes, these risks’ management system was enhanced along 2022, to enable the Bank to respond adequately to the demands of the future Banking business with origin in market dynamics changes and regulation evolution. From the set of initiatives, it is worth mentioning the following:

- The continued strengthening, training and specialization of the Compliance Office teams within the scope of AML/CFT model, in its various dimensions.
- The main legislative and regulatory highlights focused on the conflict resulting from the invasion of Ukraine by Russia, due to the continued establishment of sanctions and embargoes and in preventing new and emerging ML/CFT risks.
- As a result of the establishment of the referred sanctions and embargoes, development of enhanced controls to identify transactions and risk entities, ensuring compliance with restrictive measures.
- Reinforcement of the model of an integrated view of Customers in the business relationship with the Bank and the inherent risk factors, in order to strengthen effectiveness in the fulfilment of AML/CFT duties, mainly identification and diligence, control, examination and communication.
- Continued development of automatic solutions that promote alignment and cooperation between the Bank's first and second lines of defence in fulfilling the various AML/CFT duties.
- Changes to the internal rules governing the approval of new products, including the concept of "grouped approval" for Investment Funds and ETFs, a review of the concepts of Investment Product and Target Market (positive and negative), scenario analyses of financial products and structured deposits produced by the Bank detailed in the rules, and the obligation to present concrete quantitative data on sales outside the positive target market, i.e. within the product's negative target

market in the annual formal monitoring process, among other small improvements aimed at strengthening the process.

- Updating of the Group's Code of Conduct, with the following most significant changes:
  - Two general principles of conduct have been added for the entities covered by the Code: sustainability and confidentiality.
  - Reinforcement of corruption prevention practices, formalising new internal regulations on the prevention of corruption and related offences in line with the latest practices in the industry.
  - Adjustments to the criteria relating to "liberalities", making them more demanding by seeking to differentiate between liberalities in accordance with social custom and strictly prohibited liberalities related to the Bank's activity.
  - Added point on training, so that employees are always up to date through the internal training and dissemination provided by the Bank.
  - A new provision has been added on the pricing of each product, namely that it must be drawn up on the basis of public information, reinforcing the prohibition of any practices typified in the law that are intended to distort or restrict competition in an appreciable way.
  - The way in which communications with clients and other external organisations should be carried out was reviewed.
  - Adjustment of the requirements for exclusivity in the provision of work, bringing the Code into line with article 129 of the Labour Code.
- Reinforcement of the Bank's regulatory framework on the subject of corruption prevention, with a Plan for the prevention of corruption risks and related offences of BCP Group entities in Portugal, which defines, among other provisions, the governance model, prevention mechanisms, training and culture of corruption prevention, corruption circuits and reporting and evaluation system.
- As provided for in the evaluation system of the aforementioned plan, the annual report on the implementation of the internal control system for combating corruption was issued and is available in the public information section.
- Updating, within the scope of Banco de Portugal Notice 3/2020, information on the matters provided for in its Annex, in a format accessible to all employees, including matters on the Bank such as its shareholder, organisational and governance structure, its internal control system, its key function holders, the characterisation of its business, its Code of Conduct, among others.
- Implementation of the Training and Communication Plans on compliance matters for all the Bank's Employees and commercial structures, with the most important aspects to be considered, both in terms of the risk of financial crime and in terms of other compliance and regulatory risks.

Market risks

Market risks are the potential losses that may arise within a portfolio as a result of changes in interest or exchange rates, and/or in the prices of the different financial instruments within the portfolio, taking into account not just the correlations that exist between those instruments but also their volatility.

The following management areas are defined for each Group entity for the objectives of profitability analysis and market risk measurement and control:

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

The definition of these management areas enables effective management separation between trading and banking books, as well as a proper allocation of each transaction to the most suitable management area, based on its context and strategy.

To guarantee that the risk levels incurred in the Group's various portfolios conform to the specified levels of risk tolerance, various market risks limits are established, at least yearly, and are applicable to all portfolios of the risk management areas where the risks are incident. The Risk Office monitors these limits daily (and intra-daily in the case of financial markets areas).

Stop loss limits are also set for the financial markets' areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. If these limits are breached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading Book market risks

The daily measurement of generic market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) uses a VaR (value-at-risk) model, considering a time horizon of 10 business days and a significance level of 99%.

Additionally, the Group uses an integrated market risk measurement that monitors all relevant risk subtypes. This measure includes the assessment of generic risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using appropriate risk models and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the subtypes (worst-case scenario approach).

For non-linear risk, an internally developed methodology is applied, replicating the effect of main non-linear elements of options on P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured using standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, in December 31, 2022 and December 31, 2023, as measured by the methodologies referred to above:

(Thousand of euros)

	31 December 2023	Max of global risk in the period	Min of global risk in the period	31 December 2022
Generic Risk (VaR)	888	4,251	684	1,322
Interest rate risk	587	4,458	555	1,011
FX risk	551	1,438	566	841
Equity risk	499	218	80	585
Diversification effects	*-748*	*-1,864*	*-518*	*-1,114*
Specific Risk	624	428	16	13
Non-linear Risk	0	0	0	0
Commodities Risk	—	—	—	—
Global Risk	**1,512**	**4,679**	**700**	**1,335**

VaR model monitoring and validation

Validation of the internal VaR model's appropriateness for assessment of risks involved in the positions held is conducted over time, with different scopes and frequency, including back testing, diversification effects estimation and analysis of risk factor comprehensiveness.

The VaR model's hypothetical back testing exercise for the Portugal's Trading Book, during 2023, resulted in four negative excesses (and four positive) over the results predicted by the model in 257 days of observation. Hence, in terms of the frequency of excesses verified, the back-testing results validate the model as appropriate for measuring the risk at stake.

Trading Book Stress Tests

In addition to VaR assessment, the Group continuously tests a broad range of stress scenarios, analysing the respective results to identify risk concentrations not captured by the VaR model.

The results of these tests on the Group's Trading Book, as of December 30, 2023, in terms of impacts over this portfolio's results, were the following:

(Thousand EUR)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	+ 100 bps	-2,193
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	- 25 bps	-14
4 combinations of the previous 2 scenarios	+ 100 bps & + 25 bps	-2,181
	+ 100 bps & - 25 bps	-2,206
Variation in the main stock market indices by +/- 30%	+30%	-2,069
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-429
Variation in swap spreads by +/- 20 bps	+20 bps	-49
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Widening	-1,009
Significant vertices (1)	VaR w/o diversification	-1,165
	VaR w/ diversification	-464
Historical scenarios (2)	15 July, 2011	-2,873
	27 January, 2012	-3,577

(1) Scenarios in which the more adverse variations of the last seven years, relative to the portfolio's five most significant risk factors for VaR, are applied to the current portfolio.
(2) Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the Eurozone Sovereign Debt crisis (from 2010 onward)

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenarios to be taken into account refer to a general increase in interest rates, either a parallel shift or accompanied by a change in the slope of the yield curve. In what concerns the non-standard scenarios, the main loss case refers to the historical scenarios.

Interest rate risk in the Banking Book

The interest rate risk arising from the Banking Book operations is assessed by the Bank in two complementary ways: the portfolio's economic value method (EVE) and the financial margin sensitivity method (NII), through a risk sensitivity analysis carried out every month, for the universe of operations included in the consolidated balance sheet of the Group, broken down by the currency of exposure.

Variations of market interest rates influence the Group's net interest income and the economic value of the Group, both in the short term – affecting the Bank's NII – and in the medium/long term, affecting the balance sheet economic value (EVE method).

The main risk factors arise from the repricing mismatch of the portfolio positions (gap risk) which may cause direct or indirect financial losses in the Banking Book, due to changes in interest rates that have different impacts over assets and liabilities' classes, making the Bank vulnerable to variations of the yield curve. In turn, the changes in interest rates may alter the behaviour profile of Clients, inducing pre-payments/withdrawals in assets and liabilities, including the exercise of options' rights incorporated in the products' design (behavioural and optional risk). Additionally, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's Banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component, being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves. The impacts stemming from the Clients' behaviour are also considered, in particular, for the products for which this is especially relevant – namely, for products without defined term (checking accounts, revolving credit, fixed rate credit lines) – as well as the impacts resulting from changes in contractual cash flows (credits prepayments) and impacts of any potential prepayments on credits with defined maturity.

The result of this analysis for a +100 basis points (b.p.) change in the level of Euro interest rates (for all maturities, i.e., assuming a parallel shift of the yield curve), in the Banking Book portfolio as at 31 December 2023, found a positive impact on the balance sheet´s economic value of around €19.1 million. On the other hand, the impact of a generalized decrease in euro rates of -100 bps would be around -27.2 million euros.

Complementing the previous approach, the Bank calculates monthly the impact on net interest margin projected for the following 12 months, due to changes in market interest rates (NII method). For this purpose, all assets, liabilities and off-balance products that generate interest are considered and the calculation of interest cash flows is performed based on the repricing and amortization characteristics of the products and on yield curves for 12 months. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of original maturity and price is generated. To capture the net interest margin sensitivity, several simulations are processed, corresponding to 10 different scenarios of the market's interest rates evolution.

Considering a variation in market interest rates combined with the scenario for the coefficients that transmit the market variations over the deposit´s rates and other interest-generating liabilities ('betas'), the evolution of the sensitivity of the net interest margin is assessed. Hence, for a variation in interest rates of +100 b.p. on December 31, 2023, on a consolidated basis, the net interest income would increase by around 131.7 million euros, with the sensitivity to a decrease of 100 b.p. of about -132 million euros. The presented values are indicative and very dependent on the pace of transmission of the interest rate increase to balance sheet items whose price is not directly indexed to a market benchmark.

Foreign exchange and equity risks of the banking book

The foreign exchange risk of the banking book is transferred internally to the Trading area, in accordance with the Group's risk specialization model for the management of balance sheet foreign exchange risk. Structural foreign exchange exposures, including those resulting from financial holdings in subsidiaries, are not transferred and may be covered by market operations, in line with the defined strategy for managing structural foreign exchange risk, aiming at hedging against volatility in the CET1 ratio stemming from exchange rates changes.

On 24 March 2023, the Group has been formally granted permission to exclude these positions of a structural nature, deliberately taken or maintained by the Group to hedge against the adverse effect of exchange rates on the capital ratio, from the calculation of the net open currency positions used for calculating the capital requirement for foreign exchange risk.

Excluding the financial holdings from the participations in the foreign subsidiaries, the exposure to FX risk is quite limited, corresponding to 4.3 million euros in terms of VaR, as of December 31, 2023.

Regarding equity risk, the Group maintains a set of small size and low risk equity positions, primarily in the investment portfolio, mainly resulting from execution processes as payment. Management of these positions is conducted by a specialized area of the Group, with risk controlled through defined metrics and limits for market risks' control.

Liquidity risk

Liquidity risk consists of the Group's potential inability to meet its financing repayment obligations without incurring significant losses, either due to onerous financing conditions (funding risk) or by selling assets at lower than market values (risk of market liquidity).

The Consolidated Liquidity Plan, which forms an integral part of the annual budgeting process and is formulated at the level of the Group and for the main subsidiaries, includes the projection of the wholesale funding structure, including the use of market financing, and also the forecast of the internal and regulatory liquidity indicators, ensuring its compliance with the regulatory and internally defined requirements. The preparation of this plan is coordinated by the Group Treasurer, and its execution is continuously monitored throughout the year, with the respective revision being carried out whenever necessary.

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

At the end of the year and on a consolidated basis, the regulatory liquidity coverage ratio (LCR: Liquidity Coverage Ratio) reached 276%, vs 212% in December 2022, representing a surplus of 16 billion euros (compared to 10 billion euros on December 31, 2022), well above the minimum regulatory requirement of 100%. The other short-term liquidity indicator included in the group's Risk Appetite Statement (RAS), which represents the degree of coverage of customer deposits by the liquidity buffers available for discount at European central banks, also had a positive evolution, from 42% to 45%.

From a structural liquidity perspective, the Group continued to reinforce its stable funding base, characterized by the high weight of customer deposits in the funding structure, complemented by medium and long-term instruments, mostly composed by MREL related issuances. The relevant regulatory ratio (NSFR: Net Stable Funding Ratio; Article 428 of Regulation (EU) 2019/876) reached 167% in December 2023, vs 154% one year before, largely above the regulatory minimum of 100%. The loan to deposits ratio, also a RAS indicator evolved in the same manner towards greater conservatism, with a reduction from 73% to 70%.

In Portugal, following the significant migration of deposits to non-bank savings products that occurred mainly in the first quarter of 2023, the volume of customer funds showed a stable behaviour throughout the 2nd half of the year, allowing the Bank to protect its market share.

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

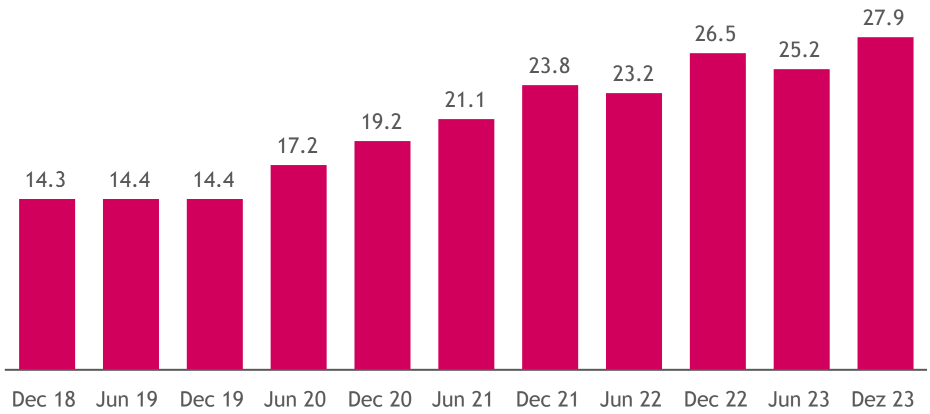
In September 2023, after regaining investment grade status by the four main rating agencies, BCP returned to the market, placing an issue of senior preferred debt eligible for MREL (Minimum Requirements for Own Funds and Eligible Liabilities) under its Euro Note Program, in accordance with its Liquidity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

The evolution described above is reflected in the table below, which represents the evolution of the wholesale funding (net) in 31 December 2022 and 31 December 2023, in terms of each of the instruments used:

	Dec. 23	Dec. 22	(Millions euros)
Interbank monetary market (Net)	-103	-157	-34.4 %
ECB (Net)	-2051	-2574	-20.3 %
Repos	-267	0	— %
Loan agreements	325	377	-13.8 %
Senior Debt	2350	1350	74.1 %
Subordinated Debt	1802	1777	1.4 %
Credit-Linked Notes	232	0	— %
Total	2289	773	196.2 %

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

ECB liquidity buffer
(Billion Euros)



Throughout 2023, Bank Millennium showed significant growth of 11% in its retail deposit base. 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, it was subsequently increased by an additional amount of 100 million euros. It has a maturity of four years and a remuneration of 9.875% and qualifies for MREL purposes, thus representing the fulfilment of another stage of the institution's recovery plan.

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

In consolidated terms, the refinancing risk of medium and long-term instruments will remain at low levels over the next three years, with annual values with no material expression.

The conclusions of the ILAAP process reiterate the adequacy of the liquidity and is low risk management process, as well as the compliance of its practices with the requirements defined by the supervision.

Pension Fund risk

This risk arises from the potential devaluation of the assets of the Fund associated with the Defined Benefit Plan or from the reduction of its expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted with such scenarios, the Group may have to make unplanned contributions in order to maintain the benefits defined by the Fund. The responsibility for the regular monitoring of this risk and the follow-up of its management lie with the Pension Funds Risk Monitoring Commission.

In 2023 the BCP Group Pension Fund had a net performance in commissions of +7%.

All asset classes contributed positively to this performance, with equity and fixed-rate securities performance standing out, with a contribution of 2.1% and 4.5%, respectively.

In the equity component, European equities showed a return of +5.7% and international equities +19%.

The portfolio made a significant change in terms of investment policy, where exposure to equities was reduced to 20%, which represented a reduction of 5% compared to the previous central allocation, although, with the exception of January, the tactical positioning throughout the year showed a slight overexposure to this class.

In terms of the Fixed Rate component, it is also worth noting the change in investment policy with a substantial increase in both the level of exposure and the level of its composition, now composed of public debt (49.5%) and a corporate debt component (5%). In this way, the portfolio has reduced its profile and risk, since the long-term interest rate is one of the main vectors for determining liabilities.

With reference to the evolution of the 10-year rate in Germany, which went from 2.57% to 2%, the discount rate for the calculation of the Fund's liabilities has also been updated. Thus, the discount rate on 31 December 2022 stood at 4.17%, falling to 4% in June 2023 and to 3.53% at the end of 2023.

As at 31 December 2023, the pension fund's liabilities coverage was over €390 million, corresponding to 13% of total liabilities.

Integration of ESG Factors in Risk Management

In its risk classification, Millennium BCP recognises the ESG category which includes factors associated with the climate and environmental components, and also with social and governance aspects.

These factors are not considered separately; in fact, they are seen as elements likely to affect positively or negatively the financial performance and solvency of the Bank's customer's and counterparties. This way, the materialisation of their impacts occurs by means of the "traditional" categories: credit risk, market risk, operational & reputation risk, liquidity and financing risks.

Within this context, and with the purpose of promoting the integration of ESG factors in risk management, the Bank implemented a set of processes and methodologies to identify, assess, manage and monitor the impact of the ESG category in overall risk, in accordance with the framework and policies already established for the remaining financial and non-financial risks.

Governance Model

The governance model for risks arising from ESG factors follows a structure based on three lines of defence which, under the leadership of the Board of Directors (and respective delegations on the Executive Committee), ensure its adequate assessment and management.

The first-line functions comprise all the departments and business areas that interact with the Bank's customers, counterparties and suppliers, collect the information and data that support the assessment of their risk profiles (and of their respective operations) and structure the commercial solutions with characteristics associated with the ESG or with the promotion of control of their impacts on the Bank's risk profile.

The Sustainability Function fits in the first line of defense and its responsibilities include:

- the overall management of the sustainability strategy and plans of Millennium BCP and of its financial group;
- the development of policies, methodologies, analyses and reports that address ESG issues;
- the management of commitments and external communications by the Bank and the Group in this area; and
- the direct orientation and operational support to the first and second lines of defence in the performance of their main responsibilities in this scope.

In the second line of defence, the responsibility for risk control, is assumed by the Risk Office and by the Compliance Office. These functions ensure the procedures for the design, implementation of the policies/ methodologies/ risk management models, which are paramount in keeping the risk profile of the Group in appropriate levels.

Among other, these responsibilities, include:

- Integration of the ESG dimension in risk appetite (Risk Appetite Framework - RAF);
- Syndicating with the Sustainability Function the proposal of ESG metrics to be included in the Risk Appetite Statement (RAS);
- Carry out stress tests focused on climate and environmental risk factors;
- Introduction of the ESG dimension in capital and liquidity adequacy exercises;

Specifically in terms of compliance, we emphasise the following controls:

- Reporting, disclosure and prudential obligations;
- Design and approval of new products, especially in the cases of ESG product design and labelling;
- Incorporation of ESG-related conditions and requirements into the forms and contracts;
- Ensuring the timely application of the legal and regulatory dispositions related to ESG;
- Potential for conflicting interest or litigation in the provision of ESG-related services and products.

The third line of defence assumes responsibility for the independent review of all ESG aspects through the annual work plans of the Internal Audit Function.

The Executive Committee is responsible for ensuring that ESG policies and strategies are followed, through the mobilization of resources and execution of the necessary business and operational actions. The Sustainability Commission assists the Executive Committee in integrating the principles of sustainability in the decision and management processes, being also responsible for assessing and approving the Sustainability Master Plan initiatives, its alteration and adaptation whenever requires for its implementation, and its monitoring.

Within the scope of the Committees of the Board of Directors, the Committee for Corporate Governance, Ethics and Sustainability is the body responsible for recommending the adoption by the Board of Directors of policies in line with ethical principles and social responsibility and best practices in matters of corporate governance and sustainability, but also for monitoring the evolution of the Sustainability Master Plan and the Corporate Social Responsibility Plan and issuing an opinion on the annual corporate governance and sustainability reports. The Committee for Risk Assessment, among its competences and attributions, is also responsible for monitoring ESG risks, including climate risks and advise the Board of Directors in terms of the identification, management and control of ESG risk factors, while monitoring the Group's risk appetite and underlying performance, as well as supervising the adequacy of the ESG internal control system, with special focus on a) the effectiveness of the risk management system to deal with the ESG risk drivers; and b) dealing with any instance of reputational risk related to ESG to which the Group may be associated to (directly or indirectly).

Identification of ESG risks

Climate change and environmental degradation factors are elements that can affect economic activity through the mitigation and adaptation effort, as well as the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection/restoration of biodiversity (cf. EU Taxonomy).

The materialisation of these risks fundamentally stems from the exposure of Millennium BCP's banking portfolio to customers, counterparties and invested assets whose performance may be affected or contribute to the negative impacts of climate change and other environmental factors.

These factors may generate negative financial impacts which are identified and assessed by means of two main dimensions:

- Physical risks factors: arising from the physical effects of climate change and environmental degradation. They should be categorized as a) severe risks, if they arise from extreme weather events such as wildfires or floods; b) chronic risks, if they arise from progressive changes in weather and climate patterns or from a gradual loss of natural ecosystems.
- Transition risk factors: are the risks of any negative financial impact arising from the effort, in progress or to happen in the future, of transition into a low-carbon and environmentally sustainable economy. These may result, for example, from technological changes, the impact of public policies or behavioural changes in terms of demand for goods or services (including banking services).
- The biodiversity or nature-related risks: The depreciation of natural capital, which in this context encapsulates the environmental-driven risks, is another key component of a holistic approach to C&E concerns. Natural capital refers to the world's stocks of natural assets which include geology, soil, air, water and all living things as well as the organization and distribution of ecosystems. The depreciation of natural capital undermines the ability of nature to provide ecosystem services (provisioning services, such as food, raw materials and fresh water; maintenance and regulating services, such as climate, water and air quality regulation, pollination, and pest and disease control; and cultural services, supporting recreation, mental and physical health, and spiritual and religious values) on which the Human society, economies and other species rely. Natural capital degradation can have chronic as well as acute economic effects.

The materialisation of social risks is also assessed, considering the issues related with rights, well-being and interests of persons and communities and include factors such as (in)equality, health, diversity, inclusion, labour relations, workplace health and safety, human capital and communities.

In addition, the governance risk factors are also identified by Millennium BCP, through issues relating to leadership, executive remuneration, shareholder rights, corruption and bribery, management and prevention of conflicts of interest, quality of internal control and independent reviews/auditing, transparency and good tax practices, for example.

A methodology for assessing the materiality of ESG risks was developed in order to determine the potential impact of those risks on the Bank's profile.

Management and monitoring principles

ESG risks management and respective strategy follows a different logic compared to 'traditional' risks, which are based on short-term timeframes. In contrast, the materialization of ESG risks is expected to occur over extended timeframes, which is why the establishment of strategy and risk appetite follows different timeframes. For example, if the assessment of physical (severe) risks can determine an action strategy more focused on the short term (e.g., considering the establishment of additional mitigation measures, at the level of policies for granting credit and insurance policy), the transition risks justify a more structural approach, based on collecting information, evaluating customers and monitoring their performance over time.

From this perspective, Millennium BCP's management of ESG impacts follows the following principles:

- Establishment of a responsible corporate financing policy, which excludes or conditions the Group's operations in sectors and/or activities with greater environmental and social impact.
- Integration of the strategy for managing risks arising from ESG factors into the Bank's global sustainability plan, which steers the integration of the ESG dimension into business processes, establishing goals, timelines and a model for controlling proper observance.
- Communication Transparency: The Bank publicly discloses its sustainability objectives and key practices, as well as its management of ESG (Environmental, Social, and Governance) impact factors. This allows all stakeholders to assess the robustness of its approach, including its exposure to risks arising from ESG factors.
- Regular Monitoring of Exposure to Risks Arising from ESG Factors: This is done through established management information routines for each risk category.
- Internal Standardization of ESG References: This involves implementing a corporate taxonomy that enables the identification and classification of exposures demonstrating characteristics that actively support the transition of the Portuguese and European economies.
- Focus on Credit Risk Management: This is achieved through models that facilitate the integration of the ESG dimension in the risk assessment of the bank's key companies/clients. This ensures that business decisions incorporate an evaluation of the primary impacts of ESG factors.
- Collection and Structuring of Information: Utilizing public sources and information provided directly by clients, this approach aims to enhance understanding of clients' environmental performance and potential financial impacts associated with any limitations in that performance.

The operationalization of these principles is facilitated through an internal policy for managing risks arising from ESG factors, which establishes the following key risk tools:

- Regular assessment of the materiality of risks arising from ESG factors to confirm alignment with risk appetite and the need for implementing mitigation actions.
- Methodologies for assessing risks arising from ESG factors integrated into credit risk assessment models.
- Risk classification methodologies at the portfolio level, allowing the identification of sectors, companies, and exposures most susceptible to transition and/or physical risks and/or nature-related.
- Models for quantifying financed greenhouse gas emissions, fostering strategic discussions regarding the management of these emissions and their alignment (in the long term) with the goals of the Paris Agreement.
- Sensitivity analyses and stress tests focusing on climate risks.

Stress testing with a focus on climate risk

The Bank uses sensitivity analysis methodologies and stress tests on the risks arising from ESG factors (with a focus on the climate risk component).

Considering the horizons of materialization of ESG risks, this is an important risk management technique, which allows the assessment of the impacts of climate change (and respective scenarios) on the financial variables that affect the value of Millennium bcp's banking portfolio.

Based on their results, new exposures at risk may be identified that require the Bank to take additional management measures to mitigate the impacts of climate risks.

Models validation and monitoring

This function is ensured by the Models Monitoring and Validation Office (GAVM), reporting to the Chief Risk Officer.

GAVM acts as the second line of defence, within the scope of the model risk management framework, functionally independent from the areas that are responsible for the models (model owners and developers) and from the Internal Audit Division. Hence, an adequate functions’ segregation is assured. Its mission consists in monitor and validate risk quantification methodologies and internal models used in BCP and other Group entities in Portugal, as well as to independently ensure the assessment of the quality and adequacy of the risk management framework in what concerns internal models, metrics and completeness of the associated data, according to the Model Risk Management (MRM) framework.

GAVM scope of action encompasses, inter alia, the validation of the methodologies and internal models for credit risk (including Probability of Default (PD), Loss Given Default (LGD), Credit Conversion Factors (CCF) and Expected Credit Loss (ECL) models, under the IFRS scope), market risk (in the trading book), interest rate risk in the banking book (IRRBB) and for the risks included in the ICAAP, as well as the regular monitoring of their performance and evolution. The results of the monitoring and validation exercises are reported to the Models Monitoring and Validation Sub-Commission and to the Risk Commission. Additionally, GAVM participates occasionally, depending on the agenda, in the Risk Assessment Committee (CAvR) to report the unit’s activity and annual plan’s execution.

Besides the activities directly related with the monitoring and validation of models, in terms of their performance and quality, GAVM is responsible for the coordination of the MRM activities, including the maintenance of a complete repository of the internal risk models used by the Bank and its permanent monitoring and updating through the use of a model management and risk assessment tool implemented at the Bank to support the MRM framework.

In 2023, several actions were carried out to monitor and validate the internal models in use by the Bank, including the regulatory report of the templates with the validation results of the credit risk internal models, according to the ECB instructions (“Instructions for reporting the validation results of internal models”). These actions aim, inter alia, to reinforce the confidence in the models, to monitor their performance and evolution, verifying their business adequacy and their compliance with the applicable regulatory requirements and best practices, as well as to reinforce the identification and adaptability to changes in their predictive quality.

GAVM has the responsibility to maintain a robust and documented validation processes for internal risk methodologies and models, in line with current regulations. For this, it develops and applies validation procedures and methodologies capable of ensuring proper model assessments and the alignment with the applicable regulatory requirements, by reinforcing (i) the scope of validation exercises, (ii) the depth of analysis and (iii) the transparency and auditability of the work performed.

As part of the model’s monitoring activities, GAVM also ensured, among others, the quarterly report to the Risk Commission regarding the performance and quality of the internal models used under the IRB and IMA approaches for, respectively, credit and market risk, the annual Model Risk Assessment (MRA) exercise applicable to all current IRB, IMA (Internal Models Approach) and IRRBB models, as well as the reporting of the regulatory Credit Risk Benchmarking exercise promoted by EBA.

Recovery Plan

Complying with the applicable law - Directive 2014/59/EU and its transposition to the Regime Geral das Instituições de Crédito e Sociedades Financeiras (RGICSF) through Decree-Law 23-A/2015, from the 26th of March – the Group annually revises the Recovery Plan for its business and activities, in which a set of recovery options that could be implemented in a timely manner to respond to financial stress circumstances that may be originated by events of both idiosyncratic and/ or systemic order is identified.

Considering that the Recovery Plan aims to restore the financial viability of the Group, several scenarios are defined, supported on hypothetical and forward-looking events, against which the impacts of recovery options, the Recovery Plan feasibility and the overall recovery capacity are tested.

In order to monitor the performance of the Group's business activity, a set of quantitative and qualitative key indicators is presented in the Recovery Plan, in line with the guidelines defined by the European Banking Authority (EBA). This set of indicators is permanently monitored, allowing for immediate management action whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), the report of which, to the Group's management and Supervision Bodies, is mandatory.

The priorities, responsibilities and specific measures to be taken in a capital and/or liquidity contingency situation are established in the Recovery Plan, which complements the Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible crises, namely, of liquidity. Simultaneously, the Recovery Plan contains a 'playbook', intended to provide key information for rapid decision-making in a crisis, and prescribes the performance of dry-run exercises, with the aim of testing parts of the Plan and raising the Bank's preparedness to implement it in a possible crisis scenario.

The Recovery Plan includes components of Bank Millennium's Recovery Plan (Poland) and information from Millennium bim's Recovery Plan (Mozambique). It is aligned with the definition of the business continuity framework and its respective plans (see the Operation Risk section), the Communication Plan – towards the market and stakeholders (in contingency situations) and the results from the capital and/or liquidity adequacy assessment processes already mentioned (ICAAP e ILAAP).

Ratings assigned to BCP

The prospects for the Portuguese banking sector benefited from the significant improvement in Portuguese Republic's rating to the "A" rating category by the five Rating Agencies that assign rating to Portugal, reflecting, besides GDP growth above Euro area average coupled with low levels of unemployment and positive external balance developments, positive developments in the budgetary balance as well as public debt as percentage of GDP falling to below 100% in 2023 to which should be added the improvement of conditions in the Portuguese banking sector.

The Portuguese banking sector’s asset quality and capitalisation have significantly improved since 2016, and this has materially strengthened the resilience of banks’ credit profiles. The banking sector is therefore less sensitive to foreign-investor confidence and asset-quality shocks than in the past.

There was no material evidence of asset-quality deterioration for the Portuguese banks in 2023, despite a more challenging macro-economic environment than in 2022, due to slowdown in GDP growth, inflation-led pressure and the higher interest-rate environment.

Profitability is expected to compare well with other southern European peers in 2024, due to high net interest margins, strong cost efficiency, and moderate cost of risk. Net interest income has been significantly boosted in 2023 due to a high share of variable-rate lending and limited repricing of deposits due to higher euro interest rates. Despite the expected interest rates decrease, Portuguese banks’ profitability should remain significantly higher in 2024 than in recent years.

Portuguese banks’ capitalisation has strengthened on the back of significantly higher profitability and lower balance-sheet risks. Most Portuguese banks have generally been restrictive with capital distributions in the most recent years.

BCP has made very significant progress in recent years:

Asset Quality – Continuous improvement despite macroeconomic challenges. The NPE ratio in Portugal stood below the 3% at the end of 2023.

Profitability – Strong operational efficiency supports improved profitability, despite the still high legal risk charges associated to CHF denominated loans in Poland. BCP's operational result compares well with most other medium-sized peers in southern Europe due to high operational efficiency and an efficient business model.

Funding and Liquidity - Stable funding and adequate liquidity profile.

Capitalization - Improved organic capital generation and adequate buffers over SREP requirements. Substantial strengthening of capital ratios. At the end of 2023, CET1 ratio stood at 15.4% and total capital ratio at 19.9%, representing an increase of 293bp and 310bp compared with the same period of 2022, reflecting the strong capacity to generate organic capital.

Developments in 2023:

BCP become Investment Grade by the four Rating Agencies that assign rating to BCP, after consecutive upgrade revisions during the year, which reflect BCP’s normalisation path.

Moody's	
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	Ba1
Counterparty Risk Assessment LT/ ST	A3 (cr)/ P-2 (cr)
Counterparty Risk LT / ST	A3 / P-2
Deposits LT / ST	A3 / P-2
Senior Debt	Baa2 / P-2
Senior Non Preferred	Ba1
Outlook deposits / senior	Stable
Subordinated Debt - MTN	(P)Ba2
Subordinated Debt	Ba2
Additional Tier 1	B1(hyb)
Other Short Term Debt	P(NP)
Covered Bonds	Aaa

Rating Actions

On May 26, 2023, Moody's Rating Agency revised the Outlook from stable to positive.
On November 22, 2023, Moody's Rating Agency upgraded the BCP's rating of deposits and senior unsecured debt.

Standard & Poor's	
Stand-alone credit profile(SACP)	bbb-
Resolution Counterparty Credit Rating LT/ ST	BBB/A-2
Issuer Credit Rating LT/ ST	BBB-/A-3
Senior Debt	BBB-
Senior Non Preferred	BB+
Outlook	Stable
Subordinated Debt	BB
Additional Tier 1	B+

Rating Actions

On April 17, 2023, S&P Global Rating Agency revised the Outlook from stable to positive.
On September 12, 2023, S&P Global Rating Agency upgraded the senior debt rating to Investment Grade.

Fitch Ratings	
Viability Rating	bbb-
Support	ns
Support Floor	No Floor
Deposits LT/ ST	BBB/F3
Senior Debt LT/ST	BBB-/F3
Senior Non Preferred	BB+
Outlook	Stable
Subordinated Debt Lower Tier 2	BB
Additional Tier 1	B+
Covered Bonds	AA+

Rating Actions

On March 17, 2023, Fitch Ratings upgraded BCP's long-term deposit rating to 'BBB-' and the long-term Issuer Default Rating to 'BB+', with a stable outlook.
On September 21, 2023, Fitch Ratings upgraded BCP's Issuer Default Rating to 'BBB-' (Investment Grade category).

DBRS	
Intrinsic Assessment(IA)	BBB
Critical obligations	A (low) / R-1 (low)
Deposits LT/ST	BBB(*high*)/R-1 (low)
Senior Debt LT/ ST	BBB / R-1 (low)
Senior Non Preferred	BBB (low)
Trend	Estável
Dated Subordinated Notes	BB (high)
Additional Tier 1	B (high)
Covered Bonds	**A**

Rating Actions

On May 24, 2023, the Rating Agency DBRS revised the trend from stable to positive.
On December 18, 2023 the Rating Agency DBRS upgraded BCP's long-term Issuer Rating to BBB.

Capital

The estimated CET1 ratio as at 31 December 2023 stood at 15.5% phased-in and 15.4% fully implemented, reflecting a change of +286 and +293 basis points, respectively, compared to the 12.6% and 12.5% phased-in and fully implemented ratios reported 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, which includes shareholder remuneration, on a convergent trajectory towards the levels set out in the strategic plan.

SOLVABILITY RATIOS

(Euro million)

	31 Dec. 23	31 Dec. 22	31 Dec. 23	31 Dec. 22
	PHASED-IN		FULLY IMPLEMENTED	
OWN FUNDS				
Common Equity Tier 1 (CET1)	6,157	5,442	6,124	5,382
Tier 1	6,642	5,939	6,608	5,875
TOTAL CAPITAL	7,906	7,279	7,903	7,241
RISK WEIGHTED ASSETS	39,751	43,103	39,725	43,106
CAPITAL RATIOS (*)				
CET1	15.5%	12.6%	15.4%	12.5%
Tier 1	16.7%	13.8%	16.6%	13.6%
Total	19.9%	16.9%	19.9%	16.8%

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

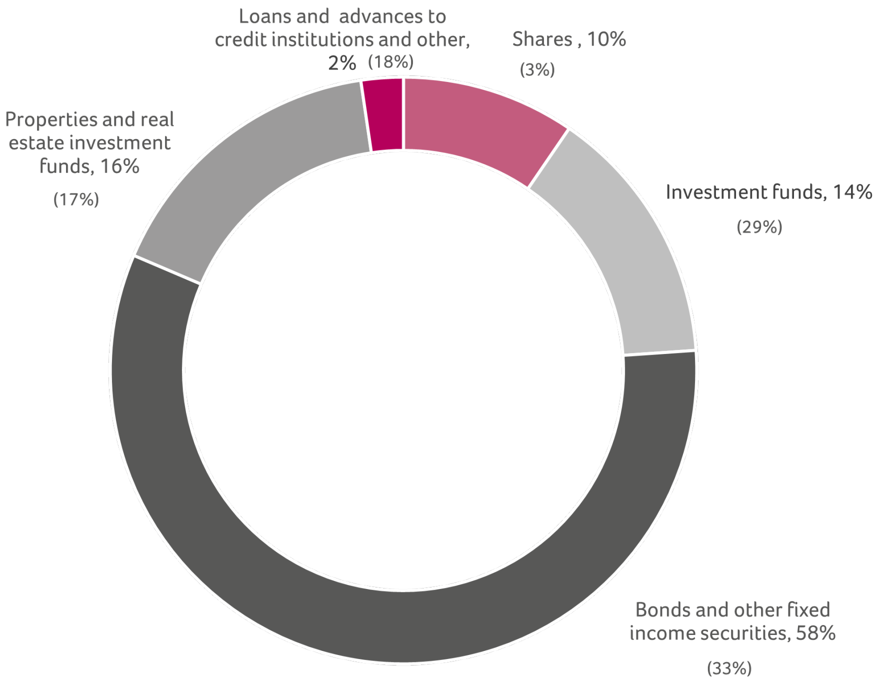
Pension Fund

The liabilities assumed by the Group Banco Comercial Português with pensions on retirement and other benefits are related with the payment to Employees of pensions on retirement and permanent disability and orphan and window benefits.

As at 31 December 2023, the Group's liabilities stood at 3,080 million euros, which compares with the 2,791 million euros recorded at the end of previous year. The Pension Fund's assets which are financing the above mentioned liabilities reached 3,470 million euros by the end of 2023, above the 3,384 million euros recorded as at 31 December 2022.

As at 31 December 2023 and 31 December 2022, the main asset categories in the Pension Fund's portfolio presented the following distribution:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 31 DECEMBER 2023



(xx%) Proportion as at 31 December 2022

As at 31 December of 2023, the structure of the Pension Fund's asset portfolio shows, compared to the prior year, increases in investment bonds and other fixed income securities and in shares and reductions in loans and advances to credit institutions and other, in investment funds and properties and real estate investment funds.

The actuarial assumptions considered by the Group for calculating the liabilities with pension obligations were based on market indicators, particularly long-term debt yield of Euro Zone issuers considered to be of good risk, as well as the demographic characteristics of its employees. The main actuarial assumptions used to determine the Pension Fund's liabilities over the last three financial years are shown below:

Assumptions	31 Dec. 23	31 Dec. 22	31 Dec. 21
Discount rate	3.53%	4.17%	1.35%
Increase in future compensation levels (a)	2.65% in 2024; 1.9% in 2025 and 1.15% in the following years	3.75% in 2023; 2.25% in 2024 and 1% in the following years	0.75%
Rate of pensions increase (a)	2.25% in 2024; 1.5% in 2025 and 0.75% in the following years	3.0% in 2023; 2.0% in 2024 and 0.75% in the following years	0.50%
Projected rate of return on fund's assets	3.53%	4.17%	1.35%
Mortality tables			
Men	TV 88/90 less 1 year	TV 88/90 less 1 year	TV 88/90
Women (b)	TV 99/01 less 2 years	TV 99/01 less 2 years	TV 88/90 less 3 years
Disability rate	Non applicable	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable	Non applicable
Normal retirement age (c)	66 years and 4 months	66 years and 7 months	66 years and 6 months
Total salary growth rate for Social Security purposes	1.75%	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%	1.00%

(a) This rate refers to the growth for the years following the reporting year.
(b) The mortality table considered for women corresponds to TV 99/01 adjusted in less than 2 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).
(c) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age.
In 2022 the retirement age was 66 years and 7 months. For 2023 and 2024, the normal retirement age in the RGSS is 66 years and 4 months. The reduction in the retirement age was due to the evolution of the average life expectancy at 65 years in Portugal. For the projection of life expectancy's increment, it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

The actuarial differences recorded at the end of the year 2023 were negative by 223 million euros, before taxes (positive in 376 million euros, before taxes, as at 31 December 2022) and include 226 million euros of actuarial gains, as a consequence of the decrease in the discount rate from 4.17% as at 31 December 2022 to 3.53% as at 31 December 2023 and 54 million euros of actuarial losses following the change of rate of salaries and pensions increase. The actuarial deviations recognised in 2023 also incorporate 100 million euros of positive financial deviations related to the pension fund's return, in particular referring to the gap between the expected income and the effective income of the Pension Fund. Finally, negative deviations of 43 million euros were also recorded as a result of differences between expected and actual liabilities.

The main indicators of the Pension Fund over the last three financial years are as follows:

Million euros

Main indicators	31 Dec. 23	31 Dec. 22	31 Dec. 21
Liabilities with pensions	3,080	2,791	3,498
Minimum level of liabilities to cover*	3,042	2,757	3,445
Value of the Pension Fund	3,470	3,384	3,700
Coverage rate	112.7%	121.3%	105.8%
Coverage rate of the minimum level of liabilities*	114.1%	122.7%	107.4%
Return on Pension Fund	7.1%	(5.1%)	1.9%
Actuarial (gains) and losses	223	(376)	(135)

* According to the Bank of Portugal requirements (assuming the application of the minimum requirement to all Group companies)

As of 31 December 2023, the Group’s responsibilities showed a 112.7% coverage level, being funded at a higher level than the minimum set by Banco de Portugal.

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 that subscribed the Group's Collective Labour Agreements, for the review of the Salary Tables and remaining pecuniary clauses relating to the year 2023, having been agreed on 9 and 17 October with all the Unions subscribing to the Group's Collective Labour Agreements, the update of the Salary Tables in 2023 with differentiated increases by contractual level between 4.00% and 7.80%. An increase of 4.50% was agreed for the Bank's Contributions to SAMS and other pecuniary clauses, such as study subsidies, longevity payments, among others, and an increase of 21.43% was agreed for the lunch subsidy, whose daily value increased to 12.75 euros. The agreed updates took effect on 1 January 2023, with the exception of remuneration related to subsistence and travel allowances, which were updated after the agreed updates were operationalised.

Regarding the unions SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários e SIB – Sindicato Independente da Banca, an agreement was also reached regarding the revision of the Salary Tables and other pecuniary clauses relating to the year 2022, as already agreed in 2022 with the remaining unions.

Information on trends

Framework

The Bank of Portugal forecasts that Portuguese GDP will growth moderately in 2024 (1.2%), mainly due to the slowdown in exports. With regard to the inflation rate, it is expected that the downward trend will continue, diminishing from 5.3% in 2023 to 2.9% in 2024.

The favourable evolution of economic activity contributed to a decrease in the public debt ratio as a percentage of GDP, from 112.4% in 2022 to 99% in 2023, which corresponds to the lowest value since 2010. With regard to external debt, there was also an improvement, with the current account balance recording the highest value in the last ten years, standing at 1.3% of GDP. In this context, the main Rating Agencies decided to upgrade the credit rating of the Portuguese Republic to an "A" grade.

The interest rate increase moves by the FED and the ECB, in 2023, maintained the focus recorded during 2022. Thus, the FED carried out four increases of 25 basis points in 2023, while the ECB carried out six increases, two of 50 basis points and four of 25 basis points. Until March 2024, the ECB kept reference interest rates unchanged. The President of the ECB stated that it was still premature to discuss rate cuts, having, however, signalled the possibility of reductions in key rates in the second half of the year. The US Federal Reserve has explicitly removed the bias towards a more restrictive monetary policy. However, the Federal Reserve will be cautious in lowering interest rates, which could happen in the second half of 2024.

The profitability of Portuguese banks is expected to remain robust in 2024, despite a decline in interest rates in the second half of 2024 and a slight decrease in net interest income. Operating costs are expected to increase, reflecting the current inflationary context. However, Portuguese banks should remain efficient, with the system's cost-to-income ratio below 50%.

The cost of risk is expected to maintain its normalization trend, with no significant impact expected from a possible deterioration in asset quality in 2024. Portuguese banks have solid credit granting policies due to the Bank of Portugal's macro prudential recommendations issued in 2018.

Portuguese banks have improved their funding profile over the last decade, with bank deposits representing the majority of their funding structures. The ratio between credit and deposits is expected to remain below 80% in 2024.

The sector has improved its asset quality and capitalization since 2016 and is now more resilient.

Impact on the Group's activity

In 2024, BCP should maintain a high level of profitability, benefiting from the environment of normalized interest rates in the geographies in which it operates, and strict control over the evolution of operating costs. The cost of risk should maintain the normalization trend, even in a context of slowdown in the Portuguese economy, given the level close to full employment.

BCP reinforced its liquidity position in 2023. The Group's balance sheet resources grew 2.5% in December 2023 compared to the same period last year. Liquidity indicators were in December 2023 well above regulatory requirements: LCR at 276%, NSFR at 167% and Loans-to-Deposits ratio at 71%. The assets available for financing with the ECB stood at 25.8 billion euros. At Group level, the Customer base increased by 3.4%, to more than 6.7 million, with emphasis on the 10% increase in mobile Customers compared to December 2022, which represent 68% of the Group's total active Customers (58% in Portugal). As a result of the higher interest rate environment, loan demand is remaining moderate. In 2024, the Bank should continue to present a solid liquidity position.

The BCP Group has been improving asset quality, particularly in Portugal, with the NPE ratio remaining below 3% at the end of December 2023, which compares with 4% of the objective set in the Strategic Plan. A significant deterioration in asset quality is not expected even in a scenario of slowing economic activity.

In 2024, BCP managed to demonstrate its ability to generate organic capital, with the CET1 ratio standing at 15.4% and the total capital ratio at 19.9%, representing an increase of 293bps and 310bps compared to the same period of 2022, exceeding the strategic objective established for 2024. In 2024, the Bank does not anticipate any adverse effects in terms of the evolution of the capital ratio, and should continue to generate capital organically, allowing a dividend and shareholder distribution policy aligned with sector practices.

Non-financial information

The BCP Group pursues dynamic strategies that it adapts to the new challenges imposed by the various stakeholders with which it interacts. The main objective of the adopted sustainability policies, which foster a culture of Corporate Social Responsibility, has been to positively influence the organization's long-term value proposition, in balance with the well-being of people, the company and the communities in which it operates. inserted and with the preservation of natural resources, climate, biodiversity and the environment.

In this context, it is possible to divide the Bank's intervention into three fundamental axes:

- **Environment** – implementation of measures that promote a fair and inclusive transition to decarbonized economic development models, including the incorporation of the environmental aspect in the Bank's risk models and in the offering of solutions, products and services;
- **Social** – involvement, in conjunction with the Millennium bcp Foundation, with the external and internal community in establishing lasting relationships of proximity and cooperation and in the creation of shared value;
- **Corporate governance** – integration of sustainability principles into the Bank's decision-making and management processes and in the definition of its value proposition.

Millennium bcp thus assumes, as an integral part of its business model, the purpose of creating social value, developing actions for - and with - the various groups of Stakeholders with the aim of contributing to the development of the countries in which it operates.

Throughout the Bank's Sustainability journey, several external commitments have been made, of which the following stand out:

- Principles of the United Nations Global Compact and recognition of the importance of the Sustainable Development Goals (SDGs) and the United Nations 2030 Agenda;
- United Nations (UNEP FI) Principles of Responsible Banking (PRB), a commitment that aims to ensure the alignment of the Bank's strategy and practice with the SDGs and the goals and objectives of the Paris Climate Agreement. The framework proposed by the PRB considers six principles that cover all business areas, at the strategic, portfolio and transactional levels, constituting a holistic tool for integrating sustainability into the different dimensions of the organization's activity;
- "Letter of Commitment for Sustainable Financing in Portugal", an aspirational document produced within the scope of the "Reflection Group for Sustainable Financing in Portugal" promoted by the Ministries of the Environment, Finance and Economy, which seeks to highlight the importance of integrating risks environmental, social and governance in decision-making and risk management processes in the financial sector;
- "CEO Guide on Human Rights", an initiative of the World Business Council for Sustainable Development (WBCSD) and the Business Council for Sustainable Development (BCSD Portugal). The Guide incorporates reference policies and practices and aims to contribute to the implementation and promotion of human rights in organizations and their value chains;
- "Statement from Business Leaders for Renewed Global Cooperation" from the United Nations Global Compact, an international declaration that aims to demonstrate commitment to ethical leadership, based on good governance practices, materialized through values, strategy, policies, operations and business relationships. proximity and involvement with all Stakeholders;
- "Women's Empowerment Principles" of the United Nations Global Compact, an international platform for promoting gender equality that highlights BCP's long-term vision and the desire to integrate – and promote – a collective dynamic based on cooperation and trust.

The BCP Group's guidance on these matters is translated into corporate Policies and Principles applicable to the various areas of activity and business (available at https://ind.millenniumbcp.pt/pt/Institucional/sistência/Pages/cod_internos. aspx) and is implemented in the Sustainability Master Plan (PDS), through which we intend to respond to the expectations, ambitions and needs of the Bank's Stakeholders and contribute to sustainable development.

PDS 2023, a plan structured around dimensions selected to respond to the themes contained in the Bank's materiality matrix and under which the Bank successfully implemented a large number of initiatives and concrete actions, included the following lines of action:

Actuation axis	Dimension
a. Positive impact through responsible and sustainable management	i. ESG risk management
	ii. Compensation policies
	iii. ESG Strategy
	iv Corporate policies and commitments
	v. Sustainable Purchasing
	vi. ESG corporate performance analysis
	viii. ESG Compliance
	viii. Training and development of top management
	ix. Knowledge
	x. Resource management
b. Positive impact through sustainable "offer"	i. Responsible and Sustainable Investment
	ii ESG product development
	iii. Offer ESG risk management
c.Positive impact on the environment	i. Climate change and energy transition
	i. Regulations and reporting frameworks
	iii. Environmental training and awareness
d.Positive impact on people and communities	i. Training and development
	ii. Corporate Volunteering
	iii. Human rights
	iv. Financial Literacy
	v. Partnerships for Sustainability

The implementation of the SDP has made it possible to improve the Bank's performance with regard to the main sustainability axes, in particular:

Economic / Governance	Social	Environmental
Total number of customers 7,450 thousand. vs. 7,203 thousand. in 2022 % of payments to local suppliers 90.3% vs.90.5% in 2022 Total number of digital customers 5,091 thousand. vs. 4,768 thousand. in 2022	Total number of employees 15,688 vs. 15,747 in 2022 Training (Hours) 728.681 vs. 715.837 in 2022 Donations 2.4 vs. 2.3 million in 2022	11.813 tCO2e emitted vs. 12.710 in 2022 47.760 MWh of electricity consumed vs. 46,424 in 2022 2,252 MWh of renewable energy produced by the Bank

In order to promote transparency in communication with its Stakeholders, monitor the evolution of performance, identifying opportunities for improvement, and communicate the evaluation carried out by recognized entities, the Bank responded to several specialized indices:

Scope	Index	Performance in 2023		Performance in 2022
BCP Group	**MSCI**	**A**	=	**A**
BCP Group	**CSA S&P (before DJSI)**	**56%**	↓	**62%**
BCP Group	**Carbon Disclosure Project**	**B**	=	**B**
BCP Group	**Bloomberg Gender-Equality Index**	**85%**	↑	**81%**
BCP Group	**Vigeo Eiris**	**46% (88% disclosure)**	=	**46% (88% disclosure)**
BCP Group	**EthiFinance (antes Gaïa Rating)**	**70%**	=	**70%**
BCP Group	**LSEG (before Refinitiv)**	**74%**	↓	**78%**
BCP Group	Sustainalytics	**1970%**	↑	**2160%**
BCP Group	ISS ESG	**C-**	↑	**D+**

In the cycle corresponding to the Strategic Plan - Overcoming 2021/2024 -, Millennium bcp continues to seek to identify business opportunities related to sustainability, as well as manage the physical and transition risks of its portfolio, but also promote the creation of solutions, products and innovative services with green and social rating aimed at all customer segments.

Detailed information and indicators on the BCP Group's Sustainability performance are available, in an aggregated view and by geography, in the 2023 Sustainability Report, at:

https://ind.millenniumbcp.pt/pt/Institucional/consciente/Pages/relatorios_anuais.aspx.

Correspondence table between the Management Report and Decree-Law 89/2017

Decree-law no. 89/207 of July 28	Chapter/Section	Page/s
Artº3º (Referred to No. 2 of Article 508-G of the CSC) The non-financial statement must contain enough information for an understanding of the evolution, performance, position and impact of its activities, referring, at a minimum, to environmental, social and worker-related issues, equality between women and men, the non-discrimination, respect for human rights, combating corruption and attempted bribery, including:		
a) Brief description of the company's business model	SR 2022 | Creating Value	10
	SR 2022 | Introduction > Governance Model	25-26
	Report and Accounts 2022| Business Model	39-42
b) Description of the policies followed by the company in relation to these matters, including the due diligence processes applied	**ENVIRONMENTAL:**	
	SR 22 | Introduction > Commitments	28-29 272-274
	SR 22 | Introduction > ESG Risk Management	32
	SR 22 | V- Environmental Responsibility	156-179
	SR 22 | Table TCFD	180-186 241
	SOCIAL AND WORKER-RELATED:	
	SR 22 | Introduction > ESG Risk Management	32
	SR 22 | Economic and Governance Responsibility > Employees	55-61
	SR 22 | Social Responsibility > Employee Benefits	126-134
	EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION:	
c) Results of these policies	SR 22 | Introduction > Commitments	28-29
	SR 22 | Economic and Social Responsibility and Governance > Employees	55-75
	HUMAN RIGHTS:	
	SR 22 | Introduction > Commitments	28-29
	SR 22 | Social Responsibility > Human Rights	135-137
	FIGHTING CORRUPTION AND BRIBERY ATTEMPTS:	
	SR 22 | Economic and Governance Accountability > Ethics and Professional Conduct	76-81
d) Main risks associated with these issues, linked to the company's activities, including, where relevant and proportionate, its business relationships, its products or services likely to have negative impacts in these areas and the way in which those risks are managed by the company	**ENVIRONMENTAL:**	
	SR 22 | Introduction > ESG Management	32
	SR 22 | TCFD	180-186
	SOCIAL AND WORKER-RELATED:	
	SR 22 | Introduction > ESG Risk Management	32
	SR 22 | Economic and Governance Accountability > Employees	55-75
	EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION:	
	SR 22 | Economic and Governance Accountability > Employees	55-75
	HUMAN RIGHTS:	
	SR 22 | Social Responsibility > Human Rights	135-137
	Tabela UNGP- Quadro de Relatórios dos Princípios Orientadores da ONU	238-240
	FIGHTING CORRUPTION AND BRIBERY ATTEMPTS:	
	SR 22 | Introduction > ESG Risk Management	32
	SR 22 | Economic and Governance Accountability > Ethics and Professional Conduct	76-81
e) Key performance indicators relevant to your specific activity	**ENVIRONMENTAL:**	
	SR 22 | Environmental Responsibility	156-179
	SOCIAL AND WORKER-RELATED:	
	SR 22 | Economic and Governance Accountability > Employees	55-75
	SR 22 | Social Responsibility > Employee Benefits	126-129
	EQUALITY BETWEEN WOMEN AND MEN AND NON-DISCRIMINATION:	
	SR 22 | Economic and Governance Accountability > Employees	55-75

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

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

(Thousands of euros)

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

BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	2023	2022 (restated)
ASSETS		
Cash and deposits at Central Banks	4,545,526	6,022,001
Loans and advances to credit institutions repayable on demand	337,687	213,460
Financial assets at amortised cost		
Loans and advances to credit institutions	908,477	963,434
Loans and advances to customers	53,305,159	54,675,793
Debt securities	17,579,136	13,035,582
Financial assets at fair value through profit or loss		
Financial assets held for trading	822,904	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	467,254	552,679
Financial assets designated at fair value through profit or loss	32,004	—
Financial assets at fair value through other comprehensive income	10,834,291	7,461,553
Hedging derivatives	40,628	59,703
Investments in associated companies	356,259	314,919
Non-current assets held for sale	80,317	499,035
Investment property	39,100	15,217
Other tangible assets	606,447	574,697
Goodwill and intangible assets	223,105	182,687
Current tax assets	20,469	17,945
Deferred tax assets	2,554,331	2,938,986
Other assets	1,626,684	1,582,455
TOTAL ASSETS	94,379,778	89,876,743
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	829,126	1,468,360
Resources from customers	75,606,813	75,430,143
Non subordinated debt securities issued	2,712,682	1,482,086
Subordinated debt	1,397,425	1,333,056
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	207,387	241,506
Financial liabilities at fair value through profit or loss	3,608,487	1,817,678
Provisions	753,103	561,786
Current tax liabilities	197,085	23,680
Deferred tax liabilities	8,795	11,708
Other liabilities	1,691,552	1,391,973
TOTAL LIABILITIES	87,080,280	83,939,976
EQUITY		
Share capital	3,000,000	3,000,000
Share premium	16,471	16,471
Other equity instruments	400,000	400,000
Legal and statutory reserves	316,375	268,534
Reserves and retained earnings	1,723,175	1,272,262
Net income for the year attributable to Bank's Shareholders	856,050	197,386
Non-controlling interests	987,427	782,114
TOTAL EQUITY	7,299,498	5,936,767
TOTAL LIABILITIES AND EQUITY	94,379,778	89,876,743

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. In accordance with the aforementioned guidelines, in addition to the alternative performance measures, detailed below, additional information is presented throughout this document, in the respective chapters, that reconciles the accounting figures presented in the consolidated financial statements prepared in accordance with IFRS and financial information reflecting the management criteria adopted by the BCP Group. These indicators and their components are also described in more detail in the glossary.

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

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

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21
Loans to customers (net) (1)	55,218	56,198	56,360
Balance sheet customer funds (2)	79,215	77,250	71,175
(1) / (2)	**69.7%**	**72.7%**	**79.2%**

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

	2023	2022 (restated)	2021
Net income (1)	856	197	138
Non-controlling interests (2)	92	(78)	(113)
Average total assets (3)	91,040	95,884	90,484
[(1) + (2), annualised] / (3)	**1.0%**	**0.1%**	**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

	2023	2022 (restated)	2021
Net income (1)	856	197	138
Average equity (2)	5,350	5,106	5,847
[(1), annualised] / (2)	**16.0%**	**3.9%**	**2.4%**

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

	2023	2022 (restated)	2021
Operating costs (1)	1,163	1,073	1,116
of which: specific items (2)	15	16	91
Net operating revenues (3)	3,770	2,857	2,334
of which: specific items (4)	139	—	—
[(1) - (2)] / [(3) - (4)]	**31.6%**	**37.0%**	**43.9%**

* Specific items: positive impact of 124 million euros, recognised in 2023, including income of 139 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 15 million euros recognised as staff costs in the activity in Portugal. In 2022 the impact was negative in the amount of 16 million euros, recognised as staff costs in the activity in Portugal. In 2021, the impact was also negative, in the amount of 91 million euros, mainly related to the adjustment of headcount carried out by the Bank in that year, including a provision in the amount of 84 million euros.

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

	2023	2022	2021
Loans to customers at amortised cost, before impairment (1)	56,805	57,684	58,137
Loan impairment charges (net of recoveries) (2)	240	301	349
[(2), annualised] / (1)	**42**	**52**	**60**

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

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

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21
Non-Performing Exposures (1)	1,952	2,218	2,752
Loans to customers (gross) (2)	56,814	57,713	58,231
(1) / (2)	**3.4%**	**3.8%**	**4.7%**

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

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

Million euros

	31 Dec. 23	31 Dec. 22	31 Dec. 21
Non-Performing Exposures (1)	1,952	2,218	2,752
Loans impairment (balance sheet) (2)	1,596	1,515	1,871
(2) / (1)	**81.8%**	**68.3%**	**68.0%**

Application of Results

Considering:

A. The provisions of the law and of the articles of association concerning the applicable legal reserve;

B. The dividends policy of Banco Comercial Português (BCP) currently in force, as approved at the General Meeting of Shareholders held on May 20,2021;

C. That according to the financial statements to be submitted to the approval of the Shareholders, in the 2023 financial year BCP recorded consolidated net earnings amounting to 856,049,865.67 Euros and individual net earnings amounting to 680,275,978.32 Euros;

D. That the above-mentioned Dividends Policy sets forth as its Guidelines:

i. The promotion of conditions for the sustainable observance of the capital ratios at any moment applicable to Bank, as well as the remaining applicable legal requirements, including the limitations that are applicable at any moment, resulting from the calculation of the maximum amount to be distributed;

ii. The retention of own funds that enable to promote coherence with the Risk Appetite Statement (RAS) and with the results of the internal capital adequacy assessment process (ICAAP);

iii. The safeguard of an appropriate safety margin on the values established by the regulator within the scope of its assessment and evaluation on the adequacy of strategies, processes, capital, and liquidity that are appropriate to the risks to which the Bank is or might be exposed to (SREP);

E. That the strengthening of the capital position, the levels of provisioning and risk coverage, achieved, in particular, by the improvement in profitability, allow the Bank to envisage solvency levels with a margin of safety considered broad and consistent with the Risk Appetite Statement, even in scenarios still marked by uncertain factors in the countries where the Group operates, and distributing a relevant portion of earnings (even if below the long-term pay-out objectives and the current market standards for reference credit institutions);

The Board of Directors

Proposes:

I

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b), both of the Companies Code, and article 54 of the Bank's articles of association, the following application of year-end results amounting to 680,275,978.32 Euros:

a) For the reinforcement of legal reserve: 68,027,597.84 Euros;

b) For dividends distribution: 256,937,829.19 Euros;

c) 355,310,551.29 Euros, that is, the remaining, to Retained Earnings.

II

Considering that the overall amount proposed for the distribution of dividends in the amount of 256,937,829.19 Euros was calculated on the basis of a unit dividend per share issued (in the case, 0.0170 Euros per share) and although it is not expected that BCP will have own shares on the date of the payment of dividends, it is herein proposed that, if that happens, it is also resolved that:

a) For each share issued, a unit dividend of 0.0170 Euros is paid, which was the basis for the preparation of the proposal;

b) The non-payment of the unit quantitative corresponding to the shares that, on the first day of the dividend payment period, belong to BCP, being transferred to Retained Earnings.

Lisbon, 25 March 2024

THE BOARD OF DIRECTORS

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 (results from derecognition of financial assets and financial liabilities measured at amortised cost and results from derecognition of financial assets measured at fair value through other comprehensive income until 2021).

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 – net gains from insurance activity (only until 2019), 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 equity (weighted average of the average of monthly equity in the period).

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

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 Consolidated Accounts

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

(Thousands of euros)

	Notes	2023	2022 (restated)
Interest and similar income	2	4,371,289	2,737,235
Interest expense and similar charges	2	(1,545,565)	(587,463)
NET INTEREST INCOME		2,825,724	2,149,772
Dividends from equity instruments	3	1,783	10,086
Net fees and commissions income	4	771,673	771,908
Gains/(losses) on financial operations at fair value through profit or loss	5	(6,550)	27,306
Foreign exchange gains/(losses)	5	17,469	19,390
Gains/(losses) on hedge accounting	5	21,808	(2,233)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	112,088	5,497
Other operating income/(losses)	6	(60,415)	(193,112)
TOTAL OPERATING INCOME		3,683,580	2,788,614
Staff costs	7	631,806	580,807
Other administrative costs	8	393,246	352,961
Amortisations and depreciations	9	137,499	139,250
TOTAL OPERATING EXPENSES		1,162,551	1,073,018
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		2,521,029	1,715,596
Results on modification	10	(19,426)	(309,865)
Impairment of financial assets at amortised cost	11	(247,992)	(300,829)
Impairment of financial assets at fair value through other comprehensive income	12	(1,322)	5,023
Impairment of other assets	13	(56,374)	(192,059)
Other provisions	14	(794,158)	(568,297)
NET OPERATING INCOME		1,401,757	349,569
Share of profit of associates accounted for using the equity method	15	64,266	58,611
Gains/(losses) on disposal of subsidiaries and other assets	16	21,809	10,167
NET INCOME BEFORE INCOME TAXES		1,487,832	418,347
Income taxes			
Current	31	(179,857)	(109,632)
Deferred	31	(357,514)	(194,688)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		950,461	114,027
Net income from discontinued or discontinuing operations	17	(2,852)	5,537
NET INCOME AFTER INCOME TAXES		947,609	119,564
Net income for the year attributable to:			
Bank's Shareholders		856,050	197,386
Non-controlling interests	44	91,559	(77,822)
NET INCOME FOR THE YEAR		947,609	119,564
Earnings per share (in Euros)			
Basic	18	0.054	0.010
Diluted	18	0.054	0.010

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	2023				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	950,461	(2,852)	947,609	856,050	91,559
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	210,878	–	210,878	141,812	69,066
Reclassification of (gains) / losses to profit or loss (note 5)	12,642	–	12,642	11,287	1,355
Cash flows hedging					
Gains / (losses) for the year	507,098	–	507,098	470,043	37,055
Other comprehensive income from investments in associates and others	(5,910)	–	(5,910)	(5,907)	(3)
Exchange differences arising on consolidation	58,989	–	58,989	8,307	50,682
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	8,268	–	8,268	8,268	–
Fiscal impact	(201,272)	–	(201,272)	(181,062)	(20,210)
	590,693	–	590,693	452,748	137,945
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year					
Subsidiaries (note 43)	7,326	–	7,326	6,782	544
Associates	7,073	–	7,073	7,073	–
	14,399	–	14,399	13,855	544
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(2,778)	–	(2,778)	(2,778)	–
Actuarial gains / (losses) for the year					
BCP Group Pension Fund (note 50)	(222,880)	–	(222,880)	(222,880)	–
Pension Funds of foreign subsidiaries and associated companies	1,775	–	1,775	2,837	(1,062)
Fiscal impact	94,751	–	94,751	94,665	86
	(114,733)	–	(114,733)	(114,301)	(432)
Other comprehensive income / (loss) for the year	475,960	–	475,960	338,447	137,513
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,426,421	(2,852)	1,423,569	1,194,497	229,072

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

(Thousands of euros)

	2022 (restated)			Attributable to	
	Continuing operations	Discontinued operations	Total	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE YEAR	114,027	5,537	119,564	197,386	(77,822)
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the year	(271,021)	—	(271,021)	(250,622)	(20,399)
Reclassification of (gains) / losses to profit or loss (note 5)	13,386	—	13,386	13,501	(115)
Cash flows hedging					
Gains / (losses) for the year	(1,646,366)	—	(1,646,366)	(1,644,333)	(2,033)
Other comprehensive income from investments in associates and others	8,448	—	8,448	8,445	3
Exchange differences arising on consolidation	12,616	—	12,616	18,184	(5,568)
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	5,745	—	5,745	5,745	—
Fiscal impact	589,842	—	589,842	585,630	4,212
	(1,287,350)	—	(1,287,350)	(1,263,450)	(23,900)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Gains / (losses) for the year					
Subsidiaries (note 43)	(3,796)	—	(3,796)	(3,183)	(613)
	(3,796)	—	(3,796)	(3,183)	(613)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	(63)	—	(63)	(63)	—
Actuarial gains / (losses) for the year					
BCP Group Pensions Fund (note 50)	375,689	—	375,689	375,689	—
Pension Funds of foreign subsidiaries and associated companies	8,372	—	8,372	6,885	1,487
Fiscal impact	(136,759)	—	(136,759)	(136,681)	(78)
	243,443	—	243,443	242,647	796
Other comprehensive income / (loss) for the year	(1,043,907)	—	(1,043,907)	(1,020,803)	(23,104)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(929,880)	5,537	(924,343)	(823,417)	(100,926)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	Notes	2023	2022 (restated)
ASSETS			
Cash and deposits at Central Banks	19	4,545,526	6,022,001
Loans and advances to credit institutions repayable on demand	20	337,687	213,460
Financial assets at amortised cost			
Loans and advances to credit institutions	21	908,477	963,434
Loans and advances to customers	22	53,305,159	54,675,793
Debt securities	23	17,579,136	13,035,582
Financial assets at fair value through profit or loss			
Financial assets held for trading	24	822,904	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	24	467,254	552,679
Financial assets designated at fair value through profit or loss	24	32,004	—
Financial assets at fair value through other comprehensive income	24	10,834,291	7,461,553
Hedging derivatives	25	40,628	59,703
Investments in associated companies	26	356,259	314,919
Non-current assets held for sale	27	80,317	499,035
Investment property	28	39,100	15,217
Other tangible assets	29	606,447	574,697
Goodwill and intangible assets	30	223,105	182,687
Current tax assets	31	20,469	17,945
Deferred tax assets	31	2,554,331	2,938,986
Other assets	32	1,626,684	1,582,455
TOTAL ASSETS		94,379,778	89,876,743
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	33	829,126	1,468,360
Resources from customers	34	75,606,813	75,430,143
Non subordinated debt securities issued	35	2,712,682	1,482,086
Subordinated debt	36	1,397,425	1,333,056
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	37	207,387	241,506
Financial liabilities at fair value through profit or loss	38	3,608,487	1,817,678
Hedging derivatives	25	67,825	178,000
Provisions	39	753,103	561,786
Current tax liabilities	31	197,085	23,680
Deferred tax liabilities	31	8,795	11,708
Other liabilities	40	1,691,552	1,391,973
TOTAL LIABILITIES		87,080,280	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	1,723,175	1,272,262
Net income for the year attributable to Bank's Shareholders		856,050	197,386
Non-controlling interests	44	987,427	782,114
TOTAL EQUITY		7,299,498	5,936,767
TOTAL LIABILITIES AND EQUITY		94,379,778	89,876,743

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	2023	2022 (restated)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	3,574,550	2,297,720
Commissions received	995,405	1,019,734
Fees received from services rendered	124,601	101,771
Interests paid	(1,354,351)	(363,636)
Commissions paid	(175,850)	(176,465)
Recoveries on loans previously written off	57,732	20,837
Payments (cash) to suppliers and employees (*)	(1,185,258)	(1,220,319)
Income taxes (paid) / received	(84,618)	(65,340)
	1,952,211	1,614,302
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(137,542)	(227,767)
Deposits held with purpose of monetary control	197,388	(280,418)
Loans and advances to customers receivable / (granted)	554,467	(656,569)
Short term trading securities	125,787	136,605
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(21,127)	(25,447)
Deposits from credit institutions with agreed maturity date	(624,255)	(7,518,189)
Loans and advances to customers repayable on demand	(3,624,247)	(274,554)
Deposits from customers with agreed maturity date	5,549,721	6,652,456
	3,972,403	(579,581)
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control	115,089	–
Dividends received	10,504	54,263
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	605,181	342,405
Sale of financial assets at fair value through other comprehensive income and at amortised cost	3,246,396	7,922,631
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(131,539,734)	(50,657,550)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	120,612,565	42,276,068
Acquisition of tangible and intangible assets	(124,883)	(126,189)
Sale of tangible and intangible assets	6,925	9,434
Decrease / (increase) in other sundry assets	469,310	(386,643)
	(6,598,647)	(565,581)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	–	133,700
Reimbursement of subordinated debt	–	(133,700)
Issuance of debt securities	1,181,735	402,264
Reimbursement of debt securities	(233,366)	(1,156,473)
Issuance of commercial paper and other securities	32,137	34,505
Reimbursement of commercial paper and other securities	(33,623)	(12,374)
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)	(37,000)	(37,000)
Increase / (decrease) in other sundry liabilities and non-controlling interests (**)	328,843	52,175
	1,215,007	(790,078)
Exchange differences effect on cash and equivalents	58,989	12,616
Net changes in cash and equivalents	(1,352,248)	(1,922,624)
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 YEAR	6,235,461	8,158,085
Cash (note 19)	688,501	593,033
Deposits at Central Banks (note 19)	3,857,025	5,428,968
Loans and advances to credit institutions repayable on demand (note 20)	337,687	213,460
CASH AND EQUIVALENTS AT THE END OF THE YEAR	4,883,213	6,235,461

(*) In 2023, this balance includes the amount of Euros 1,440,000 (2022: Euros 590,000) related to short-term lease contracts and the amount of Euros 2,612,000 (2022: Euros 2,402,000) related to lease contracts of low value assets.

(**) In 2023, this balance includes the amount of Euros 54,952,000 (2022: Euros 53,330,000) corresponding to principal payments on lease liabilities.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 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 year 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	942,672	7,062,057
Transition adjustments - Adoption of IFRS 17 and IFRS 9 (note 59)	–	–	–	–	(89,858)	–	–	(89,858)
BALANCE AS AT 1 JANUARY 2022	4,725,000	16,471	400,000	259,528	490,446	138,082	942,672	6,972,199
Net income for the year	–	–	–	–	–	197,386	(77,822)	119,564
Other comprehensive income	–	–	–	–	(1,020,803)	–	(23,104)	(1,043,907)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	(1,020,803)	197,386	(100,926)	(924,343)
Results application								
Legal reserve	–	–	–	9,006	(9,006)	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	138,082	(138,082)	–	–
Dividends paid	–	–	–	–	(13,603)	–	–	(13,603)
Reduction of the share capital	(1,725,000)	–	–	–	1,725,000	–	–	–
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	–	–	–	–	(37,000)	–	–	(37,000)
Dividends (a)	–	–	–	–	–	–	(59,572)	(59,572)
Other reserves	–	–	–	–	(854)	–	(60)	(914)
BALANCE AS AT 31 DECEMBER 2022	3,000,000	16,471	400,000	268,534	1,272,262	197,386	782,114	5,936,767
Net income for the year	–	–	–	–	–	856,050	91,559	947,609
Other comprehensive income	–	–	–	–	338,447	–	137,513	475,960
TOTAL COMPREHENSIVE INCOME	–	–	–	–	338,447	856,050	229,072	1,423,569
Results application								
Legal reserve (note 42)	–	–	–	47,841	(47,841)	–	–	–
Transfers for reserves and retained earnings	–	–	–	–	197,386	(197,386)	–	–
Interests of perpetual subordinated bonds (AT1)	–	–		–	(37,000)	–	–	(37,000)
Dividends (a)	–	–	–	–	–	–	(23,719)	(23,719)
Other reserves	–	–	–	–	(79)	–	(40)	(119)
BALANCE AS AT 31 DECEMBER 2023	3,000,000	16,471	400,000	316,375	1,723,175	856,050	987,427	7,299,498

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the 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 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 years ended on 31 December 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 consolidated financial statements and the accompanying notes were approved on 25 March 2024 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 consolidated financial statements for the year ended on 31 December 2023 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU that are effective on that date.

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

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 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 IFRS 9 - Financial Instruments and IFRS 17 - Insurance Contracts. It opted for the possibility given to Insurance Companies to defer the application of IFRS 9, since the combined implementation with IFRS 17 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 59. Application of IFRS 17 – Insurance Contracts, and IFRS 9 - 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 59.

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 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 54.

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 Group 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 57, 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;
- are classified in stage 2 as a result of the last revision of the questionnaire analysing the indications of financial difficulties;
- 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. For the situations identified in the first paragraph of the previous point involving corporate clients, the analysis is the responsibility of the Rating Division, and the responsibility of the Credit Division for the remaining clients.
6. For the situations identified in the second paragraph of the previous point, the individual analysis to determine the loss is the responsibility of the client's management divisions and of the Credit Division, the latter with regard 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. The individual impairment analysis must be carried out annually, and may be lower for clients who fall into certain situations of possible increased risk. In case significant signs of deterioration or improvement in the customer's economic and financial situation are detected, as well as the macroeconomic conditions affecting the customer's ability to accomplish debt, it is the responsibility of the Risk Office to promote the review of the expected impairment of this customer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In December 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 31 December 2023, Banco Comercial Português 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 31 December 2023, Banco Comercial Português 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.

In December 2023, the Bank Millennium carried out a synthetic securitization transaction of a portfolio of unsecured cash loans with a total value of PLN 7.2 billion (Euros 1.7 billion). This was the largest synthetic securitization transaction concluded by the Bank so far. As part of the transaction, the Bank transferred a significant part of the credit risk of the securitized portfolio to the investor. The securitized loan portfolio remains on the Bank's balance sheet. The risk of the securitized portfolio is transferred via a credit protection instrument in the form of credit risk-related bonds issued in December 2023 ("CLN Bonds") in the amount of PLN 489 million (Euros 112.6 million).

Earlier, in July 2023, the Bank's subsidiary, Millennium Leasing, conducted another synthetic securitization transaction. The reference portfolio of leasing transactions was worth PLN 4.0 billion (Euros 0.9 million). As part of the transaction, Millennium Leasing transferred a significant part of the credit risk of the securitized portfolio to the investor. The securitized loan portfolio remains on Millennium Leasing's balance sheet. The risk transfer of the securitized portfolio is carried out through a credit protection instrument in the form of credit risk bonds issued in July 2023 ("CLN Bonds") in the amount of PLN 280 million (Euros 64.5 million).

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". In 2023, a group of properties was reclassified, as described in notes 27 and 32.

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

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

G1. Non-operating real estate (INAE)

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

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

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

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

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

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

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

H. Lease transactions (IFRS 16)

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

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

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

Lease definition

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

Impacts from the lessee's perspective

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

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

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

Subsequently, lease payments are measured as follows:

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

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

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

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

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

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

- in the consolidated income statement:
  - (i) recording in "Interest Income" the interest expenses related to lease liabilities;
  - (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  - (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.
- in the consolidated balance sheet:
  - (i) recording in "Financial assets at amortised cost – Loans and advances to customers" the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;
  - (ii) recording in "Other tangible assets" the recognition of right-to-use assets; and,
  - (iii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the consolidated statement of cash flows, the balance "Cash flows arising from operating activities – Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the 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), 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

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 that subscribed the Group's Collective Labour Agreements, for the review of the Salary Tables and remaining pecuniary clauses relating to the year 2023, having been agreed on 9 and 17 October with all the Unions subscribing to the Group's Collective Labour Agreements, the update of the Salary Tables in 2023 with differentiated increases by contractual level between 4.00% and 7.80%. An increase of 4.50% was agreed for the Bank's Contributions to SAMS and other pecuniary clauses, such as study subsidies, diuturnities, among others, and an increase of 21.43% was agreed for the lunch subsidy, whose daily value increased to Euros 12.75. The agreed updates took effect on 1 January 2023, with the exception of remuneration related to subsistence and travel allowances, which were updated after the agreed updates were operationalized.

Regarding the unions SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários e SIB – Sindicato Independente da Banca, an agreement was also reached regarding the revision of the Salary Tables and other pecuniary clauses relating to the year 2022, as already agreed in 2022 with the remaining unions.

R3. Defined contribution plan

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

As at 31 December 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. As in the year 2023, the indicated requirements were also fulfilled, a provision for the annual contribution to be made during 2024 was recorded in the 2023 costs.

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

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

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

R5. Share-based compensation plan

As at 31 December 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. As provided for in the Remuneration Policy for Employees, if the amount of the annual variable remuneration awarded to a Key Function Holder is less than Euros 50,000 and does not represent more than one third of the total annual remuneration of the Key Function Holder the payment of the annual variable remuneration will be 100% in cash and there will be no deferral.

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 sale price and the corresponding capital gain generated with the completion of this operation was adjusted pursuant to typical clauses adopted in this type of transactions in 2022 and again in 2023, as final adjustment, records 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 IFRS 4 – 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.

IFRS 17 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 IFRS 17; ii) significant judgments and changes to those judgments made with the application of IFRS 17 and iii) nature and extent of the risks inherent in contracts that fall within the scope of IFRS 17.

For risks falling within the scope of IFRS 17, 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.

The impacts of applying IFRS 17 are detailed in note 59.

X. Insurance or reinsurance intermediation services

Banco Comercial Português and Banco ActivoBank are entities authorized by the Insurance and Pension Funds Supervisory Authority (ASF - Autoridade de Supervisão de Seguros e Fundos de Pensões) for the practice of the activity of insurance mediation, in the category of tied Insurance Intermediary, in accordance with article 8(a)(i) of Decree-Law no. 144/2006, of 31 July, developing the activity of insurance intermediation in the life and non-life branches.

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

Commissions received by insurance mediation services are recognized in accordance with the accrual principle, so that 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 31 December 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. Valuation of real estate recorded in Non-current assets held for sale and in Others assets

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

Y5. Pension and other employees' benefits

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

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

Y6. Financial instruments – IFRS 9

Y6.1. Classification and measurement

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

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

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

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

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

Significant increase in credit risk:

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

In order to comply with the Supervisors' guidelines, namely regarding to the identification and measurement of credit risk in the context of of uncertainty associated with the current geopolitical crises, 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) 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/her; 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)

	2023	2022 (restated)
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	105,333	55,281
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	74,377	74,519
Loans and advances to customers	3,243,794	2,150,214
Debt securities	491,969	242,165
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	53,684	2,543
Financial assets not held for trading mandatorily at fair value through profit or loss	2,202	6,109
Financial assets designated at fair value through profit or loss	452	—
Interest on financial assets at fair value through other comprehensive income	268,650	152,066
Interest on hedging derivatives	114,085	47,212
Interest on other assets	16,743	7,126
	4,371,289	2,737,235
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(50,838)	18,156
Resources from customers	(873,330)	(421,674)
Non subordinated debt securities issued	(90,084)	(27,703)
Subordinated debt	(84,234)	(68,546)
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	(33,724)	(14,130)
Financial liabilities at fair value through profit or loss		
Resources from customers	(8,582)	—
Non subordinated debt securities issued	(631)	(3,565)
Interest on hedging derivatives	(392,995)	(62,159)
Interest on leasing	(10,983)	(5,633)
Interest on other liabilities	(164)	(2,209)
	(1,545,565)	(587,463)
	2,825,724	2,149,772

The balance Interest and similar income - 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 11,884,000 (2022: negative interest Euros 6,572,000) associated with demand deposits with the Bank of Portugal (do not include overnight operations).

The balance Interest and similar income - Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 54,823,000 (2022: Euros 55,967,000) 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 92,894,000 (2022: Euros 76,249,000) 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, negative interest of Euros 32,558,000 (2022: positive interests of Euros 58,153,000), Interest on financial assets at amortized cost - Debt securities, positive interests of Euros 64,385,000 (2022: positive interests of Euros 30,752,000), Interest on financial assets at fair value through other comprehensive income, positive interests of Euros 5,360,000 (2022: positive interests of Euros 11,301,000), no hedge breaks were recorded for customer's deposits.

The balances Interest expense and similar charges - Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 2,892,000 and Euros 712,000, respectively (2022: Euros 2,553,000 and Euros 970,000, 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.

In 2022, the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions had recorded a negative cost of Euros 41,555,000 associated with the TLTRO III operation described in note 33.

The balance Interest expense and similar charges - 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)

	2023	2022 (restated)
Dividends from financial assets through other comprehensive income	1,783	10,086
	1,783	10,086

The balances Dividends from financial assets through other comprehensive income include dividends from shares of Tiicc, Sarl and Octal Group, Ltd. in the amount of Euros 615,000 and Euros 412,000, respectively (2022: Euros 7,950,000 and Euros 1,325,000 of Octal Group, Ltd. and Tiicc, Sarl, respectively). This balance also includes income from investment fund units received during the year.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Fees and commissions received		
Banking services provided	489,255	484,454
Management and maintenance of accounts	168,859	170,372
Bancassurance	120,702	121,824
Securities operations	65,917	70,775
From guarantees granted	49,551	46,834
From commitments to third parties	5,243	5,195
Management and intervention commissions	23,381	23,624
Other commissions	21,403	20,696
	944,311	943,774
Fees and commissions paid		
Banking services provided by third parties	(131,769)	(132,751)
Securities operations	(7,520)	(8,991)
From guarantees received	(8,357)	(7,699)
Other commissions	(24,992)	(22,425)
	(172,638)	(171,866)
	771,673	771,908

5. Gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Gains/(losses) on financial operations at fair value through profit or loss		
Gains/(losses) on financial assets held for trading	172,618	(151,915)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss	(3,111)	8,962
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	(176,057)	170,259
	(6,550)	27,306
Foreign exchange gains/(losses)	17,469	19,390
Gains/(losses) on hedge accounting	21,808	(2,233)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	112,088	5,497
	144,815	49,960

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

(Thousands of euros)

	2023	2022 (restated)
Gains/(losses) on financial assets held for trading		
Gains		
Debt securities portfolio	12,001	7,122
Equity instruments	13,414	202
Derivative financial instruments	335,620	336,772
Other operations	1,374	1,962
	362,409	346,058
Losses		
Debt securities portfolio	(7,578)	(16,543)
Equity instruments	(9,613)	(8,062)
Derivative financial instruments	(171,890)	(472,534)
Other operations	(710)	(834)
	(189,791)	(497,973)
	172,618	(151,915)

(continues)

(continuation)

(Thousands of euros)

	2023	2022 (restated)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	3,011	10,280
Debt securities portfolio	48,269	38,336
Equity instruments	10,307	22,674
	61,587	71,290
Losses		
Loans and advances to customers	(3,222)	(7,610)
Debt securities portfolio	(42,769)	(42,847)
Equity instruments	(18,707)	(11,871)
	(64,698)	(62,328)
	(3,111)	8,962
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss		
Gains		
Debt securities portfolio	207	—
Resources from customers	6,243	3,936
Debt securities issued		
Certificates and structured securities issued	66,658	142,982
Other debt securities issued	188	25,993
	73,296	172,911
Losses		
Resources from customers	(11,495)	—
Debt securities issued		
Certificates and structured securities issued	(224,547)	—
Other debt securities issued	(13,311)	(2,652)
	(249,353)	(2,652)
	(176,057)	170,259

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

The balances Foreign exchange gains/(losses), Gains/(losses) 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)

	2023	2022 (restated)
Foreign exchange gains/(losses)		
Gains	3,714,151	2,637,014
Losses	(3,696,682)	(2,617,624)
	17,469	19,390
Gains/(losses) on hedge accounting		
Gains		
Hedging derivatives	274,230	1,303,985
Hedged items	214,420	199,940
	488,650	1,503,925
Losses		
Hedging derivatives	(289,761)	(376,843)
Hedged items	(177,081)	(1,129,315)
	(466,842)	(1,506,158)
	21,808	(2,233)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss		
Gains		
Credit sales	9,840	13,040
Debt securities portfolio at amortized cost	1,070	10,466
Debt securities portfolio at fair value through other comprehensive income	2,102	40,019
Debt securities issued	1,614	1,224
Others	128,825	933
	143,451	65,682
Losses		
Credit sales	(15,082)	(4,683)
Debt securities portfolio at fair value through other comprehensive income	(14,744)	(53,405)
Debt securities issued	(1,027)	(630)
Others	(510)	(1,467)
	(31,363)	(60,185)
	112,088	5,497

In 2023, the main contributions for the balance Gains/(losses) on hedge accounting were the gains of Euros 12,755,000 and Euros 8,713,000 relating to the deposits portfolio hedge and subordinated issues portfolio hedge, respectively.

Regarding the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, 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, includes a net gain of Euros 853,000 (2022: net gain Euros 114,278,000), which is offset in the balance Gains/(losses) on hedge accounting.

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

As described in note 48, the Bank Millennium's Management Board announced that after obtaining the necessary corporate approvals, on 13 February 2023, the Bank concluded an agreement ("Agreement") for the sale of 80% of shares in Millennium Financial Services sp. z o. o. ("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 "Buyer").

Bank Millennium also concluded agreements with the Buyers and the Company regarding the exclusive insurance distribution model, including cooperation agreements, distribution agreements and agency agreements. Strategic insurance cooperation provides for long-term (10 years) cooperation in the field of bancassurance in relation to specific insurance related to credit products offered by the Bank Millennium.

The essence of the transaction provided for in the Agreement was the direct purchase of Shares by the Buyers from the Bank for a defined initial price, which could be subject to a price adjustment mechanism after the closing of the Transaction.

On 29 March 2023, 80% of the shares in the company were transferred to the Buyers, and the final settlement of the transaction, together with the price adjustment, took place in December 2023.

Since as part of the transaction, in addition to Agreement, Bank Millennium also concluded other agreements with the Buyers and the Company, the Bank analysed individual agreements and their economic effects in accordance with the requirements of IFRS 10, IFRS 15 and IFRS 9. As a result, Millennium identified contractual obligations and assessed the assignment of contractual remuneration for individual elements of the transaction, determining the appropriate method of recognizing revenues from single contractual obligations.

As a result, Bank Millennium recognized in 2023 in the Profit and Loss Account a result of Euros 143.7 million (PLN 652.4 million) (gross), which consisted of:

1. profit realized on sale: payment of the price less the fair value of the shares at the moment of loss of control in the amount of Euros 122 million (PLN 553.9 million) (gross) was included in the item “Gains arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss - Others”;

2. an inflow of Euros 10.1 million (PLN 46 million) (gross) as a valuation of the derivative at the time of final settlement of the transaction in December 2023, resulting from the agreed potential future remuneration payments, was recognized as “Gains on financial assets held for trading”;

3. At the same time, due to the loss of control over the Company, the Bank valued the remaining non-controlling share in the Company at fair value of Euros 11.6 million (PLN 52.5 million) (gross), this amount was included in "Gains/(losses) on disposal of subsidiaries and other assets" (note 16).

Starting from the moment of loss of control, the investment in the Company is treated as an involvement in an associated entity (Bank Millennium holds 20% of the shares in the Company) and is valued at the Group level using the equity method, while in the Bank Millennium's financial statements the valuation model is fair value with the valuation effect recorded in the Profit and Loss Account.

The Bank Millennium's assessment was made on the basis of IFRS and their interpretations applicable as at the date of these financial statements.

6. Other operating income / (losses)

The amount of this account is comprised of

(Thousands of euros)

	2023	2022 (restated)
Operating income		
Gains on leasing operations	3,783	3,266
Income from services provided	30,026	28,614
Rents	2,133	4,053
Sales of cheques and others	8,357	9,730
Other operating income	80,583	50,125
	124,882	95,788
Operating costs		
Donations and contributions	(4,151)	(4,435)
Contribution to the banking sector	(44,807)	(43,484)
Contributions to Resolution Funds	(22,716)	(36,489)
Contribution to the Single Resolution Fund	(17,729)	(25,847)
Contributions to the Deposit Guarantee Fund	(665)	(8,805)
Institutional protection scheme (Poland)	—	(58,972)
Special tax on the polish banking sector	—	(36,107)
Taxes	(16,098)	(18,137)
Losses on financial leasing operations	(25)	(37)
Other operating costs	(79,106)	(56,587)
	(185,297)	(288,900)
	(60,415)	(193,112)

The balance Contribution to the banking sector in Portugal is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contributions to Resolution Funds includes the periodic contributions that must be paid to the Portuguese Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile based on the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contributions to Resolution Funds also includes the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland. The current principles of financing the deposit guarantee system and resolution in Poland, as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee system and forced restructuring, and are effective from 2017.

The method of calculating contributions regarding the resolution fund of banks in Poland was defined in the Delegated Regulation of the European Commission No. 2015/63 (amended by regulation 2016/1434), which applies directly to all European Union countries. The contribution for a given year from each entity is calculated by BFG in accordance with this regulation and the entity is notified by 1 May, each year.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF consider the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) No 2015/63 and European Parliament and of the Council Regulation (EU) No 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

In 2023, the total value of the contribution to the Single Resolution Fund attributable to the Group (BCP and ActivoBank) amounted to Euros 22,861,000 (2022: Euros 30,400,000). The Group delivered the amount of Euros 17,729,000 to the Single Resolution Fund (2022: Euros 25,847,000) and chose to constitute an irrevocable commitment in the amount of Euros 5,132,000 (2022: Euros 4,553,000), under the terms set out in Decree-Law no. 24/2013, of 19 February. As a guarantee of the assumption of the irrevocable payment commitment made in the year with the Single Resolution Fund, a deposit was set up for this purpose, in the amount of Euros 5,132,000 (2022: Euros 4,553,000), which is fully secured and accounted for in Other assets - Deposit account applications (note 32). The accumulated irrevocable payment commitments constituted in the amount of Euros 30,638,000 (2022: Euros 25,506,000) are accounted for in off-balance sheet items (note 45), and are fully collateralized by assets registered in Other assets - Deposit account applications (note 32).

In 2023, the total value of the contribution to the Deposit Guarantee Fund attributable to the Group (BCP and ActivoBank) amounted to Euros 583,000 (2022: Euros 506,000), with the Group delivering the entire contribution to the Deposit Guarantee Fund. Until 2011, inclusive, under the terms set out in Banco de Portugal Notice No. 11/94, the Bank could choose to deliver part of the contribution to the Deposit Guarantee Fund and the other part to constitute an irrevocable payment commitment. As a guarantee of the assumption of irrevocable payment commitments assumed until 2012 with the Deposit Guarantee Fund, a security pledge has been created for this purpose, in the amount of Euros 99,824,000 (2022: Euros 99,757,000). The accumulated irrevocable payment commitments constituted amount to Euros 95,190,000, and are accounted for in off-balance sheet items (note 45).

Regarding the irrevocable commitments of the Single Resolution Fund and the Deposit Guarantee Fund, the Bank considered that they qualify as contingent liabilities under IAS 37, meaning that no liabilities or provisions were recorded for this purpose.

In 2022, the balance Institutional protection scheme (Poland) corresponded to the contribution of Bank Millennium to the polish Institutional Protection Scheme.

Regarding the item Special tax on the polish banking sector, as a result of the implementation of the Recovery Plan from July 2022, Bank Millennium S.A. benefited from the exemption from the special tax on the polish banking sector starting from that date.

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Remunerations	517,492	470,285
Mandatory social security charges		
Post-employment benefits (note 50)		
Service cost	(9,616)	(11,727)
Net interest cost / (income) in the liability coverage balance	(17,062)	(5,929)
Cost with early retirement programs	7,043	2,223
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(9)	(6)
	(19,644)	(15,439)
Other mandatory social security charges	113,622	104,784
	93,978	89,345
Voluntary social security charges	15,538	12,326
Other staff costs	4,798	8,851
	631,806	580,807

The balance Remunerations includes the amount of Euros 9,740,000 (2022: Euros 5,630,000) related to the distribution of profits to Bank's employees.

In 2023, the Group paid severance payments in the amount of 3,718,000 (2022: Euros 1,588,000), of which the highest amounted to Euros 565,000 (2022: Euros 217,000). Of the total severance payments, Euros 3,113,000 had already been recorded as staff costs in the 2022 financial year, given that these were agreements concluded in that year, but whose effective departures only occurred in 2023, as described in note 39.

The average number of employees by professional category, at service in the Group, is analysed as follows by category:

	2023	2022 (restated)
Portugal		
Top Management	880	854
Intermediary Management	1,426	1,416
Specific/Technical functions	2,926	2,867
Other functions	1,032	1,119
	6,264	6,256
Abroad	9,318	9,314
	15,582	15,570

Remunerations

In compliance with the provisions of Article 47 of Banco de Portugal Notice no. 3/2020, quantitative information is disclosed regarding the remuneration paid to different categories of members of governing bodies and categories of employees provided for in Article 115 C no. 2 of the RGICS, as well as the information provided for in Article 450 g) to i) of Regulation (EU) 2019/876 of the European Parliament and of the Council.

A. BCP Board of Directors

The fixed remuneration and social charges paid to members of the Board of Directors of Banco Comercial Português, S.A. are analysed as follows:

(Thousands of euros)

	Board of Directors			
	Executive Committee		Non-executive directors	
	2023	2022 (restated)	2023	2022 (restated)
Fixed remuneration	3,177	3,055	2,083	1,856
Variable remuneration				
Pecuniary	461	370	—	—
Shares	460	1,322	—	—
Deferred	534	1,024	—	—
Supplementary retirement pension	635	611	144	138
Post-employment benefits	(14)	(42)	—	—
Other mandatory social security charges	763	734	491	443
	6,016	7,074	2,718	2,437
Number of beneficiaries	6	6	11	11

Considering that the remuneration of members of the Executive Committee and Directors, with an exclusivity contract, intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received by each member of the Executive Committee will be deducted from the fixed annual remuneration attributed by the Bank, ensuring that the effective payable amount corresponds to the one approved by the Remuneration and Welfare Board.

In 2023, the amount of remuneration paid to the Executive Committee includes the amount of Euros 113,000 (2022: Euros 101,000) supported by subsidiaries or companies whose governing bodies represent the Group's interests. Regarding the Non-executive directors, this amount was Euros 27,000 (2022: Euros 26,000).

In 2023, it was assigned variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2022, as described in accounting policies 1 R4 and 1 R5.

In 2023, the variable remuneration attributed was Euros 923,000 in cash, of which Euros 463,000 are deferred for 5 years, and 4,136,539 shares corresponding to Euros 1,846,000, of which 2,068,268 shares are deferred for 5 years.

In 2023, the deferred variable remuneration paid refers to the years 2021, 2020, 2019 and 2018, of which Euros 131,000 in cash and 1,811,526 BCP shares in the amount of Euros 403,000.

In 2022, the variable remuneration attributed was Euros 616,000 in cash, of which Euros 246,000 are deferred for 5 years, and 12,416,223 shares corresponding to Euros 2,567,000, of which 1,568,846 shares are deferred for 5 years, and 3,397,643 shares are deferred for 3 years.

In 2022 the deferred variable remuneration of 2021, 2020 and 2019 attributed to the Executive Committee is related to 2020, 2019 and 2018 years, and amounts to Euros 590,000 in cash and 2,443,549 BCP shares in the amount of Euros 434,000.

In 2023 and 2022, no severance payments were paid to members of the Board of Directors.

B. *Key Function Holders (KFH)*

In 2023, the remunerations and social security charges supported with the Group's Key Function Holders are, detailed by segment, as follows:

(Thousands of euros)

	2023				
	Retail	Corporate	Control functions	Others	Total
Fixed remuneration	1,391	2,387	2,838	5,098	11,714
Variable remuneration					
Pecuniary	287	335	475	1,028	2,125
Shares	98	119	166	369	752
Deferred	42	36	19	125	222
Post-employment benefits	(72)	(39)	(146)	(234)	(491)
Other mandatory social security charges	368	504	708	1,283	2,863
	2,114	3,342	4,060	7,669	17,185
Number of beneficiaries	10	13	31	38	92

Arising from the application of the Remuneration Policies for Employees, approved for the financial year 2022, as described in accounting policies 1 R4 and 1 R5, in 2023, the 92 Key Function Holders were awarded with variable remuneration, in the amount of Euros 337,000 in cash and 1,494,050 shares deferred for 5 years, as well as 229 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

In 2023, deferred variable remunerations were paid to KFH deferred from 2022, 2021 and 2020 years, corresponding in cash to Euros 102,000 and shares in the amount of Euros 120,000.

In 2023, severance payments were paid to 5 KFH in the amount of Euros 267,000, of which the highest payment was Euros 110.000 and end-of-career bonuses in the amount of Euros 35,000.

In 2022, the remunerations and social security charges supported with the Group's Key Function Holders are, detailed by segment, as follows:

(Thousands of euros)

	2022 (restated)				
	Retail	Corporate	Control functions	Others	Total
Fixed remuneration	1,317	2,657	2,474	5,494	11,942
Variable remuneration					
Pecuniary	129	176	224	491	1,020
Shares	80	105	139	280	604
Deferred	48	42	20	129	239
Post-employment benefits	(112)	(108)	(191)	(373)	(784)
Other mandatory social security charges	331	547	649	1,320	2,847
	1,793	3,419	3,315	7,341	15,868
Number of beneficiaries	9	15	26	40	90

Arising from the application of the Remuneration Policies for Employees, approved for the financial year 2021, as described in accounting policies 1 R4 and 1 R5, in 2022, the 90 Key Function Holders were awarded with variable remuneration, in the amount of Euros 236,000 in cash and 1,534,941 shares deferred for 5 years, as well as 174 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

In 2022, deferred variable remunerations were paid to KFH deferred from 2021, 2020 and 2019 years, corresponding in cash to Euros 57,000 and shares in the amount of Euros 182,000.

In 2022, severance payments were paid to 3 Bank's Key Function Holders in the amount of Euros 255,000 of which the highest amounts to Euros 200,000 and end-of-career bonuses in the amount of Euros 65,000.

The remunerations and social security charges supported with the Group's Key Function Holders, discriminated by Key management members and by members whose professional activities have significant impact in the risk profile of the Bank (Other KFH), are as follows:

(Thousands of euros)

	Key Function Holders					
	Key management members		Other KFH		Total	
	2023	2022 (restated)	2023	2022 (restated)	2023	2022 (restated)
Fixed remuneration	7,785	7,865	3,929	4,077	11,714	11,942
Variable remuneration						
Pecuniary	1,497	705	628	315	2,125	1,020
Shares	538	417	214	187	752	604
Deferred	217	230	5	9	222	239
Post-employment benefits	(265)	(453)	(226)	(331)	(491)	(784)
Other mandatory social security charges	1,944	1,934	919	913	2,863	2,847
	11,716	10,698	5,469	5,170	17,185	15,868
Number of beneficiaries	54	53	38	37	92	90

In 2023, referring to the 2022 financial year, the Key management members were awarded with deferred variable remuneration in the amount of Euros 337,000 and 1,494,050 shares deferred for 5 years, as well as 229 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

In 2023 deferred variable remunerations from 2022, 2021 and 2020 years were paid in cash to Key management members, in the amount of Euros 99,000, as well as BCP shares and participation units from AF Portfólio Imobiliário Fund corresponding to Euros 118,000. Regarding the other KFH, were paid Euros 2,000 in cash deferred from 2020, BCP shares and participation units from AF Portfólio Imobiliário Fund, from the years 2020, corresponding to Euros 3,000.

During 2022, with reference to the financial year of 2021, the Key management members were awarded with deferred variable remuneration in the amount of Euros 236,000 and 1,534,941 shares deferred for 5 years, as well as 174 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

During 2022, deferred variable remunerations from 2021 and 2020 years were paid Euros 55,000 in cash to Key management members, BCP shares and participation units from AF Portfólio Imobiliário Fund from the years 2021, 2020 and 2019 corresponding to Euros 175,000. Relatedly to the other KFH, were paid Euros 3,000 in cash deferred from 2020 and BCP shares and participation units from AF Portfólio Imobiliário Fund, from the years 2020 and 2019, corresponding to Euros 7,000.

In accordance with regulation (EU) 11º 575/2013, Article 450 point 1.i), in the year 2023 the Bank has 1 employee on the Board of Directors with remuneration between Euros 1 and Euros 1.5 million. In 2022, the Bank had no employees earning more than Euros 1 million.

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Water, electricity and fuel	14,846	17,885
Credit cards and mortgage	8,621	8,603
Communications	25,152	24,296
Maintenance and related services	18,407	17,651
Legal expenses	5,011	4,368
Travel, hotel and representation costs	7,279	5,318
Advisory services	44,301	32,103
Training costs	1,453	1,404
Information technology services	25,708	35,277
Consumables	7,601	7,554
Outsourcing and independent labour	111,577	77,424
Advertising	27,705	24,854
Rents and leases	26,769	31,244
Insurance	4,943	4,848
Transportation	11,192	10,185
Other specialised services	28,869	28,970
Other supplies and services	23,812	20,977
	393,246	352,961

The balance Rents and leases includes the amount of Euros 1,440,000 (2022: Euros 590,000) related to short-term lease contracts and the amount of Euros 2,612,000 (2022: Euros 2,402,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H.

The balance Other specialised services includes fees for services rendered by the Statutory Auditor of the Group, currently in functions, and by companies in its network as part of its statutory audit functions, as well as other services, is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Auditing services		
Legal certification	3,310	3,190
Other assurance services	1,180	1,388
Other services	747	310
	5,237	4,888

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Amortisations of intangible assets (note 30):		
Software	33,928	36,168
Other intangible assets	5,289	4,166
	39,217	40,334
Depreciations of other tangible assets (note 29):		
Properties	14,324	14,917
Equipment		
Computers	17,738	16,375
Security equipment	958	862
Installations	3,167	3,007
Machinery	1,649	1,535
Furniture	2,540	2,717
Motor vehicles	5,054	4,636
Other equipment	1,662	1,498
Right-of-use		
Real estate	51,190	53,365
Vehicles and equipment	—	4
	98,282	98,916
	137,499	139,250

10. Results on modification

The Group has accounted for in this balance the negative amount of Euros 19,426,000 (2022: negative amount of Euros 27,052,000) relating to contractual modifications made in accordance with IFRS 9, namely those negotiated with customers holding foreign currency-indexed mortgage loans in Poland, described in note 57, which amounted, in 2023, to Euros 11,505,000 (2022: Euros 21,817,000).

During 2022 an Act on crowdfunding for business ventures and assistance to borrowers was approved in Poland, introducing, among others, a possibility of up to 8 months of credit holidays in 2022-2023 for PLN mortgage borrowers. It was calculated an adjustment and recognized in accordance with IFRS 9 the reduction of the gross value of mortgage loans in PLN against Results on modification item. The amount of the adjustment was originally calculated as the difference between the gross value of the loan portfolio as at the calculation date and the current value of estimated cash flows under loan agreements, considering 80% of loan principals that would suspend the repayment instalment. As a result of the analysis of customer behaviour carried out in December 2022, the Bank Millennium's Group adjusted the estimates of the percentage to 68%. As a result of the above and the expected costs, the value of the adjustment recognized in 2022 as Results on modification amounted to Euros 282,813,000 (PLN 1,324,208,000).

11. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Loans and advances to credit institutions (note 21)		
Charge for the year	92	349
Reversals for the year	(762)	(673)
	(670)	(324)
Loans and advances to customers (note 22)		
Charge for the year	805,500	830,750
Reversals for the year	(511,733)	(506,926)
Recoveries of loans and interest charged-off	(57,731)	(20,836)
	236,036	302,988
Debt securities (note 23)		
Associated to credit operations		
Charge for the year	3,991	8
Reversals for the year	–	(2,393)
	3,991	(2,385)
Not associated to credit operations		
Charge for the year	9,323	3,329
Reversals for the year	(688)	(2,779)
	8,635	550
	12,626	(1,835)
	247,992	300,829

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

The detail of this balance is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Impairment of financial assets at fair value through other comprehensive income (note 24)		
Charge for the year	2,641	545
Reversals for the year	(1,319)	(5,568)
	1,322	(5,023)

13. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Impairment of investments in associated companies (note 26)		
Charge for the year	–	1,435
	–	1,435
Impairment of non-current assets held for sale (note 27)		
Charge for the year	12,899	78,318
Reversals for the year	(1,656)	(1,116)
	11,243	77,202
Impairment of goodwill of subsidiaries (note 30)		
Charge for the year	–	102,770
	–	102,770
Impairment of other assets (note 32)		
Charge for the year	17,673	17,699
Reversals for the year	(7,150)	(7,047)
	10,523	10,652
Impairment of real estate and other assets arising from recovered loans (note 32) (*)		
Charge for the year	34,706	–
Reversals for the year	(98)	–
	34,608	–
	56,374	192,059

(*) The 2023 values regard to impairment associated with real estate and assets arising from recovered loans.

14. Other provisions

This balance is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Provision for guarantees and other commitments (note 39)		
Charge for the year	40,602	27,864
Reversals for the year	(28,372)	(26,939)
	12,230	925
Other provisions for liabilities and charges (note 39)		
Charge for the year	785,928	569,226
Reversals for the year	(4,000)	(1,854)
	781,928	567,372
	794,158	568,297

The balance Other provisions for liabilities and charges - Charge for the year refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 57, which, in 2023, amounted to Euros 675,252,000 (2022: Euros 430,843,000).

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)

	2023	2022 (restated)
Banco Millennium Atlântico, S.A. (note 26)		
Appropriation relating to the current year	2,977	2,431
Appropriation relating to the previous year	—	(2,924)
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (a)	(268)	(423)
	2,709	(916)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	40,422	29,700
Unicre - Instituição Financeira de Crédito, S.A.	6,597	11,843
SIBS, S.G.P.S, S.A.	9,851	11,687
Banque BCP, S.A.S.	2,745	4,520
Fidelidade Moçambique - Companhia de Seguros S.A.	1,942	1,841
Other companies	—	(64)
	61,557	59,527
	64,266	58,611

(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)

	2023	2022 (restated)
Gains /(Losses) on disposal of investments	11,539	(283)
Gains /(Losses) on disposal of other assets	10,270	10,450
	21,809	10,167

As described in notes 5 and 48, 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 measured its remaining non-controlling stake (20%) at fair value, recording a gain of Euros 11,562,000 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 and as other assets, which corresponds to a gain of Euros 5,612,000 (2022: gain of Euros 11,323,000).

17. Net income from discontinued or discontinuing operations

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022 (restated)
Banque Privée BCP (Suisse) S.A.		
Gains on disposal of the investment held (price adjustment)	(2,843)	1,765
Fidelidade Moçambique - Companhia de Seguros S.A.		
Correction of gains on disposal of the investment held	—	3,772
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.		
Losses (expenses)	(9)	—
	(2,852)	5,537

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".

The sale price received and the corresponding capital gain on disposal were adjusted in 2022 and in 2023 definitively, based on price adjustments related to the evolution of certain parameters defined contractually, as is usual in this type of transaction, including those that 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., according to note 60), 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".

The final sales price was adjusted positively in 2022, depending on the price adjustment resulting from adjustments as is usual in this type of transactions, namely 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)

	2023	2022 (restated)
Continuing operations		
Net income from continuing operations	950,461	114,027
Non-controlling interests	(91,559)	77,822
Appropriated net income from continuing operations	858,902	191,849
Interests on perpetual subordinated bonds (Additional Tier 1)	(37,000)	(37,000)
Adjusted net income from continuing operations	821,902	154,849
Discontinued or discontinuing operations (note 17)		
Net income from discontinued or discontinuing operations	(2,852)	5,537
Adjusted net income	819,050	160,386
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.054	0.010
from discontinued or discontinuing operations	0.000	0.000
	0.054	0.010
Diluted earnings per share (Euros):		
from continuing operations	0.054	0.010
from discontinued or discontinuing operations	0.000	0.000
	0.054	0.010

As at 31 December 2023, the Bank's share capital amounts to Euros 3,000,000,000 (2022: 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.

There were not identified another dilution effects of the earnings per share as at 31 December 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)

	2023	2022 (restated)
Cash	688,501	593,033
Central Banks		
Bank of Portugal	2,134,395	3,370,139
Central Banks abroad	1,722,630	2,058,829
	4,545,526	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)

	2023	2022 (restated)
Credit institutions in Portugal	1,285	2,338
Credit institutions abroad	260,227	112,443
Amounts due for collection	76,175	98,679
	337,687	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)

	2023	2022 (restated)
Loans and advances to Central Banks		
Central Banks abroad	184,650	382,038
	184,650	382,038
Loans and advances to credit institutions in Portugal		
Term deposits	(23)	973
Loans	—	4,250
Term deposits to collateralise CIRS and IRS operations (*)	330	—
Other	10,175	1,068
	10,482	6,291
Loans and advances to credit institutions abroad		
Term deposits	371,647	425,152
Term deposits to collateralise CIRS and IRS operations (*)	58,446	124,746
Other	283,476	26,069
	713,569	575,967
	908,701	964,296
Impairment for loans and advances to credit institutions	(224)	(862)
	908,477	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.

This balance analysed by the period to maturity, before impairment, is as follows:

(Thousands of euros)

	2023	2022 (restated)
Up to 3 months	703,056	752,913
3 to 6 months	1,041	79,247
6 to 12 months	204,604	132,136
	908,701	964,296

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

(Thousands of euros)

	2023	2022 (restated)
Balance on 1 January	862	1,187
Transfers	28	—
Charge for the year (note 11)	92	349
Reversals for the year (note 11)	(762)	(673)
Exchange rate differences	4	(1)
Balance at the end of the year	224	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)

	2023	2022 (restated)
Mortgage loans	28,622,845	28,658,104
Loans	16,520,496	17,672,581
Finance leases	4,195,116	4,176,329
Factoring operations	2,909,570	3,022,248
Current account credits	847,455	822,473
Overdrafts	1,019,668	1,046,121
Discounted bills	156,603	201,081
	54,271,753	55,598,937
Overdue loans - less than 90 days	110,996	94,063
Overdue loans - Over 90 days	505,060	485,166
	54,887,809	56,178,166
Loans impairment	(1,582,650)	(1,502,373)
	53,305,159	54,675,793

The balance Loans and advances to customers, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	2023				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	538,721	40	538,761	(1,261)	537,500
Asset-backed loans	31,799,089	111,046	31,910,135	(564,616)	31,345,519
Other guaranteed loans	4,716,031	71,101	4,787,132	(183,142)	4,603,990
Unsecured loans	8,039,408	308,262	8,347,670	(612,363)	7,735,307
Foreign loans	2,073,818	13,816	2,087,634	(51,924)	2,035,710
Factoring operations	2,909,570	22,103	2,931,673	(59,231)	2,872,442
Finance leases	4,195,116	89,688	4,284,804	(110,113)	4,174,691
	54,271,753	616,056	54,887,809	(1,582,650)	53,305,159

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

(Thousands of euros)

	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 balance Loans and advances to customers includes the amount of Euros 10,875,965,000 (31 December 2022: Euros 10,613,589,000) regarding mortgage loans assigned to the cover pool backing the Group's covered bond programme issuances.

As part of the liquidity risk management, the Group holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As referred in note 51, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 5% or more of the share capital identified in the Board of Directors report and in note 41.

The Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 112,007,000 (31 December 2022: Euros 98,658,000), as referred in note 51 a). The amount of impairment recognised for these contracts amounts to Euros 1,481,000 (31 December 2022: Euros 914,000).

The conclusion of business between the Company and holders of qualifying holdings or individuals or legal entities related to them in accordance with the provisions of article 33.°, n.° 3 of Notice 3/2020 of Bank of Portugal, regardless of the amount, is always subject of consideration and deliberation by the Board of Directors, after obtaining a prior opinion from the Audit Committee, and by proposal of the Executive Committee, which in turn deliberates under proposal from the Credit Committee, after obtaining an analysis and opinion from the Compliance Office, which pronounces regarding the compliance of the proposed operations with internal regulations, legal and regulatory provisions and other conditions that may apply to them, and the Risk Office, which evaluates and issues an opinion on the risks inherent to the operation.

As at 31 December 2022, the balance Finance leases included the amount of Euros 348,000 relative to sublease operations, as referred in accounting policy 1 H.

The analysis of the outstanding amount of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2023	2022 (restated)
Individuals		
Home	36,649	43,402
Consumption	26,702	27,606
Others	71,927	75,666
	135,278	146,674
Companies		
Equipment	1,936,577	1,890,361
Real estate	2,123,261	2,139,294
	4,059,838	4,029,655
	4,195,116	4,176,329

The analysis of loans and advances to customers, as at 31 December 2023, by sector of activity, is as follows:

(Thousands of euros)

	2023					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	433,118	5,320	438,438	(12,157)	426,281	0.80 %
Fisheries	23,941	3,237	27,178	(3,835)	23,343	0.05 %
Mining	64,315	1,603	65,918	(6,510)	59,408	0.12 %
Food, beverage and tobacco	721,867	6,374	728,241	(33,043)	695,198	1.33 %
Textiles	412,927	11,034	423,961	(54,906)	369,055	0.77 %
Wood and cork	239,794	2,606	242,400	(5,411)	236,989	0.44 %
Paper, printing and publishing	120,862	703	121,565	(4,018)	117,547	0.22 %
Chemicals	702,032	15,497	717,529	(30,817)	686,712	1.31 %
Machinery, equipment and basic metallurgical	1,347,043	27,219	1,374,262	(61,863)	1,312,399	2.50 %
Electricity and gas	234,740	255	234,995	(7,500)	227,495	0.43 %
Water	190,356	608	190,964	(8,609)	182,355	0.35 %
Construction	1,465,696	23,140	1,488,836	(80,773)	1,408,063	2.71 %
Retail business	1,697,573	18,103	1,715,676	(38,154)	1,677,522	3.13 %
Wholesale business	2,001,101	24,270	2,025,371	(72,776)	1,952,595	3.69 %
Restaurants and hotels	1,358,246	16,267	1,374,513	(76,772)	1,297,741	2.50 %
Transports	1,305,519	13,925	1,319,444	(29,283)	1,290,161	2.40 %
Post offices	24,654	319	24,973	(571)	24,402	0.05 %
Telecommunications	355,653	4,045	359,698	(7,521)	352,177	0.66 %
Services						
Financial intermediation	1,456,457	476	1,456,933	(40,634)	1,416,299	2.65 %
Real estate activities	1,987,406	14,870	2,002,276	(53,201)	1,949,075	3.65 %
Consulting, scientific and technical activities	1,009,028	29,952	1,038,980	(156,822)	882,158	1.89 %
Administrative and support services activities	490,512	5,048	495,560	(22,072)	473,488	0.90 %
Public sector	631,184	40	631,224	(2,956)	628,268	1.15 %
Education	107,963	969	108,932	(2,286)	106,646	0.20 %
Health and collective service activities	356,644	1,856	358,500	(9,471)	349,029	0.65 %
Artistic, sports and recreational activities	221,300	901	222,201	(32,350)	189,851	0.41 %
Other services	258,037	3,808	261,845	(72,074)	189,771	0.48 %
Consumer loans	6,566,398	256,681	6,823,079	(428,213)	6,394,866	12.43 %
Mortgage credit	27,868,097	112,639	27,980,736	(202,120)	27,778,616	50.98 %
Other domestic activities	1,501	197	1,698	(152)	1,546	0.00 %
Other international activities	617,789	14,094	631,883	(25,780)	606,103	1.15 %
	54,271,753	616,056	54,887,809	(1,582,650)	53,305,159	100 %

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

(Thousands of euros)

	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 analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2023, is as follows:

(Thousands of euros)

	2023					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	100,868	184,889	147,361	433,118	5,320	438,438
Fisheries	4,945	14,326	4,670	23,941	3,237	27,178
Mining	14,165	39,788	10,362	64,315	1,603	65,918
Food, beverage and tobacco	351,595	288,183	82,089	721,867	6,374	728,241
Textiles	155,018	203,731	54,178	412,927	11,034	423,961
Wood and cork	94,585	110,513	34,696	239,794	2,606	242,400
Paper, printing and publishing	28,129	67,447	25,286	120,862	703	121,565
Chemicals	272,606	335,125	94,301	702,032	15,497	717,529
Machinery, equipment and basic metallurgical	535,951	649,954	161,138	1,347,043	27,219	1,374,262
Electricity and gas	23,025	77,272	134,443	234,740	255	234,995
Water	29,806	72,955	87,595	190,356	608	190,964
Construction	560,700	582,187	322,809	1,465,696	23,140	1,488,836
Retail business	801,913	634,450	261,210	1,697,573	18,103	1,715,676
Wholesale business	940,274	854,941	205,886	2,001,101	24,270	2,025,371
Restaurants and hotels	104,819	395,354	858,073	1,358,246	16,267	1,374,513
Transports	375,001	815,722	114,796	1,305,519	13,925	1,319,444
Post offices	13,066	9,822	1,766	24,654	319	24,973
Telecommunications	75,412	235,896	44,345	355,653	4,045	359,698
Services						
Financial intermediation	242,262	395,639	818,556	1,456,457	476	1,456,933
Real estate activities	385,845	814,149	787,412	1,987,406	14,870	2,002,276
Consulting, scientific and technical activities	204,844	368,309	435,875	1,009,028	29,952	1,038,980
Administrative and support services activities	161,135	249,466	79,911	490,512	5,048	495,560
Public sector	48,020	330,153	253,011	631,184	40	631,224
Education	26,519	42,676	38,768	107,963	969	108,932
Health and collective service activities	75,506	147,598	133,540	356,644	1,856	358,500
Artistic, sports and recreational activities	11,753	58,855	150,692	221,300	901	222,201
Other services	75,487	120,256	62,294	258,037	3,808	261,845
Consumer loans	2,180,784	3,153,772	1,231,842	6,566,398	256,681	6,823,079
Mortgage credit	455,670	1,751,219	25,661,208	27,868,097	112,639	27,980,736
Other domestic activities	304	543	654	1,501	197	1,698
Other international activities	408,128	57,386	152,275	617,789	14,094	631,883
	8,758,135	13,062,576	32,451,042	54,271,753	616,056	54,887,809

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

(Thousands of euros)

	2022 (restated)					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	104,760	181,701	175,219	461,680	8,517	470,197
Fisheries	3,756	12,465	9,087	25,308	3,226	28,534
Mining	17,107	42,103	11,760	70,970	1,676	72,646
Food, beverage and tobacco	408,663	307,334	97,362	813,359	11,634	824,993
Textiles	154,019	265,451	77,868	497,338	8,989	506,327
Wood and cork	92,259	135,429	32,487	260,175	3,730	263,905
Paper, printing and publishing	42,397	76,818	29,722	148,937	742	149,679
Chemicals	335,828	396,647	130,351	862,826	38,334	901,160
Machinery, equipment and basic metallurgical	559,264	742,898	224,616	1,526,778	25,298	1,552,076
Electricity and gas	55,254	67,104	107,463	229,821	443	230,264
Water	35,418	80,638	88,680	204,736	452	205,188
Construction	524,861	638,536	333,717	1,497,114	21,639	1,518,753
Retail business	668,493	729,772	307,617	1,705,882	18,730	1,724,612
Wholesale business	1,011,781	933,752	280,370	2,225,903	26,755	2,252,658
Restaurants and hotels	81,252	523,536	901,175	1,505,963	15,721	1,521,684
Transports	334,717	840,728	144,791	1,320,236	7,464	1,327,700
Post offices	12,384	6,551	983	19,918	254	20,172
Telecommunications	82,116	274,708	55,061	411,885	1,508	413,393
Services						
Financial intermediation	194,026	783,252	1,069,987	2,047,265	2,149	2,049,414
Real estate activities	345,774	830,401	802,007	1,978,182	10,931	1,989,113
Consulting, scientific and technical activities	211,357	387,691	370,362	969,410	8,232	977,642
Administrative and support services activities	122,350	278,364	131,523	532,237	4,296	536,533
Public sector	84,965	283,426	455,513	823,904	—	823,904
Education	29,436	47,613	66,881	143,930	814	144,744
Health and collective service activities	70,100	167,080	141,243	378,423	1,029	379,452
Artistic, sports and recreational activities	11,618	64,764	160,161	236,543	2,128	238,671
Other services	70,922	121,649	41,828	234,399	2,971	237,370
Consumer loans	1,901,816	2,744,264	1,129,159	5,775,239	237,160	6,012,399
Mortgage credit	464,882	1,593,206	25,954,858	28,012,946	110,809	28,123,755
Other domestic activities	247	477	653	1,377	332	1,709
Other international activities	432,937	81,442	161,874	676,253	3,266	679,519
	8,464,759	13,639,800	33,494,378	55,598,937	579,229	56,178,166

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2023, is as follows:

(Thousands of euros)

	2023					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	9,277	189,817	339,627	538,721	40	538,761
Asset-backed loans	1,654,088	3,658,185	26,486,816	31,799,089	111,046	31,910,135
Other guaranteed loans	843,304	3,182,893	689,834	4,716,031	71,101	4,787,132
Unsecured loans	2,791,442	3,863,145	1,384,821	8,039,408	308,262	8,347,670
Foreign loans	229,016	386,412	1,458,390	2,073,818	13,816	2,087,634
Factoring operations	2,645,855	263,715	—	2,909,570	22,103	2,931,673
Finance leases	585,153	1,518,409	2,091,554	4,195,116	89,688	4,284,804
	8,758,135	13,062,576	32,451,042	54,271,753	616,056	54,887,809

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2022, is as follows:

(Thousands of euros)

	2022 (restated)					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	21,138	19,832	543,029	583,999	—	583,999
Asset-backed loans	1,608,240	3,615,091	27,010,051	32,233,382	123,063	32,356,445
Other guaranteed loans	842,171	3,866,580	958,781	5,667,532	100,085	5,767,617
Unsecured loans	2,660,372	3,452,035	1,345,905	7,458,312	258,186	7,716,498
Foreign loans	171,535	785,272	1,500,328	2,457,135	2,451	2,459,586
Factoring operations	2,592,313	426,935	3,000	3,022,248	16,680	3,038,928
Finance leases	568,990	1,474,055	2,133,284	4,176,329	78,764	4,255,093
	8,464,759	13,639,800	33,494,378	55,598,937	579,229	56,178,166

The item Loans and advances to customers, split by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Stage 1		
Gross amount	45,652,779	46,404,751
Impairment	(268,948)	(214,469)
	45,383,831	46,190,282
Stage 2		
Gross amount	7,295,904	7,567,944
Impairment	(291,928)	(284,653)
	7,003,976	7,283,291
Stage 3		
Gross amount	1,939,126	2,205,471
Impairment	(1,021,774)	(1,003,251)
	917,352	1,202,220
Net amount	53,305,159	54,675,793

The exposure and impairment of the above table also includes the operations classified as POCI as detailed in note 54.

The analysis of the exposure covered by collaterals associated with loans and advances to customers' portfolio, by stage according with IFRS 9, considering the collaterals' fair value, is as follows:

(Thousands of euros)

	2023	2022 (restated)
Stage 1		
Securities and other financial assets	1,601,275	1,533,809
Residential real estate	25,107,829	24,796,864
Other real estate	3,236,223	3,475,795
Other guarantees	7,147,794	7,654,261
	37,093,121	37,460,729
Stage 2		
Securities and other financial assets	177,614	192,025
Residential real estate	2,840,231	2,507,458
Other real estate	1,159,093	1,158,362
Other guarantees	1,500,324	1,744,218
	5,677,262	5,602,063
Stage 3		
Securities and other financial assets	20,313	28,765
Residential real estate	442,566	432,138
Other real estate	346,101	516,903
Other guarantees	214,931	235,900
	1,023,911	1,213,706
	43,794,294	44,276,498

The balance Other guarantees include first-demand guarantees issued by the Bank and other entities, with an internal risk rating of 7 or better; personal guarantees, when the guarantors are classified with internal risk grade 7 or better. This balance also includes pledges, assets subject to financial leasing operations and personal guarantees, among others.

Considering the policy of risk management of the Group (note 54), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. To reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. The Group continued to negotiate additional physical and financial collaterals with its customers.

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)

	2023			2022 (restated)		
	Restructured loans	Impairment (*)	Net amount	Restructured loans	Impairment (*)	Net amount
Agriculture and forestry	21,199	(1,928)	19,271	15,009	(2,216)	12,793
Fisheries	3,381	(2,708)	673	2,772	(1,762)	1,010
Mining	5,919	(3,246)	2,673	1,305	(199)	1,106
Food, beverage and tobacco	18,625	(7,781)	10,844	28,393	(10,112)	18,281
Textiles	7,766	(1,948)	5,818	14,120	(4,981)	9,139
Wood and cork	3,670	(428)	3,242	6,088	(784)	5,304
Paper, printing and publishing	6,563	(1,868)	4,695	8,698	(1,701)	6,997
Chemicals	22,807	(6,719)	16,088	30,146	(11,809)	18,337
Machinery, equipment and basic metallurgical	35,284	(14,955)	20,329	74,637	(22,688)	51,949
Electricity and gas	951	(6)	945	1,133	(255)	878
Water	1,749	(934)	815	1,767	(734)	1,033
Construction	141,642	(27,956)	113,686	151,970	(94,787)	57,183
Retail business	22,524	(4,587)	17,937	38,861	(10,085)	28,776
Wholesale business	25,671	(6,607)	19,064	68,474	(13,627)	54,847
Restaurants and hotels	63,536	(21,319)	42,217	97,002	(16,126)	80,876
Transports	4,666	(1,513)	3,153	9,620	(1,767)	7,853
Post offices	100	(40)	60	125	(33)	92
Telecommunications	1,861	(404)	1,457	25,228	(4,066)	21,162
Services						
Financial intermediation	24,992	(2,430)	22,562	54,764	(19,879)	34,885
Real estate activities	74,959	(14,492)	60,467	45,785	(9,927)	35,858
Consulting, scientific and technical activities	192,379	(130,306)	62,073	190,444	(63,606)	126,838
Administrative and support services activities	28,633	(10,843)	17,790	67,941	(46,519)	21,422
Public sector	60,886	(464)	60,422	63,016	(427)	62,589
Education	2,089	(234)	1,855	17,310	(11,358)	5,952
Health and collective service activities	9,543	(1,352)	8,191	8,428	(1,206)	7,222
Artistic, sports and recreational activities	38,720	(27,782)	10,938	19,732	(8,865)	10,867
Other services	8,596	(1,801)	6,795	11,855	(1,601)	10,254
Consumer loans	276,092	(115,154)	160,938	274,500	(99,459)	175,041
Mortgage credit	623,740	(71,001)	552,739	535,948	(69,129)	466,819
Other domestic activities	3	—	3	—	—	—
Other international activities	705	(621)	84	977	(594)	383
	1,729,251	(481,427)	1,247,824	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 described in point ii. of the section "Additional measures with impact on the Impairment level" of note 54.

The breakdown of the restructured loans as at 31 December 2023, by restructuring measure, is as follows:

(Thousands of euros)

	2023					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment (*)	Net amount
Extension of the repayment term	41,274	338,147	59,307	397,454	(130,610)	266,844
Introduction of the grace period for capital and / or interest	6,318	358,580	31,700	390,280	(97,525)	292,755
Interest rate reduction	2,130	106,926	2,383	109,309	(9,963)	99,346
Payment plan change	8,891	332,029	9,784	341,813	(133,956)	207,857
Debt relief	86	22,201	1,334	23,535	(21,655)	1,880
Debt-asset swaps	2	—	17	17	(1)	16
Other restructured loans	6,046	401,629	65,214	466,843	(87,717)	379,126
	64,747	1,559,512	169,739	1,729,251	(481,427)	1,247,824

The breakdown of the restructured loans as at 31 December 2022, by restructuring measure, is as follows:

(Thousands of euros)

	2022 (restated)					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment (*)	Net amount
Extension of the repayment term	40,796	383,529	64,104	447,633	(130,635)	316,998
Introduction of the grace period for capital and / or interest	7,359	433,555	30,187	463,742	(134,502)	329,240
Interest rate reduction	3,933	147,583	5,694	153,277	(105,411)	47,866
Payment plan change	10,832	233,879	9,338	243,217	(21,762)	221,455
Debt relief	105	935	1,693	2,628	(1,391)	1,237
Debt-asset swaps	4	368	21	389	(31)	358
Other restructured loans	6,877	507,410	47,752	555,162	(136,570)	418,592
	69,906	1,707,259	158,789	1,866,048	(530,302)	1,335,746

(*) The impairment presented in the tables does not include the amounts of impairment calculated using the overlays methodology described in point ii. of the section "Additional measures with impact on the Impairment level" of note 54.

The restructured loans are also subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

The Group has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);

- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, being a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined.

The demarcation of an operation marked as restructured due to financial difficulties, can only take place at least 2-years periods after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as Non-Performing Exposure (NPE), this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non-Performing Loans for more than 90 days (NPL > 90) incorporates total credit (past due plus outstanding) associated with past due operations for more than 90 days. The amount calculated is Euros 749,569,000 (31 December 2022: Euros 725,300,000).

All customers who check at least one of the following conditions are marked in default and therefore as NPE:

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent: more than Euros 100 (retail) or more than Euros 500 (non-retail); and more than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value; b) Delay after restructuring due to financial difficulties; c) Recurrence of restructuring due to financial difficulties; d) Credit with signs of impairment (or Stage 3 of IFRS 9); e) Insolvency or equivalent process; f) Litigation; g) Guarantees of operations in default; h) Loss of credit sales; i) Credit fraud; j) Unpaid credit status; k) Breach of covenants in a credit agreement; l) Contagion of default in an economic group; m) Cross default in the BCP Group.

The NPE associated with Loans and advances customers at amortized cost amounts to Euros 1,939,126,000 (31 December 2022: Euros 2,205,471,000).

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Balance on 1 January	1,502,373	1,849,284
Charge for the year in net income interest	3,545	32,942
Transfers resulting from changes in the Group's structure	411	—
Other transfers	(1,054)	(53,634)
Impairment charge for the year (note 11)	805,500	830,750
Reversals for the year (note 11)	(511,733)	(506,926)
Loans charged-off		
Write-offs	(192,473)	(458,405)
Credit assignments	(62,044)	(189,061)
Exchange rate differences	38,125	(2,577)
Balance at the end of the year	1,582,650	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 1,500,209,000 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)

	2023	2022 (restated)
Agriculture and forestry	1,046	271
Fisheries	—	1
Mining	—	46
Food, beverage and tobacco	3,799	1,696
Textiles	1,141	1,405
Wood and cork	567	2,083
Paper, printing and publishing	103	141
Chemicals	1,058	1,425
Machinery, equipment and basic metallurgical	6,091	2,613
Electricity and gas	377	615
Water	51	39
Construction	3,100	9,992
Retail business	1,714	10,324
Wholesale business	3,338	13,782
Restaurants and hotels	891	3,482
Transports	475	6,527
Post offices	134	128
Telecommunications	234	72
Services		
Financial intermediation	20,210	72,244
Real estate activities	208	306
Consulting, scientific and technical activities	5,975	1,119
Administrative and support services activities	35,569	2,839
Education	10	48
Health and collective service activities	173	179
Artistic, sports and recreational activities	222	6,492
Other services	268	240,544
Consumer loans	64,537	69,019
Mortgage credit	1,968	3,581
Other domestic activities	761	838
Other international activities	38,453	6,554
	192,473	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 Write-offs, by type of credit, is as follows:

(Thousands of euros)

	2023	2022 (restated)
Asset-backed loans	2,432	3,296
Other guaranteed loans	40,982	313,915
Unsecured loans	142,768	128,131
Finance leases	6,291	13,063
	192,473	458,405

The analysis of recovered loans and interest occurred during 2023 and 2022, by sector of activity, is as follows:

(Thousands of euros)

	2023	2022 (restated)
Agriculture and forestry	52	6
Food, beverage and tobacco	30	34
Textiles	29	41
Wood and cork	137	43
Chemicals	533	105
Machinery, equipment and basic metallurgical	17	165
Construction	1,065	2,719
Retail business	1,151	757
Wholesale business	1,570	113
Restaurants and hotels	22	67
Transports	301	56
Post offices	–	1
Telecommunications	–	2
Services		
Financial intermediation	2,492	619
Real estate activities	192	483
Consulting, scientific and technical activities	1,962	8
Administrative and support services activities	31	29
Education	1	5
Health and collective service activities	1	1
Artistic, sports and recreational activities	20	3
Other services	1,206	8
Consumer loans	10,399	13,967
Mortgage credit	603	130
Other domestic activities	17	29
Other international activities	35,900	1,445
	57,731	20,836

The analysis of recovered loans and interest occurred during 2023 and 2022, by type of credit, is as follows:

(Thousands of euros)

	2023	2022 (restated)
Asset-backed loans	1,318	130
Other guaranteed loans	37,409	4,237
Unsecured loans	16,625	16,300
Foreign loans	1,511	80
Finance leases	868	89
	57,731	20,836

The balance Loans and advances to customers includes the effect of traditional securitization transactions made through Special Purpose Entities (SPE) consolidated following the application of IFRS 10, in accordance with accounting policy 1 B and synthetic securitization. The characterization of these operations is described in note 1 D.

Traditional securitizations

The traditional securitization transaction engaged by the BCP and still ongoing, refers to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As referred in accounting policy 1 B, when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, those are consolidated by the full method.

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1.B. As at 31 December 2023, the SPE's credit portfolio associated with this operation amounts to Euros 160,845,000 (31 December 2022: Euros 188,214,000) and bonds issued with different subordination levels amount to Euros 121,882,000 (this amount excludes bonds hold by the Group in the amount of Euros 54,929,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

BCP has three operations in progress which form structures of synthetic securitization with similar characteristics, with reference to credit portfolios granted by the Bank mainly to Small and Medium Enterprises (SMEs).

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 177,327,000 as at 31 December 2023 (31 December 2022: Euros 276,209,000). The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 172,994,000 (31 December 2022: Euros 179,713,000)and the respective gain registered in 2023 amounts to Euros 959,000 (31 December 2022: loss of Euros 4,824,000).

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing. The legal maturity date is 21 September of 2043 and, as at 31 December 2023, the operation amounts to Euros 393,247,000 (31 December 2022: Euros 506,117,000). The fair value of the relative CDS is recorded as a positive amount of Euros 60,386,000 (31 December 2022: Euros 61,551,000) and the respective gain registered in 2023 amounts to Euros 648,000 (31 December 2022: loss of Euros 2,026,000).

Caravela SME No.5

Caravela SME No.5, initiated on 20 December 2022, is supported by a portfolio of medium and long term loans, leasing contract and commercial paper programmes. The legal maturity date is 26 September of 2035 and, as at 31 December 2023, the operation amounts to Euros 1,697,747,000 (31 December 2022: Euros 1,918,408,000). The fair value of the relative CDS is recorded as a negative amount of Euros 46,362,000 (31 December 2022: positive amount 76,000) and the respective cost registered in 2023 amounts to Euros 18,010,000 (31 December 2022: Euros 1,424,000).

In any of these transactions, the Bank contracted a Credit Default Swap (CDS) with a Special Purpose Entity (SPE), purchasing from it form, credit risk protection on the referenced portfolio. In the case of synthetic structures, in the of this same CDS the risk of the respective portfolios was subdivided into 3 tranches: senior, mezzanine and equity. In this case of Caravela SME no.3 and no.4 operations, the mezzanine tranche and part of equity (20%) were placed on the market through the issuance, by the SPE, of Credit Linked Notes (CLN's) subscribed by investors, while in Caravela SME no.5 has been placed on the market for the entire mezzanine tranche. In turn, the Bank retained the risk of the tranche senior and the remaining part of the equity tranche (80%) in the case of Caravela operations no. 3 and no. 4, and the whole of the equity tranche in the case of Caravela SME no.5. The proceeds of the issuance of the CLNs were applied by the SPE in the constitution of a deposit which fully collateralises its liabilities to its creditors in connection with the transaction, including BCP.

These operations allowed the Bank to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but the Bank did not transfer to third parties most of the rights and obligations arising from the credits included in the respective portfolios, thus not meeting the derecognition criteria in the accounting policy presented in note 1 C1.3.

Securitization operations carried out by Bank Millennium Group

In December 2023, the Bank Millennium carried out a synthetic securitization transaction of a portfolio of unsecured cash loans with a total value of PLN 7.2 billion (Euros 1.7 billion). This was the largest synthetic securitization transaction concluded by the Bank so far. As part of the transaction, the Bank transferred a significant part of the credit risk of the securitized portfolio to the investor. The securitized loan portfolio remains on the Bank's balance sheet. The risk of the securitized portfolio is transferred via a credit protection instrument in the form of credit risk-related bonds issued in December 2023 ("CLN Bonds") in the amount of PLN 489 million (Euros 112.6 million).

Earlier, in July 2023, the Bank's subsidiary, Millennium Leasing, conducted another synthetic securitization transaction. The reference portfolio of leasing transactions was worth PLN 4.0 billion (Euros 0.9 million). As part of the transaction, Millennium Leasing transferred a significant part of the credit risk of the securitized portfolio to the investor. The securitized loan portfolio remains on Millennium Leasing's balance sheet. The risk transfer of the securitized portfolio is carried out through a credit protection instrument in the form of credit risk bonds issued in July 2023 ("CLN Bonds") in the amount of PLN 280 million (Euros 64.5 million).

23. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	115,629	183,260
Commercial paper	1,762,453	1,256,557
Foreign issuers		
Commercial paper	38,900	65,781
	1,916,982	1,505,598
Overdue securities - over 90 days	40	40
	1,917,022	1,505,638
Impairment	(8,668)	(4,676)
	1,908,354	1,500,962
Debt securities held not associated with credit operations		
Bonds issued by public entities (*)		
Portuguese issuers	3,552,807	3,517,560
Foreign issuers	11,237,924	7,317,443
Bonds issued by public companies and other entities		
Portuguese issuers	459,392	248,399
Foreign issuers	395,102	124,438
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	42,277	336,343
	15,687,502	11,544,183
Impairment	(16,720)	(9,563)
	15,670,782	11,534,620
	17,579,136	13,035,582

(*) Includes the negative amount of Euros 356,628,000 (31 December 2022: negative amount of Euros 417,311,000) related to adjustments resulting from the application of fair value hedge accounting.

Under the terms of IFRS 9, the balance Debt securities held not associated with credit operations - Bonds issued by public issuers, includes essentially a portfolio of securities to support Bank's ALM (Asset and Liability Management), whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 31 December 2023 amounts to Euros 9,905,849,000 (31 December 2022: Euros 9,248,707,000).

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2023 is as follows:

(Thousands of euros)

	2023					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	10,128	105,501	–	115,629
Commercial paper	1,382,628	379,825	–	–	40	1,762,493
Foreign issuers						
Commercial paper	19,407	19,493	–	–	–	38,900
	1,402,035	399,318	10,128	105,501	40	1,917,022
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	2,876,835	675,972	–	3,552,807
Foreign issuers	625,851	675,486	4,811,329	5,125,258	–	11,237,924
Public companies and other entities						
Portuguese issuers	–	50,030	133,699	275,663	–	459,392
Foreign issuers	–	–	395,102	–	–	395,102
Treasury bills (Public Issuers and Central Banks)						
Foreign issuers	42,277	–	–	–		42,277
	668,128	725,516	8,216,965	6,076,893	–	15,687,502
	2,070,163	1,124,834	8,227,093	6,182,394	40	17,604,524

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2022 is as follows:

(Thousands of euros)

	2022 (restated)					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	13,480	169,780	–	183,260
Commercial paper	860,395	396,162	–	–	40	1,256,597
Foreign issuers						
Commercial paper	31,361	34,420	–	–	–	65,781
	891,756	430,582	13,480	169,780	40	1,505,638
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	1,865,689	1,651,871	–	3,517,560
Foreign issuers	50,410	212,482	970,601	6,083,950	–	7,317,443
Public companies and other entities						
Portuguese issuers	–	–	153,548	94,851	–	248,399
Foreign issuers	–	97,962	–	26,476	–	124,438
Treasury bills (Public Issuers and Central Banks)						
Foreign issuers	237,209	99,134	–	–		336,343
	287,619	409,578	2,989,838	7,857,148	–	11,544,183
	1,179,375	840,160	3,003,318	8,026,928	40	13,049,821

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

(Thousands of euros)

	2023	2022 (restated)
Debt securities held associated with credit operations		
Agriculture and forestry	2,479	2,496
Mining	85,939	46,403
Food, beverage and tobacco	102,720	79,448
Textiles	45,203	58,555
Wood and cork	23,720	19,630
Paper, printing and publishing	9,206	8,104
Chemicals	215,972	179,516
Machinery, equipment and basic metallurgical	42,787	65,973
Electricity and gas	211,183	165,676
Water	31,955	5,475
Construction	10,633	13,397
Retail business	28,973	20,507
Wholesale business	64,044	56,698
Restaurants and hotels	8,857	8,789
Transports	33,392	36,591
Telecommunications	4,018	9,706
Services		
Financial intermediation	114,283	107,372
Real estate activities	55,566	50,845
Consulting, scientific and technical activities	751,610	473,231
Administrative and support services activities	11,217	12,269
Health and collective service activities	4,974	—
Artistic, sports and recreational activities	7,058	10,406
Other services	3,665	4,095
Other international activities	38,900	65,780
	1,908,354	1,500,962
Debt securities held not associated with credit operations		
Machinery, equipment and basic metallurgical	11,977	—
Electricity and gas	99,846	88,873
Water	—	39,704
Services		
Financial intermediation	437,378	460,781
Consulting, scientific and technical activities	346,117	119,297
	895,318	708,655
Government and Public securities	14,775,464	10,825,965
	15,670,782	11,534,620
	17,579,136	13,035,582

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

(Thousands of euros)

	2023			2022		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Debt securities held associated with credit operations						
Food, beverage and tobacco	7,711	(126)	7,585	–	–	–
Chemicals	–	–	–	5,062	(101)	4,961
Services						
Administrative and support services activities	10,311	(90)	10,221	10,604	(132)	10,472
	18,022	(216)	17,806	15,666	(233)	15,433

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

(Thousands of euros)

	2023	2022 (restated)
Debt securities held associated with credit operations		
Balance on 1 January	4,676	7,059
Charge for the year in net income interest	2	–
Charge for the year (note 11)	3,991	8
Reversals for the year (note 11)	–	(2,393)
Exchange rate differences	(1)	2
Balance at the end of the year	8,668	4,676
Debt securities held not associated with credit operations		
Balance on 1 January	9,563	8,743
Charge for the year (note 11)	9,323	3,329
Reversals for the year (note 11)	(688)	(2,779)
Amounts charged-off	(1,282)	–
Exchange rate differences	(196)	270
Balance at the end of the year	16,720	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)

	2023	2022 (restated)
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	355,526	338,813
Equity instruments	53,432	51,540
Trading derivatives	413,946	376,244
	822,904	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	4,454	20,929
Debt instruments	280,558	311,404
Equity instruments	182,242	220,346
	467,254	552,679
Financial assets designated at fair value through profit or loss		
Debt instruments	32,004	–
	32,004	–
Financial assets at fair value through other comprehensive income		
Debt instruments	10,809,872	7,434,152
Equity instruments	24,419	27,401
	10,834,291	7,461,553
	12,156,453	8,780,829

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	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	20,312	–	32,004	1,950,559	2,002,875
Foreign issuers	25,452	–	–	3,435,176	3,460,628
Bonds issued by public companies and other entities					
Portuguese issuers	–	50	–	403,971	404,021
Foreign issuers	10,395	–	–	1,120,454	1,130,849
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	103,661	–	–	–	103,661
Foreign issuers	192,741	–	–	3,899,712	4,092,453
Shares of foreign companies (a)	–	23,498	–	–	23,498
Investment fund units (b)	–	257,010	–	–	257,010
Commercial paper	2,965	–	–	–	2,965
	355,526	280,558	32,004	10,809,872	11,477,960
Equity instruments					
Shares					
Portuguese companies	142	–	–	16,352	16,494
Foreign companies	28	15,335	–	8,067	23,430
Investment fund units (c)	–	166,907	–	–	166,907
Other securities (d)	53,262	–	–	–	53,262
	53,432	182,242	–	24,419	260,093
Trading derivatives	413,946	–	–	–	413,946
	822,904	462,800	32,004	10,834,291	12,151,999
Level 1	405,585	–	32,004	8,301,377	8,738,966
Level 2	84,614	–	–	2,431,483	2,516,097
Level 3	332,705	462,800	–	101,431	896,936

(a) These shares are considered as debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.
(b) These investment fund units are considered as debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.
(c) These investment fund units were considered as equity instruments in accordance with the terms provided in IAS 32.
(d) Includes the amount of Euros 52,854,000 in Exchange Traded Funds (ETFs).

The portfolios are recorded at fair value in accordance with the accounting policy described in note 1 C. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The balance 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 66,000 (31 December 2022: Euros 74,000).

In accordance with the accounting policy C1.1.3 regarding the classification of financial assets, 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)

	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 public companies and 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)	–	291,966	–	291,966
	338,813	311,404	7,434,152	8,084,369
Equity instruments				
Shares				
Portuguese companies	–	–	18,811	18,811
Foreign companies	24	27,550	8,590	36,164
Investment fund units (c)	–	192,796	–	192,796
Other securities (d)	51,516	–	–	51,516
	51,540	220,346	27,401	299,287
Trading derivatives	376,244	–	–	376,244
	766,597	531,750	7,461,553	8,759,900
Level 1	389,954	–	6,489,282	6,879,236
Level 2	81,347	–	862,566	943,913
Level 3	295,296	531,750	109,705	936,751

(a) These shares are considered as debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.

(b) These investment fund units are considered debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.

(c) These investment fund units were considered as equity instruments in accordance with the terms provided in IAS 32.

(d) Includes the amount of Euros 51,191,000 in Exchange Traded Funds (ETFs).

The changes occurred in impairment of financial assets at fair value through other comprehensive income, are analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Balance on 1 January	1,067	1,092
Transfers to fair value changes (note 43)	(1,322)	5,024
Impairment through profit and loss (note 12)	2,641	545
Reversals through profit and loss (note 12)	(1,319)	(5,569)
Exchange rate differences	83	(25)
Balance at the end of the year	1,150	1,067

The accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 6,272,000 and is recognised against Fair value reserves (31 December 2022: Euros 5,270,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	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	2,071,760	(78,556)	(42,645)	1,950,559
Foreign issuers	3,452,443	6,501	(23,768)	3,435,176
Bonds issued by public companies and other entities				
Portuguese issuers	412,309	(9,040)	702	403,971
Foreign issuers	1,182,733	(49,114)	(13,165)	1,120,454
Treasury bills (Public Issuers and Central Banks)				
Foreign issuers	3,896,162	–	3,550	3,899,712
	11,015,407	(130,209)	(75,326)	10,809,872
Equity instruments				
Shares				
Portuguese companies	23,253	–	(6,901)	16,352
Foreign companies	4,913	–	3,154	8,067
	28,166	–	(3,747)	24,419
	11,043,573	(130,209)	(79,073)	10,834,291

(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)

	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 public companies and 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 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, net of impairment, as at 31 December 2023, by valuation levels, is analysed as follows:

(Thousands of euros)

	2023			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	1,973,284	29,591	–	2,002,875
Foreign issuers	3,448,941	–	11,687	3,460,628
Bonds issued by public companies and other entities				
Portuguese issuers	279,580	59,064	65,377	404,021
Foreign issuers	1,130,849	–	–	1,130,849
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	103,661	–	–	103,661
Foreign issuers	1,749,627	2,342,826	–	4,092,453
Shares of Foreign companies	–	–	23,498	23,498
Investment fund units	–	–	257,010	257,010
Commercial paper	–	–	2,965	2,965
	8,685,942	2,431,481	360,537	11,477,960
Equity instruments				
Shares				
Portuguese companies	142	–	16,352	16,494
Foreign companies	28	–	23,402	23,430
Investment fund units	–	–	166,907	166,907
Other securities	52,854	–	408	53,262
	53,024	–	207,069	260,093
Trading derivatives	–	84,616	329,330	413,946
	8,738,966	2,516,097	896,936	12,151,999

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, net of impairment, as at 31 December 2022, by valuation levels, is analysed as follows:

(Thousands of euros)

	2022 (restated)			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,336,787	133,299	–	2,470,086
Foreign issuers	2,908,924	–	15,527	2,924,451
Bonds issued by public companies and other entities				
Portuguese issuers	416,374	57,212	69,230	542,816
Foreign issuers	853,605	43,615	–	897,220
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	309,929	–	–	309,929
Foreign issuers	–	628,514	–	628,514
Shares of Foreign companies	–	–	19,387	19,387
Investment fund units	–	–	291,966	291,966
	6,825,619	862,640	396,110	8,084,369
Equity instruments				
Shares				
Portuguese companies	2,402	–	16,409	18,811
Foreign companies	24	–	36,140	36,164
Investment fund units	–	–	192,796	192,796
Other securities	51,191	–	325	51,516
	53,617	–	245,670	299,287
Trading derivatives	–	81,273	294,971	376,244
	6,879,236	943,913	936,751	8,759,900

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The balance Debt instruments - Investment fund units classified as level 3, includes units in restructuring funds (note 47) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

The instruments classified as level 3 have associated net losses not performed in the amount of Euros 856,000 (31 December 2022: losses Euros 15,429,000) recorded in Other comprehensive income. The amount of impairment created for these securities amounts to Euros 1,150,000 (31 December 2022: Euros 1,067,000).

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, by residual maturity, as at 31 December 2023, is as follows:

(Thousands of euros)

	2023					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	324	30,653	1,600,329	371,569	—	2,002,875
Foreign issuers	65,904	501,611	2,638,954	254,159	—	3,460,628
Bonds issued by public companies and other entities						
Portuguese issuers	—	56,316	319,417	28,288	—	404,021
Foreign issuers	31,846	140,832	644,363	313,808	—	1,130,849
Treasury bills (Public Issuers and Central Banks)						
Portuguese issuers	49,648	54,013	—	—	—	103,661
Foreign issuers	2,416,524	1,675,929	—	—	—	4,092,453
Shares of Foreign companies	—	—	—	—	23,498	23,498
Investment fund units	6,404	3,067	205,191	37,142	5,206	257,010
Commercial paper	2,965	—	—	—	—	2,965
	2,573,615	2,462,421	5,408,254	1,004,966	28,704	11,477,960
Equity instruments						
Shares						
Portuguese companies					16,494	16,494
Foreign companies					23,430	23,430
Investment fund units					166,907	166,907
Other securities					53,262	53,262
					260,093	260,093
	2,573,615	2,462,421	5,408,254	1,004,966	288,797	11,738,053

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances at fair value and trading derivatives) and Financial assets at fair value through other comprehensive, by residual maturity, as at 31 December 2022, is as follows:

(Thousands of euros)

	2022 (restated)					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	—	8,267	2,172,623	289,196	—	2,470,086
Foreign issuers	416,699	493,389	1,863,833	150,530	—	2,924,451
Bonds issued by public companies and other entities						
Portuguese issuers	163,229	58,247	300,962	20,378	—	542,816
Foreign issuers	4,414	13,732	457,154	421,920	—	897,220
Treasury bills (Public Issuers and Central Banks)						
Portuguese issuers	128,349	181,580	—	—	—	309,929
Foreign issuers	56,638	571,876	—	—	—	628,514
Shares of Foreign companies	—	—	—	—	19,387	19,387
Investment fund units	5,942	38,534	202,152	39,863	5,475	291,966
	775,271	1,365,625	4,996,724	921,887	24,862	8,084,369
Equity instruments						
Shares						
Portuguese companies					18,811	18,811
Foreign companies					36,164	36,164
Investment fund units					192,796	192,796
Other securities					51,516	51,516
					299,287	299,287
	775,271	1,365,625	4,996,724	921,887	324,149	8,383,656

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)

	2023	2022 (restated)
Unsecured loans	2,688	17,217
Overdue loans - less than 90 days	106	554
Overdue loans - Over 90 days	1,660	3,158
	4,454	20,929

The balance Loans to customers at fair value correspond essentially to consumer loans. This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2023	2022 (restated)
Up to 3 months	318	1,733
3 months to 1 year	1,452	6,220
1 to 5 years	918	9,264
Undetermined	1,766	3,712
	4,454	20,929

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 December 2023, is as follows:

(Thousands of euros)

	2023			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Mining	—	6	—	6
Paper, printing and publishing	47,416	—	—	47,416
Chemicals	7,952	2	—	7,954
Machinery, equipment and basic metallurgical	2,477	8	—	2,485
Electricity and gas	70,806	—	—	70,806
Water	5,025	—	—	5,025
Construction	—	145	—	145
Wholesale business	7,067	238	—	7,305
Transports	43,767	—	—	43,767
Telecommunications	39,126	4,553	—	43,679
Services				
Financial intermediation	3,510,636	52,163	476,771	4,039,570
Consulting, scientific and technical activities	111,525	131	—	111,656
Administrative and support services activities	24,216	6,149	—	30,365
Public sector	10,645	—	408	11,053
Other services	—	26	—	26
Other international activities	—	1	—	1
	3,880,658	63,422	477,179	4,421,259
Government and Public securities	7,316,794	—	—	7,316,794
	11,197,452	63,422	477,179	11,738,053

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)

	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

The analysis of trading derivatives, by maturity, as at 31 December 2023, is as follows:

(Thousands of euros)

	2023					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 37)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	885,425	602,395	4,038,102	5,525,922	56,115	49,956
Interest rate options (purchase)	13,750	32,876	295,120	341,746	2,824	–
Interest rate options (sale)	13,750	32,876	295,121	341,747	–	2,779
	912,925	668,147	4,628,343	6,209,415	58,939	52,735
Stock Exchange transactions:						
Interest rate futures	–	–	28,351	28,351	–	–
	–	–	28,351	28,351	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	246,896	109,064	6,591	362,551	3,855	9,235
Currency swaps	1,386,897	437,757	7,327	1,831,981	16,822	26,780
Other currency contracts	107,251	–	–	107,251	–	–
	1,741,044	546,821	13,918	2,301,783	20,677	36,015
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	815,184	1,572,063	228,377	2,615,624	5,004	19,865
Shares/indexes options (purchase)	117,574	482,355	199,637	799,566	95,945	–
Shares/indexes options (sale)	779,957	17,699	1,910	799,566	–	97,923
	1,712,715	2,072,117	429,924	4,214,756	100,949	117,788
Stock exchange transactions:						
Shares futures	–	–	891,352	891,352	–	–
	–	–	891,352	891,352	–	–
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	358,107	358,107	233,381	223
	–	–	358,107	358,107	233,381	223
Total derivatives traded in:						
OTC Market	4,366,684	3,287,085	5,430,292	13,084,061	413,946	206,761
of which: Embedded derivatives	–	–	771,103	771,103	–	95,357
Stock Exchange	–	–	919,704	919,704	–	–
	4,366,684	3,287,085	6,349,996	14,003,765	413,946	206,761

The analysis of trading derivatives, by maturity, as at 31 December 2022, is as follows:

(Thousands of euros)

	2022 (restated)					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 37)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	79,053	233,349	3,425,079	3,737,481	53,994	119,637
Interest rate options (purchase)	–	133,738	88,199	221,937	6,668	–
Interest rate options (sale)	–	133,738	88,200	221,938	–	6,555
	79,053	500,825	3,601,478	4,181,356	60,662	126,192
Stock Exchange transactions:						
Interest rate futures	–	–	66,888	66,888	–	–
	–	–	66,888	66,888	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	222,128	253,830	9,349	485,307	6,013	9,418
Currency swaps	1,580,200	198,362	8,256	1,786,818	14,081	23,245
	1,802,328	452,192	17,605	2,272,125	20,094	32,663
Currency and interest rate swaps:						
OTC Market:						
Currency and interest rate swaps:	100,177	–	–	100,177	432	90
	100,177	–	–	100,177	432	90
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	–	523,118	459,431	982,549	–	27,193
Shares/indexes options (sale)	–	–	597,213	597,213	–	53,487
	–	523,118	1,056,644	1,579,762	–	80,680
Stock exchange transactions:						
Shares futures	–	–	835,835	835,835	–	–
Shares/indexes options (purchase)	–	59,735	533,092	592,827	53,707	–
Shares/indexes options (sale)	–	4,636	11,945	16,581	–	859
	–	64,371	1,380,872	1,445,243	53,707	859
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	2,000	–	395,831	397,831	241,349	–
Other credit derivatives (sale)	–	–	4,351	4,351	–	–
	2,000	–	400,182	402,182	241,349	–
Total derivatives traded in:						
OTC Market	1,983,558	1,476,135	5,075,909	8,535,602	322,537	239,625
of which: Embedded derivatives	2,000	–	576,242	–	–	53,495
Stock Exchange	–	64,371	1,447,760	1,512,131	53,707	859
	1,983,558	1,540,506	6,523,669	10,047,733	376,244	240,484

25. Hedging derivatives

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

(Thousands of euros)

	2023		2022 (restated)	
	Assets	Liabilities	Assets	Liabilities
Swaps	40,628	67,825	59,703	178,000

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 5,590,000 (31 December 2022: negative amount of Euros 17,355,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a positive amount of Euros 517,000 (31 December 2022: negative amount of Euros 1,571,000).

Reclassifications of amounts recorded in results for fair reserves were carried out related to cash flow hedge relationships, in a negative amount of Euros 45,947,000 (31 December 2022: positive amount of Euros 54,861,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 54.

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2023, is as follows:

(Thousands of euros)

	2023					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	7,750	508,735	10,965,729	11,482,214	34,716	8,441
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	140,291	208,173	—	348,464	2,279	6,272
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	499,574	1,600,000	8,159,354	10,258,928	164	14,965
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	354,009	19,885	80,374	454,268	3,469	38,147
Total derivatives traded by						
OTC Market	1,001,624	2,336,793	19,205,457	22,543,874	40,628	67,825

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2022, is as follows:

(Thousands of euros)

	2022 (restated)					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	293,467	377,114	11,291,464	11,962,045	27,696	7,031
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	98,439	332,818	—	431,257	2,999	18,432
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	240,409	278,751	14,039,978	14,559,138	—	110,562
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	153,720	685,365	434,578	1,273,663	29,008	41,975
Total derivatives traded by						
OTC Market	786,035	1,674,048	25,766,020	28,226,103	59,703	178,000

26. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Portuguese credit institutions	51,793	49,228
Foreign credit institutions	128,467	170,045
Other Portuguese companies	179,312	131,477
Other foreign companies	43,042	30,432
	402,614	381,182
Impairment	(46,355)	(66,263)
	356,259	314,919

The balance Investments in associated companies, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	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.	114,767	—	114,767
Banco Millennium Atlântico, S.A.	75,430	(28,344)	47,086
Banque BCP, S.A.S.	53,037	—	53,037
SIBS, S.G.P.S, S.A.	64,545	—	64,545
Fidelidade Moçambique - Companhia de Seguros S.A.	12,942	—	12,942
Unicre - Instituição Financeira de Crédito, S.A.	51,793	—	51,793
Webspectator Corporation	18,011	(18,011)	—
Millennium Financial Services Sp. z o.o.	12,089	—	12,089
	402,614	(46,355)	356,259

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)

	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 60, 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)

	2023	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 year (note 13)	—	1,435
Impairment write-off (Banco Millennium Atlântico, S.A.)	—	(16,787)
Exchange rate differences	(19,908)	(1,653)
Balance at the end of the year	46,355	66,263

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Banco Millennium Atlântico, S.A., is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Ownership held by BCP on equity of the associated company as at 1 January	70,928	60,203
Application of IAS 29 for the year:		
Net non-monetary assets of the BMA		
Effect of exchange rate variations (note 43)	(3,417)	1,282
Amortization of the effect of IAS 29 application calculated as at 31 December 2018 (note 15)	(268)	(423)
Goodwill of the merger operation of the BMA		
Effect of exchange rate variations (note 43)	(8,223)	2,810
Transfers from Other provisions (note 39)	—	(5,000)
Impairment of investments in associated companies	—	(1,436)
Appropriation of the net income of the associated companies (note 15)	2,977	2,431
Appropriation of the net income of previous years (note 15)	—	(2,924)
Other comprehensive income attributable to BCP	3,182	99
Exchange differences		
Effect on BMA's equity	(27,994)	8,814
Goodwill associated with investment in BMA	(10,007)	3,419
Impairment of investments in associated companies (note 43)	19,908	1,653
Investment held at the end of the year	47,086	70,928

The following table presents the financial statements of Banco Millennium Atlântico, S.A, prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)

	2023	2022 (restated)
Net profit for the year	13,097	10,693
Comprehensive income	13,996	435
Total comprehensive income attributable to Shareholders of the associated company	27,093	11,128
Application of IAS 29 (*)	(1,180)	(1,861)
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	25,913	9,267
Attributable to the BCP Group	5,891	2,107
Balance sheet		
Financial assets	1,979,566	2,562,438
Non-financial assets	245,431	347,632
Financial liabilities	(2,000,669)	(2,579,341)
Non-financial liabilities	(27,475)	(37,836)
Attributable to Shareholders of the associated companies	196,853	292,893
Application of IAS 29 (*)	20,764	36,974
Attributable to Shareholders of the associated companies adjusted to BCP GAAP	217,617	329,867
Attributable to the BCP Group	49,474	74,994
Goodwill of the merge	25,956	44,186
Impairment of investments in associated companies	(28,344)	(48,252)
Attributable to the BCP Group adjusted of consolidation items	47,086	70,928

(*) The impact of the IAS 29 adoption was calculated from the date of the merger (April 2016).

The amounts presented do not include adjustments arising from the application of IAS 29. Based on the requirements of IAS 29, Angola was considered a hyperinflationary economy until 31 December 2018, for the purpose of presenting the consolidated financial statements, as described in accounting policy 1 B6. This classification ceased to be applied on 1 January 2019.

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Appropriation of equity of the associate on 1 January (before restatement)	59,766	261,446
Transition to IFRS 9 and IFRS 17 (note 59):		
1 January 2022	(89,858)	(89,858)
Other comprehensive income for the year 2022	116,152	—
Other reserves for the year 2022	19	—
Net income for the year 2022	(10,111)	—
Appropriation of equity of the associate on 1 January (restated)	75,968	171,588
Appropriation of net income for the year of associate:		
Before the restatement	—	39,811
Transition to IFRS 9 and IFRS 17 (note 59)	—	(10,111)
Appropriation of net income for the year of associates (note 15)	40,422	29,700
Other comprehensive income attributable to BCP:		
Before the restatement	—	(109,240)
Transition to IFRS 9 and IFRS 17 (note 59)	—	116,152
Other comprehensive income attributable to BCP	(1,565)	6,912
Dividends received	—	(132,251)
Other changes (Transition to IFRS 9 and IFRS 17) (note 59)	—	19
Other changes	(58)	—
Investment held at the end of the year	114,767	75,968

The following table presents the financial statements of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of euros)

	2023	2022 (restated)
Net profit for the year	82,494	60,612
Comprehensive income	(3,194)	14,106
Total comprehensive income attributable to Shareholders of the associated company	79,300	74,718
Attributable to the BCP Group (49%)	38,857	36,612
Balance sheet		
Financial assets	7,813,872	8,176,426
Non-financial assets	482,087	673,510
Financial liabilities	(3,632,700)	(8,362,729)
Non-financial liabilities	(4,165,573)	(68,754)
Total equity	497,686	418,453
Attributable to non-controlling interests	10,980	10,929
Attributable to Shareholders of the associated companies	486,706	407,524
Adjustments of intra-group transactions (*)	378,415	378,415
Attributable to Shareholders of the associated company adjusted to BCP GAAP	865,121	785,939
Attributable to the BCP Group	423,909	385,110
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)
Attributable to the BCP Group adjusted of consolidation items	114,767	75,968

(*) Adjustment related to the cancellation in the BCP Group consolidated accounts of the VOBA recorded by Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A., at the time of the initial registration of this investment. VOBA 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 cancelled in the consolidated accounts of Millenniumbcp Ageas having no impact on the Group 's consolidated accounts as it is not recognised in the investment.

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 IFRS 9 - Financial Instruments and IFRS 17 - Insurance Contracts. It opted for the possibility given to Insurance Companies to defer the application of IFRS 9, since the combined implementation with IFRS 17 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.

The initial application of IFRS 17 and IFRS 9 requires comparative information. Therefore, Millenniumbcp Ageas Grupo Segurador made the transition exercise on 1 January 2022 and the impacts resulting from its implementation are detailed in note 59. Application of IFRS 17 – Insurance Contracts and IFRS 9 - Financial Instruments by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

27. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2023			2022 (restated)		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	87,735	(39,327)	48,408	326,577	(90,699)	235,878
Assets belong to investments funds and real estate companies	19,854	(6,149)	13,705	266,544	(46,497)	220,047
Assets for own use (closed branches)	3,472	(1,671)	1,801	20,556	(6,626)	13,930
Equipment and other	5,006	(696)	4,310	22,117	(5,743)	16,374
Other assets (*)	16,446	(4,353)	12,093	12,806	—	12,806
	132,513	(52,196)	80,317	648,600	(149,565)	499,035

(*) includes Shares, Price Deposit and Property Adjudication Proposals

In 2023, a set of assets with a balance sheet value of Euros 264.127.000 (of which Euros 237,816,000 in Assets arising from recovered loans) and respective impairment of Euros 51,802,000 (of which Euros 50,856,000 in Assets arising from recovered loans), were transferred to "Other assets" (note 32) following the analysis of the requirements provided in IFRS 5.

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. Additional information on these assets is presented in note 54.

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.

As at 31 December 2023, this balance includes properties for which the Group has already entered sales contracts in the gross amount of Euros 54,014,000 (31 December 2022: Euros 97,975,000). The impairment associated with these contracts amounts to Euros 24,127,000 (31 December 2022: Euros 11,296,000), and it was calculated considering the value of the respective contracts. With reference to 31 December 2022, from the total of the entered sales contracts Euros 70,169,000 were related to properties held by investment funds and for which was recorded impairment in the amount of Euros 6,059,000.

The changes occurred in Impairment of non-current assets held for sale are analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Balance on 1 January	149,565	190,714
Transfer to other assets	(51,802)	—
Other transfers	(21,143)	—
Charge for the year (note 13)	12,899	78,318
Reversals for the year (note 13)	(1,656)	(1,116)
Amounts charged-off	(35,249)	(119,073)
Exchange rate differences	(418)	722
Balance at the end of the year	52,196	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.

The rents received related to these assets amounted to Euros 851,000 (31 December 2022: Euros 681,000).

The changes occurred in this balance are analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Balance on 1 January	15,217	2,870
Transfers from / (to) non-current assets held for sale	—	12,532
Revaluations	94	(185)
Disposals	23,789	—
Balance at the end of the year	39,100	15,217

29. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Real estate	669,847	670,000
Equipment		
Computer equipment	346,220	334,864
Security equipment	67,587	67,687
Interior installations	151,649	149,986
Machinery	49,712	47,283
Furniture	84,154	84,516
Motor vehicles	35,839	32,529
Other equipment	31,842	28,224
Right of use		
Real estate	390,625	366,363
Vehicles and equipment	—	431
Work in progress	20,563	21,279
Other tangible assets	36	39
	1,848,074	1,803,201
Accumulated depreciation		
Relative to the current year (note 9)	(98,282)	(98,916)
Relative to the previous years	(1,143,345)	(1,129,588)
	(1,241,627)	(1,228,504)
	606,447	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 Other tangible assets during 2023 are analysed as follows:

(Thousands of euros)

	2023					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	670,000	3,552	(13,520)	6,778	3,037	669,847
Equipment:						
Computer equipment	334,864	13,297	(10,799)	7,318	1,540	346,220
Security equipment	67,687	459	(548)	183	(194)	67,587
Interior installations	149,986	916	(1,691)	2,944	(506)	151,649
Machinery	47,283	115	(605)	1,388	1,531	49,712
Furniture	84,516	494	(1,467)	803	(192)	84,154
Motor vehicles	32,529	7,649	(5,407)	561	507	35,839
Other equipment	28,224	22	(859)	2,436	2,019	31,842
Right of use						
Real estate	366,363	138,697	(122,744)	—	8,309	390,625
Vehicles and equipment	431	—	(444)	—	13	—
Work in progress	21,279	23,188	(571)	(24,351)	1,018	20,563
Other tangible assets	39	—	—	—	(3)	36
	1,803,201	188,389	(158,655)	(1,940)	17,079	1,848,074
Accumulated depreciation						
Real estate	(406,065)	(14,324)	12,459	779	(3,304)	(410,455)
Equipment:						
Computer equipment	(286,978)	(17,738)	10,729	141	(625)	(294,471)
Security equipment	(63,350)	(958)	537	27	145	(63,599)
Interior installations	(133,154)	(3,167)	1,582	37	322	(134,380)
Machinery	(39,524)	(1,649)	517	(199)	(1,160)	(42,015)
Furniture	(79,007)	(2,540)	1,428	148	149	(79,822)
Motor vehicles	(18,457)	(5,054)	4,594	(37)	(234)	(19,188)
Other equipment	(22,660)	(1,662)	806	(21)	(1,564)	(25,101)
Right of use						
Real estate	(178,839)	(51,190)	61,845	(1)	(4,375)	(172,560)
Vehicles and equipment	(431)	—	444	—	(13)	—
Other tangible assets	(39)	—	—	—	3	(36)
	(1,228,504)	(98,282)	94,941	874	(10,656)	(1,241,627)
	574,697	90,107	(63,714)	(1,066)	6,423	606,447

The changes occurred in 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)

	2023	2022 (restated)
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	110,640	102,655
Euro Bank, S.A. (Poland)	44,231	41,038
Others	10,172	10,182
	165,043	153,875
Impairment		
Bank Millennium, S.A. (Poland)	(110,640)	(102,655)
Others	(9,880)	(9,880)
	(120,520)	(112,535)
	44,523	41,340
Intangible assets		
Software	309,776	277,205
Other intangible assets	80,598	73,607
	390,374	350,812
Accumulated amortisation		
Charge for the year (note 9)	(39,217)	(40,334)
Charge for the previous years	(172,575)	(169,131)
	(211,792)	(209,465)
	178,582	141,347
	223,105	182,687

According to the accounting policy described in note 1 B, the recoverable amount of the Goodwill is annually assessed in the second half of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2022, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each cash generating unit;

(ii) an expectation of potential changes in the amounts and timing of cash flows;

(iii) the time value of money;

(iv) a risk premium associated with the uncertainty by holding the asset; and

(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

In 2023, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill. In the case of Bank Millennium S.A. (Poland), in which case factors were identified during 2022 that showed a deterioration in the value of this financial participation, which led to a total impairment of the goodwill then associated with the acquisition by the BCP Group of the percentage of control over Bank Millennium S.A. (Poland) in the amount of Euros 102.3 million in the first half of 2022.

The changes occurred in Goodwill and intangible assets, during 2023, are analysed as follows:

(Thousands of euros)

	2023					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	153,875	—	—	—	11,168	165,043
Impairment for goodwill	(112,535)	—	—	—	(7,985)	(120,520)
	41,340	—	—	—	3,183	44,523
Intangible assets						
Software	277,205	75,177	(47,120)	(2,396)	6,910	309,776
Other intangible assets	73,607	14	(1,154)	2,403	5,728	80,598
	350,812	75,191	(48,274)	7	12,638	390,374
Accumulated depreciation						
Software	(146,799)	(33,928)	45,427	217	(3,425)	(138,508)
Other intangible assets	(62,666)	(5,289)	—	(216)	(5,113)	(73,284)
	(209,465)	(39,217)	45,427	1	(8,538)	(211,792)
	141,347	35,974	(2,847)	8	4,100	178,582
	182,687	35,974	(2,847)	8	7,283	223,105

The changes occurred in 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

Income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	2023			2022 (restated)		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	862,261	–	862,261	982,465	–	982,465
Employee benefits	732,273	–	732,273	835,619	–	835,619
	1,594,534	–	1,594,534	1,818,084	–	1,818,084
Deferred taxes depending on the future profits						
Impairment losses (b)	419,544	–	419,544	438,430	(50,303)	388,127
Tax losses carried forward	167,995	–	167,995	188,693	–	188,693
Employee benefits	103,938	(141,506)	(37,568)	50,770	(136,019)	(85,249)
Financial assets at fair value through other comprehensive income	500,202	(82,879)	417,323	729,416	(134,154)	595,262
Derivatives	–	(7,750)	(7,750)	–	(5,482)	(5,482)
Intangible assets	968	–	968	1,143	–	1,143
Other tangible assets	9,401	(3,268)	6,133	8,693	(3,380)	5,313
Others	92,615	(108,258)	(15,643)	111,336	(89,949)	21,387
	1,294,663	(343,661)	951,002	1,528,481	(419,287)	1,109,194
Total deferred taxes	2,889,197	(343,661)	2,545,536	3,346,565	(419,287)	2,927,278
Offset between deferred tax assets and deferred tax liabilities	(334,866)	334,866	–	(407,579)	407,579	–
Net deferred taxes	2,554,331	(8,795)	2,545,536	2,938,986	(11,708)	2,927,278
Current taxes (c)	20,469	(197,085)	–	17,945	(23,680)	–

(a) Special Regime applicable to deferred tax assets.
(b) The amounts as at 31 December 2023 and 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.
(c) The amounts of current taxes assets and liabilities refer exclusively to income taxes levied on the various BCP Group companies.

As at 31 December 2023, the balance deferred tax assets amounts to Euros 2,554,331,000, of which Euros 2,439,081,000 are related to the Bank's activity. The deferred taxes assets relating to the individual activity include a net amount of Euros 397,020,000 resulting from losses on cash flow hedging derivatives operations of interest rate risk recognized in other comprehensive income, whose average maturity of operations is 2.5 years and Euros 447,528,000 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 260,047,000 (net value) related to impairment losses; and

- Euros 157,450,000 resulting from tax losses carried forward from 2016 and 2020.

Special regime applicable to deferred tax assets

The Extraordinary General Meetings of Banco Comercial Português and Activobank which took place on 15 October 2014 and 5 November 2014 approved the accession of these banks 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 1,387,878,000 (31 December 2022: Euros 1,599,199,000), of which Euros 848,120,000 relate to impairment losses on credits (31 December 2022: Euros 967,679,000) and Euros 539,758,000 relate to post-employment or long-term employee benefits (31 December 2022: Euros 631,520,000).

- 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. As neither Banco Comercial Português nor Banco ActivoBank recorded negative net results in the years 2015 to 2022, there was no conversion of deferred taxes assets into tax credits, under the terms provided for in the Special Regime.

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:

	2023	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 and 2022.

The average deferred tax rate associated with temporary differences of Banco Comercial Português, S.A. is 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.

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 tax assets is based on the projected results for the period from 2024 to 2030, as longer projection periods have higher underlying factors of uncertainty. The projected pre-tax results for the years 2024, 2025 and 2026 are consistent with the budget approved by the Bank's Board of Directors in November 2023, which incorporates the priorities stemming from the 2021-2024 Strategic Plan, in a framework where the financial targets set therein for 2024 have been achieved or exceeded in 2023, adjusted for the impact of a new issue of additional Tier 1 securities in the amount of Euros 400 million, with an option for early repayment from the end of the 5th year and with an annual interest rate of 8.125%. In the earnings projection for the years 2027, 2028, 2029 and 2030, a standard nominal growth rate of 2% was considered.

The projections incorporate the impact of the stabilization of interest rates at a lower level than the current one, preserving profitability levels in line with those targets and reflecting the commercial positioning and the desired capture of efficiency gains, enshrined in the 2021-2024 Strategic Plan approved by the governing bodies, highlighting:

- after reflecting the impacts of the normalization of interest rates, the net interest income benefits from the recovery of volumes in deposits and loans to customers, where the Bank continues to privilege priority segments associated with the relationship and knowledge of its customers and transactionality;

- increase in commission income based on an efficient and judicious management of commissions and price lists;

- cost of risk still showing improvement, although gradually less significant, as this indicator converges to levels in line with the Bank's current activity, with a lower impact on the historical portfolios of NPEs, foreclosed assets and FRE (Corporate Restructuring Funds), after the reduction of these exposures achieved over the last years;

- Preservation of high levels of efficiency based on continued cost discipline and increased use of technology.

To estimate taxable net income for the periods of 2024 to 2030, 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 2024-2025 submitted to the supervisory authority in March 2023, and also on the basis of the average percentage of reversal observed in the last years from 2016 to 2023;

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 2023. 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 2023, 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 31 December 2023 and 31 December 2022 are adequate under the IAS 12 requirements.

In accordance with these assessments, the amount of unrecognised deferred tax related to temporary differences and to tax losses is as follows:

(Thousands of euros)

	2023	2022 (restated)
Temporary differences	40,976	54,015
Tax losses carried forward		
2014	161,906	161,895
2015	2	2
2016	282,498	286,419
2017	2,773	3,530
2018	118,295	118,295
2019 (*)	24,192	24,265
2020 (*)	15,213	5,704
2021	193,878	193,829
2022	19,469	16,707
2023	2,402	—
Total	820,628	810,646

(*) Following the publication of the Circular n. 3/2024 issued by the Portuguese Tax Authorities on the Corporate Income tax treatment of leased assets under IFRS 16, the DTA related to 2019 and 2020 tax losses should increase by Euros 4,886 thousands and Euros 4,616 thousands, respectively.

The amount of unrecognized deferred taxes relating to tax losses per expiry year is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
2024	206	278
2025	13,623	77
2026	129	2,447
2027	12,051	12,797
2028	2,293	—
No expiry date	792,326	795,047
Total	820,628	810,646

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	2023		
	Net income for the year	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(120,204)	—	—
Employee benefits	(89,567)	(13,779)	—
	(209,771)	(13,779)	—
Deferred taxes depending on the future profits			
Impairment losses	(27,671)	(1,978)	10,763
Tax losses carried forward (a)	(21,822)	500	624
Employee benefits	(56,994)	103,856	819
Financial assets at fair value through other comprehensive income	—	(195,343)	17,404
Derivatives	—	—	(2,268)
Intangible assets	(253)	—	78
Other tangible assets	851	—	(31)
Others	(41,854)	(164)	(17,576)
	(147,743)	(93,129)	9,813
	(357,514)	(106,908)	9,813
Current taxes			
Current year	(179,519)	387	—
Correction of previous years	(338)	—	—
	(179,857)	387	—
	(537,371)	(106,521)	9,813

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	2022 (restated)		
	Net income for the year	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(712)	—	—
	(712)	—	—
Deferred taxes depending on the future profits			
Impairment losses	(160,953)	—	(2,542)
Tax losses carried forward (a)	2,785	(2,236)	669
Employee benefits	(6,199)	(126,957)	(449)
Financial assets at fair value through other comprehensive income	—	575,491	(1,271)
Derivatives	—	—	(559)
Intangible assets	(463)	—	(33)
Other tangible assets	503	—	12
Others	(29,649)	6,803	1,755
	(193,976)	453,101	(2,418)
	(194,688)	453,101	(2,418)
Current taxes			
Current year	(110,551)	(18)	—
Correction of previous years	919	—	—
	(109,632)	(18)	—
	(304,320)	453,083	(2,418)

(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)

	2023	2022 (restated)
Net income before income taxes	1,487,832	418,347
Current tax rate (%)	31.5%	31.5%
Expected tax	(468,667)	(131,779)
Non-deductible impairment and provisions (a)	(139,548)	(145,811)
Mandatory contributions to the banking sector (b)	(16,760)	(25,502)
Results of companies accounted by the equity method	20,253	18,472
Interests on other equity instruments (c)	11,655	11,655
Effect of the tax rate difference (d)	54,764	(8,508)
Effect of recognition/derecognition net of deferred taxes (e)	7,071	(24,252)
Non-deductible costs and other corrections	(6,731)	2,013
Correction of previous years	1,353	660
Autonomous tax	(761)	(1,268)
Total	(537,371)	(304,320)
Effective rate (%)	36.1%	72.7%

(a) In 2023 includes the negative amount of Euros 113,706,000 (2022: negative Euros 85,896,000) 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 27,858,000 (2022: negative Euros 23,695,000) 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, S.A. In 2022 includes the negative amount of Euros 32,227,000 regarding the goodwill impairment associated to this subsidiary. On 6 December 2023, the Supreme Administrative Court issued a judgment on the Bank Millennium's complaint against the tax ruling of the Director of the National Tax Information Service on the rules for recognizing the effects in CIT of cancellations of mortgage loans indexed to foreign currencies and foreign currency loans (in particular in CHF) adjudicated by common courts. According to the ruling, Bank Millennium should recognise the tax consequences not by recognising the resulting losses as tax-deductible costs, but by adjusting the revenues from the above-mentioned loans and advances (FX gains, interest, commissions and fees) previously taxed with CIT, taking into account the rules of limitation of tax liabilities. Until the above judgment was issued, Bank Millennium prudently did not recognize losses due to cancellations for CIT and deferred tax purposes and is currently in the process of analysing and preparing a methodology and process both in order to make appropriate adjustments to CIT liabilities due to cancellations in previous years, as well as to recognize the relevant asset in deferred tax relating in a fair manner to the probable cancellations of the above-mentioned loans and advances in the future. Indeed, there are doubts as to the detailed rules for the adjustment of revenues, which may change the final amounts of the adjustments.
(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 18,947,000 (2022: Euros 21,668,000) related with the effect of the taxation of 20% tax on interests of Mozambique's public debt securities and the amount of Euros 36,140,000 (2022: negative Euros 19,507,000) 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 14,788,000 (2022: negative Euros 20,981,000) related to the non-recognition/derecognition of deferred tax assets of tax losses.

Directive (EU) 2022/2523 of the Council, of 15 December 2022 – Minimum level of taxation of 15% per jurisdiction

Under Pillar 2 of the Base Erosion and Profit Shifting 2.0 ("BEPS 2.0") project of the Organisation for Economic Co-operation and Development ("OECD"), enshrined in Council Directive (EU) 2022/2523 of 15 December 2022, multinationals enterprises and large national groups with consolidated annual revenues of more than EUR 750 million in at least two of the last four financial years, will become subject, as of the 2024 financial year, to a minimum level of taxation of 15% in each of the jurisdiction they operate.

Neither Portugal nor Poland ensured the transposition of this new regime into their respective domestic legislation by 31 December 2023, under the terms determined by the Directive mentioned above, and it is expected that the Pillar 2 legislation will be enacted in the course of 2024.

The regime in question may determine the payment of a top-up tax when a minimum level of taxation of 15% is not observed, on a jurisdictional basis.

Considering the consolidated annual income earned in recent years, the Group should meet the eligibility criterion for the application of the Pillar 2 legislation.

According to the analysis carried out on the potential future impacts of this regime, the Group estimates that it will meet, in the jurisdictions in which it operates, namely in Portugal, Poland and Mozambique, the necessary requirements for the application of "transitional safe harbours", thus being excluded, between 2024-2026, from the obligation to calculate any tup-up tax.

32. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Deposit account applications	57,866	51,371
Capital supplies	173,175	178,725
Obligations with post-employment benefits	390,258	593,494
Debtors for futures and options transactions	118,472	191,290
Real estate and other assets arising from recovered loans (a)	338,486	—
Debtors		
Residents		
Receivables from real estate, transfers of assets and other securities	87,816	111,693
Prosecution cases / agreements with the Bank	11,163	12,163
SIBS	3,579	3,521
Others	21,779	66,744
Non-residents	50,992	30,584
Amounts due for collection	81,614	80,024
Interest and other amounts receivable	80,094	69,613
Amounts receivable on trading activity	10,736	3,234
Amounts due from customers	76,047	51,229
Artistic patrimony	28,796	28,796
Prepaid expenses	25,505	23,654
Subsidies receivables	8,347	10,764
Other recoverable tax	8,112	9,082
Gold and other precious metals	3,562	3,640
Capital supplementary contributions	165	165
Associated companies	116	145
Sundry assets	371,836	254,276
	1,948,516	1,774,207
Impairment for other assets	(321,832)	(191,752)
	1,626,684	1,582,455

(a) assets transferred from Non-current assets held for sale

As at 31 December 2023, the balance Deposit account applications includes the amount of Euros 30,638,000 (31 December 2022: Euros 25,506,000) relating to the collateral constituted in compliance with the assumption of irrevocable payment commitments to Single Resolution Fund, as referred in note 6.

As referred in note 47, as at 31 December 2023, the balance Capital supplies includes the amount of Euros 165,837,000 (31 December 2022: Euros 171,397,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

The balance Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is registered in the income statement.

The detail of the item Real estate and other assets arising from recovered loans is analysed as follows:

(Thousands of euros)

	2023		
	Gross value	Impairment	Net value
Real estate			
Assets arising from recovered loans	138,165	(45,829)	92,336
Assets belong to investments funds and real estate companies	173,443	(84,904)	88,539
Assets for own use (closed branches)	13,537	(5,432)	8,105
Equipment	92	(81)	11
Other assets (*)	13,249	(594)	12,655
	338,486	(136,840)	201,646

(*) includes Shares, Price Deposit and Property Adjudication Proposals

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)

	2023	2022 (restated)
Balance on 1 January	191,752	260,199
Transfers resulting from changes in the Group's structure	—	(1,038)
Other transfers	(513)	908
Charge for the year (note 13)	17,673	17,699
Reversals for the year (note 13)	(7,150)	(7,047)
Amounts charged-off	(17,232)	(78,835)
Exchange rate differences	462	(134)
Balance at the end of the year	184,992	191,752

The changes occurred in impairment for Real Estate and other assets arising from recovered loans, are analysed as follow:

(Thousands of euros)

	2023	2022 (restated)
Balance on 1 January	—	—
Transfer of Non-current assets held for sale (note 27)	51,802	—
Other transfers	52,488	—
Charge for the year (note 13)	34,706	—
Reversals for the year (note 13)	(98)	—
Amounts charged-off	(1,953)	—
Exchange rate differences	(105)	—
Balance at the end of the year	136,840	—

33. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2023			2022 (restated)		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	—	—	—	—	592,740	592,740
Central Banks abroad	—	110,776	110,776	—	14,736	14,736
	—	110,776	110,776	—	607,476	607,476
Resources from credit institutions in Portugal						
Sight deposits	63,128	—	63,128	92,493	—	92,493
Term Deposits	—	79,198	79,198	—	151,244	151,244
	63,128	79,198	142,326	92,493	151,244	243,737
Resources from credit institutions abroad						
Repayable on demand	88,864	—	88,864	74,890	—	74,890
Term deposits	—	127,224	127,224	—	152,385	152,385
Loans obtained	—	264,635	264,635	—	293,387	293,387
CIRS and IRS operations collateralised by deposits (*)	88,633	—	88,633	92,299	—	92,299
Other resources	—	6,668	6,668	—	4,186	4,186
	177,497	398,527	576,024	167,189	449,958	617,147
	240,625	588,501	829,126	259,682	1,208,678	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 – Bank 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 IFRS 9. 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.

This balance is analysed, by remaining period, as follows:

(Thousands of euros)

	2023	2022 (restated)
Up to 3 months	516,776	499,654
3 to 6 months	18,467	53,095
6 to 12 months	293,883	34,278
1 to 5 periods	—	881,333
	829,126	1,468,360

34. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2023			2022 (restated)		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	44,526,917	522,014	45,048,931	48,490,531	182,647	48,673,178
Term deposits	—	25,106,121	25,106,121	—	19,742,066	19,742,066
Saving accounts	—	4,487,509	4,487,509	—	6,315,477	6,315,477
Cheques and orders to pay	630,497	—	630,497	564,369	—	564,369
Other	—	60,000	60,000	—	60,005	60,005
	45,157,414	30,175,644	75,333,058	49,054,900	26,300,195	75,355,095
Corrections to the liabilities value subject to hedging operations			103,654			(1,846)
Deferred costs/ (income)			(621)			(716)
Interests to pay			170,722			77,610
			75,606,813			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.

This balance is analysed, by remaining period until the next operation renewal date, as follows:

(Thousands of euros)

	2023	2022 (restated)
Deposits repayable on demand	45,049,544	48,673,569
Term deposits and saving accounts		
Up to 3 months	15,054,319	14,069,453
3 to 6 months	8,776,363	7,034,909
6 to 12 months	5,341,384	3,921,351
1 to 5 years	693,602	1,106,125
	29,865,668	26,131,838
Cheques and orders to pay		
Up to 3 months	630,497	564,369
	630,497	564,369
Other		
Up to 3 months	1,104	367
Over 5 years	60,000	60,000
	61,104	60,367
	75,606,813	75,430,143

35. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Bonds	232,866	53,799
Medium term notes (MTN)	2,347,610	1,347,967
Securitisations	121,933	142,062
	2,702,409	1,543,828
Corrections to the liabilities value subject to hedging operations	(22,873)	(66,860)
Deferred cost s/ (gains)	(11,142)	(12,523)
Interests to pay	44,288	17,641
	2,712,682	1,482,086

The characteristics of the bonds issued by the Group, as at 31 December 2023 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
Bcp 6NC5 Senior Preferred EUR 500MN NG - MTN 856	February, 2021	February, 2027	Fixed rate 1.125% year until Feb-26 /after Euribor 3M + Variable rate 1.55%	500,000	509,986
Bcp 1.75% Eur 500M 6.5Nc5.5 Social Senior Preferred Notes - Mtn 857	October, 2021	April, 2028	Fixed rate 1.75% year until Apr-27/after + Euribor 3M + 2%	500,000	466,298
BCP2022 MTN 859 BCP Senior Preferred Notes OCT 2025	October, 2022	October, 2025	Fixed rate 8.5% until October 2024; after 5.547% + Euribor 3M	350,000	353,061
BCP2023 MTN 861 BCP Senior Preferred Notes OCT 2026	October, 2023	October, 2026	Fixed rate 5.625% until October 2025; after 1.90% + Euribor 3M	500,000	505,554
BCP Fin.Bank - EUR 10 M (*)	March, 2004	March, 2024	Fixed rate 5.01%	300	311
Magellan Mortgages n.º 3:					
Mbs Magellan Mortgages S 3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.26%	120,348	112,165
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.38%	621	579
Mbs Magellan Mortgages S. 3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.58%	964	900
Bank Millennium:					
Bank Millennium - BMCN_012040	December, 2022	January, 2040	Wibor 3m 7.05%+1.39% = 19.57%	55,828	57,863
Millennium Leasing CLN 23-38	July, 2023	October, 2038	Wibor 3m 6.85%+11.75% = 18.6%	64,461	66,739
Bank Millennium - MILP-2027/09	September, 2023	September, 2027	Fixed rate 9.875%	499,945	525,473
Bank Millennium - BMCN_082036	December, 2023	August, 2036	Wibor 3m 5,85%+12,30% = 18,15%	112,577	113,753
					2,712,682

(*) In the last quarter of 2023, the issuer was replaced by Banco Comercial Português

This balance as at 31 December 2023 is analysed by the remaining period, as follows:

(Thousands of euros)

	2023					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	–	–	–	–	238,355	238,355
Medium term notes (MTNs)	–	311	–	2,360,372	–	2,360,683
Securitisations	–	–	–	–	113,644	113,644
	–	311	–	2,360,372	351,999	2,712,682

This balance as at 31 December 2022 is analysed by the remaining period, as follows:

(Thousands of euros)

	2022 (restated)					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds	2,008	–	–	–	52,066	54,074
Medium term notes (MTNs)	–	–	–	852,706	443,148	1,295,854
Securitisations	–	–	–	–	132,158	132,158
	2,008	–	–	852,706	627,372	1,482,086

36. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Bonds		
Non-Perpetual	1,402,278	1,376,856
Corrections to the liabilities value subject to hedging operations (note 54)	(41,831)	(72,040)
Deferred costs / (income)	(1,956)	(2,436)
Interests to pay	38,934	30,676
	1,397,425	1,333,056

As at 31 December 2023, the subordinated debt issues are analysed as follows:

(Thousands of euros)

	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	166,666	130,915
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	443,394	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	285,050	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	141,969	133,700
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	8.12%	161,153	162,013	51,556
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	8.94%	191,081	198,289	61,131
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,397,425	1,127,302

(*) 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)

	2022 (restated)					
Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	166,300	164,044	164,175
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	428,740	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	274,350	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	130,932	133,700
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	9.7%	149,521	150,475	98,956
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	9.6%	177,290	184,471	117,334
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,333,056	1,264,165

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

References - Interest rate:

(i) up to the 5th year fixed rate 4.5%; 6th year and following: mid-swap rate in force at the beginning of this period + 4.267%;

(ii) Annual interest rate of 3.871% during the first 5.5 years (corresponding to a spread of 4.231% over the 5.5-year mid-swap rate, for the remaining 5 years will be applied over the mid-swap rate in force at the beginning of that period).

(iii) Interest rate of 4%, per annum, during the first 5 years and 6 months (corresponding to a spread of 4.065% over the average of the mid-swap rates of 5 and 6 years). At the end of the first 5 years and 6 months the interest rate will be reset to maturity based on the 5-year mid swaps rate prevailing at that time plus the Spread.

(iv) Fixed annual interest rate of 8.75% during the first 5.25 years. The annual interest rate from year 5.25 onwards was set at the 5-year mid-swap rate plus a 6.051%.

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2023	2022 (restated)
1 to 5 years	328,679	314,519
Over 5 years	1,068,746	1,018,537
	1,397,425	1,333,056

37. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Short selling securities	626	1,022
Trading derivatives (note 24)		
Swaps	96,824	170,165
of which: Embedded derivatives	—	8
Options	100,702	60,901
of which: Embedded derivatives	95,357	53,487
Forwards	9,235	9,418
	206,761	240,484
	207,387	241,506
Level 2	108,767	186,130
Level 3	98,620	55,376

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49. The balance Financial liabilities held for trading includes, as at 31 December 2023, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 C5. in the amount of Euros 95,357,000 (31 December 2022: Euros 53,495,000). This note should be analysed together with note 24.

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

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Deposits from customers (*)	2,321,000	476,671
Certificates	989,703	850,681
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	297,784	490,326
	3,608,487	1,817,678

(*) Deposits from customers whose remuneration is indexed to a set of shares and/or indices.

As at 31 December 2023, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Banco Comercial Português:					
Bcp Cabaz 3 Ações Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to portfolio of 3 shares	71,904	71,170
Bcp Tit Div Mill Cabaz 3 Ações 8Abr24 Smtn Sr 35	April, 2019	April, 2024	Indexed to portfolio of 3 shares	64,634	63,405
Bcp Tit Div Millennium Cabaz 5 Ac 26Julho2024 Smtn 42	July, 2019	July, 2024	Indexed to portfolio of 5 shares	75,600	73,026
Bcp Tit Divida Millennium Cabaz 5 Acoes 6Dez24 Smtn 44	December, 2019	December, 2024	Indexed to portfolio of 5 shares	94,602	90,183
					297,784

As at 31 December 2023, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

	2023					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	749,199	277,406	1,059,861	234,534	—	2,321,000
Certificates	—	—	—	32,088	957,615	989,703
Debt securities at fair value through profit and loss						
MTN	71,170	63,405	163,209	—	—	297,784
	820,369	340,811	1,223,070	266,622	957,615	3,608,487

As at 31 December 2022, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2022 (restated)					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers			315,692	160,979		476,671
Certificates	—	—	—	—	850,681	850,681
Debt securities at fair value through profit and loss						
MTN	—	80,858	116,899	292,569	—	490,326
	—	80,858	432,591	453,548	850,681	1,817,678

39. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Provision for guarantees and other commitments	121,574	110,754
Other provisions for liabilities and charges	631,529	451,032
	753,103	561,786

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

(Thousands of euros)

	2023	2022 (restated)
Balance on 1 January	110,754	110,649
Transfers	(1,990)	(708)
Charge for the year (note 14)	40,602	27,864
Reversals for the year (note 14)	(28,372)	(26,939)
Exchange rate differences	580	(112)
Balance at the end of the year	121,574	110,754

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

(Thousands of euros)

	2023	2022 (restated)
Balance on 1 January	451,032	348,095
Transfers	(24,858)	(5,504)
Charge of the year for restructuring costs	–	4,414
Charge for the year (note 14)	785,928	569,226
Reversals for the year (note 14)	(4,000)	(1,854)
Amounts charged-off	(42,138)	(116,874)
Allocation to loan's portfolio (note 22)	(583,027)	(344,052)
Exchange rate differences	48,592	(2,419)
Balance at the end of the year	631,529	451,032

The balance Other provisions for liabilities and charges - Charge for the year refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 57, which, in 2023, amounted to Euros 675,252,000 (2022: Euros 430,843,000).

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for lawsuits, frauds and tax contingencies. As at 31 December 2023, the provisions constituted to cover tax contingencies totalled Euros 54,384,000 (31 December 2022: Euros 38,311,000).

At the end of December 2022, the balance of Other provisions for liabilities and charges was reinforced in the amount of Euros 4,414,000, referring to agreements already concluded with some employees whose effective departures will occur during the first half of 2023. By 31 December 2023, the Bank has written-off the amount of Euros 3,113,000, relating to compensations for termination of functions (note 7).

Additionally, there are provisions for liabilities and charges recorded for corporate restructuring funds and carved-out assets of the Project Crow, completed in December 2022.

Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

In 2021, Bank Millennium changed the accounting policy regarding the recognition of provisions for future claims related to active CHF mortgage loans in the balance sheet. As a result of changes in market conditions, such as the growing number of unfavourable court judgments declaring the entire agreement or certain provisions of these credits to be invalid, the Bank does not expect that all contractual cash flows related to these loans will be recovered. As a result, Bank Millennium allocates provisions for future claims and recognizes them as a reduction of the gross carrying amount of loans for which a decrease in future cash flows is expected, in accordance with paragraph B5.4.6 of IFRS 9 "Financial Instruments" (previously provisions for future claims used to be recognized in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"). As a result of the above change, the approach applied in accordance with IAS 37 will be continued only regarding claims relating to already repaid (or almost fully repaid) receivables not recognised in Bank Millennium's balance sheet.

As at 31 December 2023, the Loans and advances to customers portfolio in CHF has a gross amount of Euros 2,218,947,000 (31 December 2022: Euros 2,477,851,000).

As at 31 December 2023, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 1,812,231,000 (PLN 7,871,789,000), of which Euros 1,500,209,000 (PLN 6,516,460,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 22) and Euros 312,022,000 (PLN 1,355,329,000) 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)

	2023	2022 (restated)
Interests and other amounts payable	169,842	163,843
Operations to be settled - foreign, transfers and deposits	249,509	212,208
Credit insurance received and to accrued	49,181	62,740
Holidays, subsidies and other remuneration payable	58,018	55,132
Transactions on securities to be settled	3,855	4,514
Public sector	51,675	43,628
Creditors		
Rents to pay	215,714	185,163
Deposit account and other applications	157,102	89,386
Suppliers	57,652	35,649
From factoring operations	47,987	41,618
For futures and options transactions	11,121	73,394
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	10,561	10,819
Associated companies	26	21
Other creditors		
Residents	35,660	66,158
Non-residents	96,525	70,590
Deferred income	10,424	10,155
Other administrative costs payable	7,809	4,763
Other liabilities	458,891	262,192
	1,691,552	1,391,973

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 6,620,000 (31 December 2022: Euros 6,777,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

The balance Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

The Group has several operating leases for properties, being registered in the item Rents to pay the amount of lease liabilities recognised under IFRS 16, as described in the accounting policy 1 H. The analysis of this balance, by maturity, is as follows:

(Thousands of euros)

	2023	2022 (restated)
Until 1 year	20,728	20,402
1 to 5 years	84,482	137,949
Over 5 years	146,725	33,485
	251,935	191,836
Accrued costs recognised in Net interest income	(36,221)	(6,673)
	215,714	185,163

41. Share capital, Share premium and Other equity instruments

As at 31 December 2023, the Bank's share capital amounts to Euros 3,000,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

As at 31 December 2023, the Share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 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.

As at 31 December 2023, the shareholders who hold, individually or jointly, 5% or more of the Bank's capital, are the following:

Shareholder	number of shares	% share capital	% voting rights
Chiado (Luxembourg) S.à.r.l. (Fosun Group)	3,927,436,381	25.99%	25.99%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	2,946,353,914	19.49%	19.49%
Total Qualified Shareholdings	6,873,790,295	45.48%	45.48%

Chiado (Luxembourg) S.à.r.l. announced on 23 January 2024, that it held on to that date, 3,027,936,381 BCP shares, corresponding to 20.03% of the respective share capital and voting rights.

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 31 December 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)

	2023	2022 (restated)
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 24)		
Debt instruments (*)	(75,326)	(228,425)
Equity instruments	(3,747)	(25,846)
Of associated companies and other changes	1,931	7,838
Cash-flow hedge	(1,274,684)	(1,744,727)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(2,596)	182
	(1,354,422)	(1,990,978)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	20,266	58,780
Equity instruments	1,403	1,550
Cash-flow hedge	398,207	540,755
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	814	(57)
	420,690	601,028
	(933,732)	(1,389,950)
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(35,347)	(92,629)
BIM - Banco Internacional de Moçambique, S.A.	(152,108)	(139,373)
Banco Millennium Atlântico, S.A.	(180,187)	(143,989)
Others	2,031	2,073
	(365,611)	(373,918)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	50,584	42,316
Others	(3,965)	(3,965)
	46,619	38,351
Other reserves and retained earnings	2,975,899	2,997,779
	1,723,175	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.

During 2023, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2023					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December
Financial assets at fair value through other comprehensive income (note 24)						
Debt instruments						
Debt securities - Portuguese public issuers	(89,985)	140,683	(104,087)	306	10,438	(42,645)
Others	(138,440)	154,972	(51,078)	1,016	849	(32,681)
	(228,425)	295,655	(155,165)	1,322	11,287	(75,326)
Equity instruments	(25,846)	12,505	–	–	9,594	(3,747)
Associated companies and other changes						
Millenniumbcp Ageas	(3,725)	(1,533)	–	–	(1,350)	(6,608)
Other associates and other changes	11,563	2,699	–	–	(5,723)	8,539
	7,838	1,166	–	–	(7,073)	1,931
	(246,433)	309,326	(155,165)	1,322	13,808	(77,142)

During 2022 the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2022 (restated)					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December
Financial assets at fair value through other comprehensive income (note 24)						
Debt instruments						
Debt securities - Portuguese public issuers	41,380	(293,433)	146,264	(2,406)	18,210	(89,985)
Others	(32,684)	(183,482)	85,052	(2,617)	(4,709)	(138,440)
	8,696	(476,915)	231,316	(5,023)	13,501	(228,425)
Equity instruments	(30,242)	(3,183)	–	–	7,579	(25,846)
Associated companies and other changes						
Millenniumbcp Ageas	(24,485)	6,522	–	–	14,238	(3,725)
Other associates and other changes	9,640	1,923	–	–	–	11,563
	(14,845)	8,445	–	–	14,238	7,838
	(36,391)	(471,653)	231,316	(5,023)	35,318	(246,433)

The item Disposals refers to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Fair value changes		
Debt instruments	(27,718)	(98,139)
Equity instruments	2,924	2,380
Cash-flow hedge	(6,226)	(43,281)
Other	4	7
	(31,016)	(139,033)
Deferred taxes		
Debt instruments	5,362	18,531
Equity instruments	(600)	(467)
Cash-flow hedge	1,183	8,223
	5,945	26,287
	(25,071)	(112,746)
Exchange differences arising on consolidation	(136,624)	(187,306)
Actuarial losses (net of taxes)	897	1,742
Other reserves and retained earnings	1,148,225	1,080,424
	987,427	782,114

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	2023	2022 (restated)	2023	2022 (restated)
Bank Millennium Group	792,061	585,618	63,284	(108,125)
BIM - Banco Internacional de Moçambique Group	178,500	174,041	33,865	35,323
Other subsidiaries	16,866	22,455	(5,590)	(5,020)
	987,427	782,114	91,559	(77,822)

The following table presents a summary of financial information for the main subsidiaries included in this balance, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousands of euros)

	Bank Millennium Group		BIM - Banco International de Moçambique Group	
	2023	2022 (restated)	2023	2022 (restated)
Net income for the year	126,821	(216,683)	105,099	106,030
Correction of net income from previous years	—	—	(3,447)	—
Adjusted net income	126,821	(216,683)	101,652	106,030
Net income for the year attributable to the shareholders	63,537	(108,558)	67,787	70,707
Net income for the year attributable to non-controlling interests	63,284	(108,125)	33,865	35,323
Other comprehensive income attributable to the shareholders	143,760	(34,929)	(11,355)	23,390
Other comprehensive income attributable to non-controlling interests	143,186	(34,790)	(5,673)	11,685
Total comprehensive income	413,767	(286,402)	84,624	141,105
Balance sheet				
Financial assets	28,184,289	23,055,876	2,495,727	2,606,994
Non-financial assets	752,625	641,571	215,447	217,416
Financial liabilities	(26,121,981)	(21,684,366)	(2,096,244)	(2,235,210)
Non-financial liabilities	(1,227,601)	(839,464)	(80,310)	(68,008)
Equity	1,587,332	1,173,617	534,620	521,192
Equity attributed to the shareholders	795,271	587,999	356,514	347,559
Equity attributed to the non-controlling interests	792,061	585,618	178,106	173,633
Cash flows arising from:				
operating activities	3,337,195	2,134,937	101,745	104,089
investing activities	(2,828,892)	260,370	(18,862)	(12,141)
financing activities	474,329	(75,834)	(71,516)	(191,515)
Increase / (decrease) in cash and equivalents	982,632	2,319,473	11,367	(99,567)
Dividends paid during the year:				
attributed to the shareholders	—	—	47,478	119,244
attributed to the non-controlling interests	—	—	23,719	59,572
	—	—	71,197	178,816

45. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Guarantees granted		
Guarantees	3,893,124	4,144,220
Stand-by letter of credit	75,018	57,084
Open documentary credits	238,962	258,591
Bails and indemnities	135,256	135,718
	4,342,360	4,595,613
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	2,051	1,621
Irrevocable credit lines	5,279,307	4,880,858
Securities subscription	22,145	41,285
Other irrevocable commitments	157,711	153,982
Revocable commitments		
Revocable credit lines	6,013,393	5,834,056
Bank overdraft facilities	890,579	998,886
Other revocable commitments	181,380	128,025
	12,546,566	12,038,713
Guarantees received	28,126,885	29,552,693
Commitments from third parties	12,352,650	13,453,876
Securities and other items held for safekeeping	85,357,406	75,348,414
Securities and other items held under custody by the Securities Depository Authority	87,167,519	82,314,713
Other off balance sheet accounts	146,614,201	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 balance Irrevocable commitments - Other irrevocable commitments includes the amount of Euros 30,638,000 (31 December 2022: Euros 25,506,000) relating to the collateral constituted in compliance with the assumption of irrevocable payment commitments to Single Resolution Fund, as referred in note 6.

This balance also includes the amount of Euros 95.190.000 (31 December 2022: Euros 95.190.000) corresponding to irrevocable commitments for cumulative payments assumed with the Deposit Guarantee Fund, as referred in note 6.

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.

The balance of Guarantees granted, Irrevocable credit lines and revocable commitments portfolio detailed by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Stage 1		
Gross amount	14,934,354	14,303,231
Impairment	(12,880)	(11,307)
	14,921,474	14,291,924
Stage 2		
Gross amount	1,433,605	1,768,595
Impairment	(14,686)	(14,893)
	1,418,919	1,753,702
Stage 3		
Gross amount	339,060	365,612
Impairment	(94,008)	(84,554)
	245,052	281,058
	16,585,445	16,326,684

46. Assets under management and custody

Asset management activity is governed by the framework established in Decree-Law No. 27/2023, of April 28, and by the Portuguese Securities Code as well. The aforementioned framework determines, namely, the obligations to which fund management companies and depositaries are subject to. The total value of funds managed by the Group companies is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Banco Comercial Português, S.A. (*)	3,738,751	3,618,326
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	611,913	689,142
Millennium TFI S.A.	1,210,447	806,162
	5,561,111	5,113,630

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The assets under management and custody are analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Assets under deposit	78,388,104	70,104,626
Wealth management (*)	3,738,751	3,618,326
Investment funds	1,822,360	1,495,304
	83,949,215	75,218,256

(*) Corresponds to the assets portfolio that are currently monitored and controlled by the business area as being managed by the Bank.

47. 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 2023 and 2022, no credits were sold to corporate restructuring funds.

The amounts accumulated as at 31 December 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 (a)	84,112	82,566	83,212	646
Fundo Recuperação FCR (a)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (b)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (b)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (c)	113,665	113,653	109,599	(4,054)
	885,066	716,159	695,900	(20,259)

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

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 31 December 2023, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2023		
	Senior securities	Junior securities	
	Investment fund units (note 24)	Capital supplies (note 32)	Total
Fundo Recuperação FCR			
Gross value	166,637	74,631	241,268
Impairment and other fair value adjustments	(138,607)	(74,631)	(213,238)
	28,030	–	28,030
Fundo Aquarius FCR			
Gross value	105,498	–	105,498
Impairment and other fair value adjustments	(7,379)	–	(7,379)
	98,119	–	98,119
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	46,233	91,206	137,439
Impairment and other fair value adjustments	(10,091)	(91,206)	(101,297)
	36,142	–	36,142
Total Gross value	476,084	165,837	641,921
Total impairment and other fair value adjustments	(151,509)	(165,837)	(317,346)
	324,575	–	324,575

As at 31 December 2023, the book value of these assets is accounted for in item Financial assets not held for trading mandatorily at fair value through profit or loss and considers the Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

The following aspects should also be mentioned: (i) these are Funds whose latest Limited Audit Reports available with reference to 30 June 2023, and Audit Reports available with reference to 31 December 2022, do not include reserves; (ii) the funds are subject to supervision by the competent authorities.

As at 31 31 December 2022, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2022 (restated)		
	Senior securities	Junior securities	
	Investment fund 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 is accounted for in item Financial assets not held for trading mandatorily at fair value through profit or loss and considers the Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

The following aspects should also be mentioned: (i) these are Funds whose latest Limited Audit Reports available with reference to 30 June 2022 and Audit Reports available with reference to 31 December 2022 and 2021, do not include reserves; (ii) the funds are subject to supervision by the competent authorities.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2023			2022 (restated)		
Corporate restructuring funds	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Reestruturação Empresarial FCR	–	–	–	51,212	46,486	4,726
Fundo Recuperação FCR	171,846	166,637	5,209	186,602	169,033	17,569
Fundo Aquarius FCR	118,350	105,497	12,853	134,205	119,631	14,574
Discovery Real Estate Fund	158,991	158,991	–	158,991	158,991	–
Fundo Vega FCR	45,439	43,492	1,947	48,150	45,870	2,280
	494,626	474,617	20,009	579,160	540,011	39,149

In 31 December 2023 and 2022, there are additional subscription commitments for the fund Discovery, in the amount of Euros 1,107,000.

Additionally, are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment, in relation to entities controlled by these funds:

(Thousands of euros)

Items	2023	2022 (restated)
Loans and advances to customers	35,978	248,439
Guarantees granted and irrevocable credit lines	24,018	74,834
Gross exposure	59,996	323,273
Impairment	(6,176)	(15,183)
Net exposure	53,820	308,090

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)

	2023	2022 (restated)
Financial assets not held for trading mandatorily at fair value through profit or loss (note 24)		
Fundo Turismo Algarve, FCR	40,758	50,426
Lusofundo - Fundo de Investimento Imobiliário Fechado	18,780	26,429
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	8,467	12,091
	68,005	88,946
Non-current assets held for sale (note 27)		
Imoserit, S.A.*	—	17,919
Other assets (note 32)		
Imoserit, S.A.*	14,805	—
	82,810	106,865

* previous FLITPTREL Tires, S.A.

As referred in note 39, there are provisions for liabilities and charges recorded for corporate restructuring funds and carved-out assets of the Project Crow, completed in December 2022.

48. Relevant events occurred during 2023

Banco Comercial Português, S.A. informed about the upgrade of senior unsecured debt and deposits ratings by DBRS Morningstar

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

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

Banco Comercial Português, S.A. informed about conversion of its existing covered bonds programme into a covered bonds programme compliant with the Legal Regime of Covered Bonds

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

Accordingly, Banco Comercial Português, S.A. hereby informed that the covered bonds issues with the ISINs indicated below shall, as from the present date, be governed by the Legal Regime of Covered Bonds and by the terms of the adjusted programme.

ISINs:

(i) Euros 2.200.000.000 Floating Rate Covered Bonds due 2024 Series 5 (ISIN PTBIPGOE0061);

(ii) Euros 2.000.000.000 Floating Rate Covered Bonds due 2025 Series 6 (ISIN PTBCSFOE0024);

(iii) Euros 1.000.000.000 Floating Rate Covered Bonds due 2027 Series 7 (ISIN PTBCS3OE0028); and

(iv) Euros 4.000.000.000 Floating Rate Covered Bonds due 2026 Series 8 (ISIN PTBCQLOE0036).

Minimum prudential requirements

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

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

The ECB's decision prescribes the following minimum ratios as a percentage of total risk weighted assets (RWA) from 1 January, 2024:

	Minimum Capital Requirements			
		of which:		
BCP Consolidated	Capital requirements	Pilar 1	Pilar 2	*Buffers*
CET1	9.41%	4.50%	1.41%	3.50%
T1	11.38%	6.00%	1.88%	3.50%
Total	14.00%	8.00%	2.50%	3.50%

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

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

As at 17 November 2023, 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 Euros 400 million

As at 13 November 2023, 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.

Notice is further given 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.

Banco Comercial Português, S.A. informed about issue of senior preferred debt securities eligible for MREL

As at 25 September 2023, Banco Comercial Português, S.A. (“Bank”) informed 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.

Banco Comercial Português, S.A. informed about the upgrade to Investment Grade of senior debt ratings by Fitch Ratings

As at 21 September 2023, Banco Comercial Português, S.A. (“BCP” or “Bank”) informed 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. informed about the upgrade to Investment Grade of senior debt ratings by S&P Global

As at 12 September 2023, Banco Comercial Português, S.A. (“BCP” or “Bank”) informed 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.

Bank Millennium S.A. (Poland) informed about the conclusion of subscription of non-preferred senior notes issued under the EMTN Programme

The Bank Millennium S.A. Management Board informed 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.

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.

Banco Comercial Português, S.A. informed about 2023 EU-Wide Stress Test Results

As at 28 July, 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.

MREL requirements of Banco Comercial Português, S.A.

As at 12 July 2023, Banco Comercial Português, S.A. ("BCP" or the "Bank") informed 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.

Bank Millennium Minimum requirements for own funds and eligible liabilities (MREL)

Bank Millennium manages MREL requirements ratios in a manner analogous to capital adequacy ratios.

Bank Millennium received a joint decision from the resolution authorities in June 2023, obliging it to comply with MREL requirements. The decision sets updated minimum requirements that must be met by 31 December 2023 - at the levels of 18.89% (consolidated MREL-TREA) and 5.91% (consolidated MREL-TEM). Additionally, in relation to the above decisions, Bank Millennium should also meet the MREL requirement considering the Combined Buffer Requirement (currently 2.75%).

Taking into account the above, in September 2023, Bank Millennium successfully completed the subscription of senior non-preferred bonds with a total value of Euros 500 million under the Euro Medium Term Notes Issuance Program with a total nominal value of no more than Euros 3 billion.

MREL	31.12.2023	30.09.2023	30.06.2023	31.12.2022
MREL-TREA ratio (consolidated)	**23.77 %**	**22.05 %**	**14.93 %**	**14.77 %**
Minimum required level MREL-TREA	18.89 %	14.42 %	14.42 %	15.60 %
Surplus(+) / Deficit(-) of MREL-TREA (p.p.)	4.88 %	7.63 %	0.51 %	-0.83 %
Minimum required level including Combined Buffer Requirement (CBR)	21.64 %	17.17 %	17.17 %	18.35 %
Surplus(+) / Deficit(-) of MREL-TREA+CBR (p.p.)	2.13 %	4.88 %	-2.24 %	-3.58 %
MREL-TEM (consolidated)	**7.50%**	**7.72%**	**5.87%**	**6.04%**
Minimum required level of MREL-TEM	5.91 %	4.46 %	4.46 %	3.00 %
Surplus(+) / Deficit(-) of MREL-TEM (p.p.)	1.59 %	3.26 %	1.41 %	3.04 %

In terms of the MREL-TREA and MREL-TEM requirements, the Bank Millennium's Group presents a surplus compared to the minimum required levels as of 31 December 2023, and also meets the MREL-TREA Requirement after the inclusion of the Combined Buffer Requirement.

In addition, in December 2023, Bank Millennium received a letter from the Bank Guarantee Fund informing that due to the update of the P2R buffer by the PFSA, the target updated minimum required MREL-TREA ratio would be 18.03% MREL-TREA with a minimum subordination requirement, while the target MREL-TEM would be 5.91%, with a subordination requirement. The Fund will propose the above MREL-TEM levels as part of the joint decision process in the 2023/2024 planning cycle.

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) on financial operations 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.

49. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Group's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks, it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term.

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value (this class incorporates among other, factoring operations, current account credit, credit cards and overdrafts in demand deposits).

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment (Stage 3 loans), the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Group for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Group. This was calculated from the average production of the three most recent months compared to the reporting date.

As in the case of credits without defined maturity, also for the resources from customers without defined maturity (demand deposits) it is considered that given the potential short term of the same, possibility of their liquidation at any time, the book value of these liabilities is a reasonable estimate of their fair value.

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	2023	2022 (restated)	2023	2022 (restated)	2023	2022 (restated)	2023	2022 (restated)
EUR	4.31%	2.44%	4.76%	5.15%	4.28%	3.38%	4.32%	2.77%
AOA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.86%	3.76%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.43%	5.11%
CHF	n.a.	n.a.	3.57%	4.48%	n.a.	n.a.	2.10%	1.58%
CNY	n.a.	n.a.	2.95%	n.a.	n.a.	n.a.	2.66%	1.64%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.93%	2.77%
GBP	n.a.	n.a.	n.a.	n.a.	5.69%	4.07%	5.50%	4.18%
HKD	n.a.	n.a.	4.24%	4.73%	n.a.	n.a.	5.30%	3.89%
JPY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MOP	n.a.	n.a.	3.66%	4.17%	n.a.	n.a.	5.11%	4.89%
MZN	19.51%	19.51%	23.62%	22.59%	n.a.	n.a.	16.41%	15.99%
NOK	n.a.	n.a.	n.a.	6.19%	n.a.	n.a.	5.09%	3.64%
PLN	5.27%	7.27%	8.28%	10.01%	5.28%	7.39%	5.48%	7.00%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.37%	3.53%
TRY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	44.94%	n.a.
USD	5.78%	5.41%	6.34%	5.74%	5.85%	5.52%	5.03%	4.51%
ZAR	8.69%	8.61%	13.08%	13.05%	n.a.	n.a.	5.87%	5.45%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame. In this class of assets, the fair value corresponds to their book value.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt securities

These financial instruments are accounted at amortised cost net of impairment, as referred in the accounting policy described in note 1 C1.1.1. The fair value of this class of assets, is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate remunerated instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised. For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non-institutional customers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	2023		2022 (restated)	
	EUR	PLN	EUR	PLN
Placed in the institutional market				
Subordinated	4.98 %	0.00 %	9.33 %	0.00 %
Senior	0.04 %	0.00 %	0.19 %	0.00 %
Placed in retail				
Senior and collateralised	2.36 %	0.04 %	3.37 %	6.19 %

For non subordinated debt securities issued, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 118,547,000 (31 December 2022: a positive amount of Euros 72,745,000) and includes a payable amount of Euros 95,357,000 (31 December 2022: a payable amount of Euros 53,495,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading (note 24 and 37).

The following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	2023				2022 (restated)			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	3.93%	5.28%	5.20%	5.74%	2.00%	4.45%	3.55%	6.76%
7 days	3.93%	5.29%	5.22%	5.74%	2.00%	4.47%	3.58%	6.76%
1 month	3.96%	5.37%	5.25%	5.70%	2.04%	4.57%	3.67%	6.83%
2 months	3.98%	5.41%	5.29%	5.74%	2.13%	4.66%	3.80%	6.87%
3 months	3.97%	5.44%	5.32%	5.78%	2.25%	4.77%	3.91%	6.92%
6 months	3.86%	5.37%	5.34%	5.72%	2.73%	5.07%	4.32%	7.04%
9 months	3.75%	5.33%	5.29%	5.71%	3.11%	5.28%	4.65%	7.09%
1 year	3.45%	5.05%	5.25%	5.50%	3.26%	5.11%	4.87%	7.35%
2 years	2.81%	4.37%	4.28%	4.94%	3.39%	4.69%	4.69%	6.97%
3 years	2.56%	4.04%	3.94%	4.62%	3.31%	4.33%	4.56%	6.53%
5 years	2.43%	3.81%	3.63%	4.41%	3.23%	4.02%	4.33%	6.20%
7 years	2.44%	3.75%	3.53%	4.41%	3.19%	3.89%	4.14%	6.13%
10 years	2.50%	3.74%	3.54%	4.49%	3.21%	3.82%	3.99%	6.20%
15 years	2.56%	3.76%	3.63%	4.66%	3.14%	3.79%	3.91%	6.45%
20 years	2.51%	3.74%	3.66%	4.75%	2.93%	3.72%	3.84%	6.49%
30 years	2.33%	3.57%	3.61%	4.75%	2.54%	3.48%	3.70%	6.49%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2023:

(Thousands of euros)

	2023				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	—	—	4,545,526	4,545,526	4,545,526
Loans and advances to credit institutions repayable on demand	—	—	337,687	337,687	337,687
Financial assets at amortised cost					
Loans and advances to credit institutions	—	—	908,477	908,477	904,728
Loans and advances to customers (i)	—	—	53,305,159	53,305,159	52,389,825
Debt securities	—	—	17,579,136	17,579,136	17,260,082
Financial assets at fair value through profit or loss					
Financial assets held for trading	822,904	—	—	822,904	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	467,254	—	—	467,254	467,254
Financial assets designated at fair value through profit or loss	32,004	—	—	32,004	32,004
Financial assets at fair value through other comprehensive income	—	10,834,291	—	10,834,291	10,834,291
Hedging derivatives (ii)	40,628	—	—	40,628	40,628
	1,362,790	10,834,291	76,675,985	88,873,066	87,634,929
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	—	—	829,126	829,126	820,805
Resources from customers (i)	—	—	75,606,813	75,606,813	75,460,202
Non subordinated debt securities issued (i)	—	—	2,712,682	2,712,682	2,831,229
Subordinated debt (i)	—	—	1,397,425	1,397,425	1,456,002
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	207,387	—	—	207,387	207,387
Financial liabilities designated at fair value through profit or loss	3,608,487	—	—	3,608,487	3,608,487
Hedging derivatives (ii)	67,825	—	—	67,825	67,825
	3,883,699	—	80,546,046	84,429,745	84,451,937

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Bank includes in the Book value column of the heading Financial assets at amortized cost - Debt securities the variation in the fair value of the hedged element attributable to the hedged risk (risk of interest rate) for securities to which the Bank is applying fair value hedge accounting.

Until 31 December 2022, the Fair value column of the heading Financial assets at cost amortized - Debt securities corresponded to the fair value plus the variation in the fair value of the hedged element attributable to the hedged risk (interest rate risk) for the securities in which the Bank was applying fair value hedge accounting. Since 31 December 2022, the difference between the two columns presented (Book value and Fair value) corresponded to potential gains on debt securities recorded in accounting at amortized cost, not considering the effects of applying hedge accounting (alternatively compared to the initial acquisition cost). As of 30 June 2023, for these instruments, the Bank began to apply a strict definition of Fair value, no longer adding at fair value the change in the fair value of the hedged item attributable to the hedged risk. This way, as of that date, the differential between the two columns referred to above (Book value and Fair value) corresponds to potential gains on debt securities recorded in the accounting at amortized cost after considering the effects of applying hedge accounting. In order to ensure the consistency and comparability of the information disclosed, the information relating to 31 December 2022 was presented consistently with the applied with reference to 31 December 2023.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2022:

(Thousands of euros)

	2022 (restated)				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	6,022,001	6,022,001	6,022,001
Loans and advances to credit institutions repayable on demand	–	–	213,460	213,460	213,460
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	963,434	963,434	953,643
Loans and advances to customers (i)	–	–	54,675,793	54,675,793	53,436,993
Debt securities	–	–	13,035,582	13,035,582	12,248,074
Financial assets at fair value through profit or loss					
Financial assets held for trading	766,597	–	–	766,597	766,597
Financial assets not held for trading mandatorily at fair value through profit or loss	552,679	–	–	552,679	552,679
Financial assets at fair value through other comprehensive income	–	7,461,553	–	7,461,553	7,461,553
Hedging derivatives (ii)	59,703	–	–	59,703	59,703
	1,378,979	7,461,553	74,910,270	83,750,802	81,714,703
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	1,468,360	1,468,360	1,453,270
Resources from customers (i)	–	–	75,430,143	75,430,143	75,129,795
Non subordinated debt securities issued (i)	–	–	1,482,086	1,482,086	1,554,561
Subordinated debt (i)	–	–	1,333,056	1,333,056	1,305,013
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	241,506	–	–	241,506	241,506
Financial liabilities designated at fair value through profit or loss	1,817,678	–	–	1,817,678	1,817,678
Hedging derivatives (ii)	178,000	–	–	178,000	178,000
	2,237,184	–	79,713,645	81,950,829	81,679,823

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13. The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued based on the prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i. there is a firm daily enforceable quotation for the financial instruments concerned, or;

ii. there is a quotation available in market information systems that aggregate multiple prices of various stakeholders.

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i. failure to comply with the rules defined for level 1, or;

ii. they are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)). In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e., internal ratings, default probabilities determined by internal models, etc.) incorporated in the estimation of CVA/DVA is not significant in the overall value of the derivative. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i. - those measured using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;

ii. - those measured based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);

iii. - those measured taking as reference the NAV (Net Asset Value) disclosed by the management entities of securities/ real estate/other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements, and whose unobservable market data component incorporated in the estimation of the value adjustment.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2023:

(Thousands of euros)

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash and deposits at Central Banks	4,545,526	–	–	4,545,526
Loans and advances to credit institutions repayable on demand	337,687	–	–	337,687
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	904,728	904,728
Loans and advances to customers	–	–	52,389,825	52,389,825
Debt securities	13,626,971	935,239	2,697,872	17,260,082
Financial assets at fair value through profit or loss				
Financial assets held for trading	405,585	84,614	332,705	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	467,254	467,254
Financial assets designated at fair value through profit or loss	32,004	–	–	32,004
Financial assets at fair value through other comprehensive income	8,301,377	2,431,483	101,431	10,834,291
Hedging derivatives	–	40,628	–	40,628
	27,249,150	3,491,964	56,893,815	87,634,929
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	820,805	820,805
Resources from customers	–	–	75,460,202	75,460,202
Non subordinated debt securities issued	–	–	2,831,229	2,831,229
Subordinated debt	–	–	1,456,002	1,456,002
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	–	108,767	98,620	207,387
Financial liabilities designated at fair value through profit or loss	989,703	–	2,618,784	3,608,487
Hedging derivatives	–	67,825	–	67,825
	989,703	176,592	83,285,642	84,451,937

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2022:

(Thousands of euros)

	2022 (restated)			
	Level 1	**Level 2**	**Level 3**	**Total**
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	–	–	953,643	953,643
Loans and advances to customers	–	–	53,436,993	53,436,993
Debt securities	9,462,042	694,560	2,091,472	12,248,074
Financial assets at fair value through profit or loss				
Financial assets held for trading	389,954	81,347	295,296	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	6,489,282	862,566	109,705	7,461,553
Hedging derivatives	–	59,703	–	59,703
	22,576,739	1,698,176	57,439,788	81,714,703
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	1,453,270	1,453,270
Resources from customers	–	–	75,129,795	75,129,795
Non subordinated debt securities issued	–	–	1,554,561	1,554,561
Subordinated debt	–	–	1,305,013	1,305,013
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	–	186,130	55,376	241,506
Financial liabilities designated at fair value through profit or loss	850,681	–	966,997	1,817,678
Hedging derivatives	–	178,000	–	178,000
	850,681	364,130	80,465,012	81,679,823

For financial assets classified at level 3 recorded in the balance sheet at fair value, the changes occurred during 2023 is presented as follows:

(Thousands of euros)

	2023			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	295,296	552,679	109,705	54,354
Gains / (losses) recognised in profit or loss				
Results on financial operations	11,032	(5,722)	–	203
Net interest income	(31)	2,202	–	–
Purchases / (Sales, repayments or amortisations)	26,408	(86,915)	(14,487)	43,437
Gains / (losses) recognised in reserves	–	–	6,124	–
Exchange differences	–	5,010	(626)	–
Accruals of interest	–	–	715	–
Balance as at 31 December	332,705	467,254	101,431	97,994

(*) Do not include short sales in the amount of Euros 626,000 (note 37).

For financial assets classified at level 3 recorded in the balance sheet at fair value, the changes occurred during 2022 is presented as follows:

(Thousands of euros)

	2022 (restated)			
	Financial assets			
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Financial liabilities held for trading (*)
Balance as at 1 January	263,157	990,938	123,944	6,576
Gains / (losses) recognised in profit or loss				
Results on financial operations	(10,027)	(90,286)	–	47,221
Net interest income	–	6,109	–	–
Transfers between levels	(1,860)	–	–	(145)
Purchases / (Sales, repayments or amortisations)	44,028	(351,744)	(11,130)	702
Gains / (losses) recognised in reserves	–	–	(4,138)	–
Exchange differences	–	(2,338)	1,061	–
Accruals of interest	(2)	–	(32)	–
Balance as at 31 December	295,296	552,679	109,705	54,354

(*) Do not include short sales in the amount of Euros 1,022,000 (note 37).

50. Post-employment benefits and other long-term benefits

The Group assumed the liability to pay to their employees' pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 R.

The number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2023	2022 (restated)
Pensioners	17,121	17,111
Former Attendees Acquired Rights	3,452	3,495
Employees	6,345	6,370
	26,918	26,976

In accordance with the accounting policy described in note 1 R, the Group's retirement pension liabilities and other benefits and the respective coverage, based on the Projected Unit Credit method are analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Actual amount of the past services		
Pensioners	2,318,761	2,126,809
Former attendees acquired rights	183,252	161,387
Employees	577,562	502,428
	3,079,575	2,790,624
Pension fund value	(3,469,833)	(3,384,118)
Net (assets) / liabilities in balance sheet (note 32)	(390,258)	(593,494)
Accumulated actuarial deviations and changing assumptions effect recognised in Other comprehensive income	3,375,415	3,152,535

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 31 December 2023 amounts to Euros 195,420,000 (31 December 2022: Euros 197,486,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

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 that subscribed the Group's Collective Labour Agreements, for the review of the Salary Tables and remaining pecuniary clauses relating to the year 2023, having been agreed on 9 and 17 October with all the Unions subscribing to the Group's Collective Labour Agreements, the update of the Salary Tables in 2023 with differentiated increases by contractual level between 4.00% and 7.80%. An increase of 4.50% was agreed for the Bank's Contributions to SAMS and other pecuniary clauses, such as study subsidies, diuturnities, among others, and an increase of 21.43% was agreed for the lunch subsidy, whose daily value increased to Euros 12.75. The agreed updates took effect on 1 January 2023, with the exception of remuneration related to subsistence and travel allowances, which were updated after the agreed updates were operationalized.

Regarding the unions SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários e SIB – Sindicato Independente da Banca, an agreement was also reached regarding the revision of the Salary Tables and other pecuniary clauses relating to the year 2022, as already agreed in 2022 with the remaining unions.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Balance as at 1 January	2,790,624	3,497,622
Service cost	(9,616)	(11,727)
Interest cost / (income)	111,658	67,059
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	42,609	58,590
Related to changes in assumptions	279,783	(693,673)
Payments	(149,634)	(136,338)
Early retirement programmes and terminations by mutual agreement	7,043	2,223
Contributions of employees	7,108	6,868
Balance at the end of the year	3,079,575	2,790,624

The pensions paid by the Fund, including the Additional Complement, amounts to Euros 149,634,000 (31 December 2022: Euros 136,338,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 258,840,000 (31 December 2022: Euros 241,345,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability amounts to Euros 33,765,000 (31 December 2022: Euros 39,093,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;

ii) pensions and complementary pensions to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

During 2023 and 2022, the changes occurred in the plan's assets value is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Balance as at 1 January	3,384,118	3,699,988
Employees' contributions	7,108	6,868
Actuarial gains / (losses)	99,512	(259,394)
Payments	(149,634)	(136,338)
Expected return on plan assets	128,720	72,988
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	9	6
Balance at the end of the year	3,469,833	3,384,118

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of euros)

	2023			2022 (restated)		
Asset class	**Assets with market price in active market**	**Remaining**	**Total Portfolio**	**Assets with market price in active market**	**Remaining**	**Total Portfolio**
Shares	330,370	1,262	331,632	96,817	1,183	98,000
Bonds and other fixed income securities	1,995,531	–	1,995,531	1,120,132	–	1,120,132
Participations units in investment funds	–	497,830	497,830	–	969,232	969,232
Participation units in real estate funds	–	298,969	298,969	–	308,404	308,404
Properties	–	264,968	264,968	–	275,493	275,493
Loans and advances to credit institutions and others	–	80,903	80,903	–	612,857	612,857
	2,325,901	1,143,932	3,469,833	1,216,949	2,167,169	3,384,118

The balance Properties includes buildings booked in the Fund's financial statements and used by the Group's companies which amounts to Euros 227,346,000 (31 December 2022: Euros 238,202,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Shares	–	4,301
Bonds and other fixed income securities	1,812	2,805
Loans and advances to credit institutions and others	48,438	128,476
	50,250	135,582

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Balance as at 1 January	(593,494)	(202,366)
Recognised in the income statement:		
Service cost	(9,616)	(11,727)
Interest cost / (income) net of the balance liabilities coverage	(17,062)	(5,929)
Cost with early retirement programs	7,043	2,223
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(9)	(6)
	(19,644)	(15,439)
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(99,512)	259,394
Difference between expected and effective obligations	42,609	58,590
Arising from changes in actuarial assumptions	279,783	(693,673)
	222,880	(375,689)
Balance at the end of the year	(390,258)	(593,494)

The estimate of contributions to be made in 2024, by the employees, for the Defined Benefit Plan amount to Euros 7,130,000.

In accordance with IAS 19, the Group accounted for (income)/costs with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Current service cost	(9,616)	(11,727)
Net interest cost /(income) in the liability coverage balance	(17,062)	(5,929)
Cost with early retirement programs	7,043	2,223
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(9)	(6)
(Income) / Cost of the year	(19,644)	(15,439)

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life 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".

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

Assumptions used in the liability's assessment

Considering the market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2023	2022 (restated)
Salary growth rate (c)	2,65% in 2024; 1,9% in 2025 and 1,15% in the following years	3,75% in 2023; 2,25% in 2024 and 1% in the following years
Pension's growth rate (c)	2,25% in 2024; 1,5% in 2025 and 0,75% in the following years	3,0% in 2023; 2,0% in 2024 and 0.75% in the following years
Discount rate / Projected Fund's rate of return	3.53%	4.17%
Mortality tables		
Men	TV 88/90 less a year	TV 88/90 less a year
Women (a)	TV 99/01 less 2 years	TV 99/01 less 2 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 4 months	66 years and 7 months
Total salary growth rate for Social Security purposes	1.75 %	1.75 %
Revaluation rate of wages / pensions of Social Security	1 %	1 %

a) The mortality table considered for women corresponds to TV 99/01 adjusted in less than 2 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age.

   In 2022 the retirement age was 66 years and 7 months. For 2023 and 2024, the normal retirement age in the RGSS is 66 years and 4 months. The reduction in the retirement age was due to the evolution of the average life expectancy at 65 years in Portugal. For the projection of life expectancy's increment, it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

c) This rate refers to the growth for the years following the reporting year.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19, and are determined based on the references of the entities under common control. No disability decreases are considered in the calculation of the liabilities.

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). With reference to 31 December 2023, the Group used a discount rate of 3.53% (31 December 2022: 4.17%).

The Actuarial gains are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2023		2022 (restated)	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		42,609		58,590
Changes on the assumptions:				
Discount rate		225,566		(1,108,506)
Salary and pensions growth rate		54,217		279,108
Mortality tables		–		63,571
Other changes		–		72,154
Deviation between expected income and income from funds	7.07%	(99,512)	(5.07)%	259,394
		222,880		(375,689)

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2023		2022 (restated)	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	99,220	(92,532)	87,938	(82,095)
Pension's increase rate	(104,068)	108,563	(98,276)	102,703
Salary growth rate	(25,075)	29,118	(20,620)	23,675

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2023		2022 (restated)	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	100,138	(100,538)	83,017	(83,816)

(*) The impact of 1 year reduction in the mortality table implies an increase in the average life expectancy

Defined contribution plan

According to what is described in accounting policy 1 R3, in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group for employees who have been admitted until 1 July 2009, it was accounted for a cost in 2023 of Euros 2,061,000 (2022: cost of 2,026,000) as an estimated contribution given that the Group estimates that the following requirements will be met, cumulatively: (i) the previous year BCP'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.

For employees who have been admitted after 1 July 2009, are made monthly contributions 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. The Group accounted for staff costs in 2023 the amount of Euros 384,000 (2022: Euros 307,000) related to this contribution.

51. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 60 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties, people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, namely under Article no. 109 of the General Law for Credit Institutions and Financial Companies and also in accordance with Article no. 33 of Notice 3/2020 of the Bank of Portugal, are considered related parties as well, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 41.

A) Balances and transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Assets		
Financial assets at amortised cost		
Loans and advances to customers	110,527	97,744
Debt securities	52,548	79,787
	163,075	177,531
Liabilities		
Resources from customers	48,099	96,159
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	2,138	4,287
	50,237	100,446

The values of Financial assets at amortized cost are net of impairment in the amount of Euros 1,481,000 (31 December 2022: Euros 914,000) for Loans and advances to customers and for Debt securities the amount of Euros 237,000 (31 December 2022: Euros 257,000).

The transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)

	2023	2022 (restated)
Income		
Interest and similar income	13,280	5,989
Commissions	476	752
	13,756	6,741
Costs		
Interest and similar expenses	179	—
Commissions	76	82
	255	82

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2023	2022 (restated)
Guarantees granted	3,536	2,273
Revocable credit lines	5,622	18,171
	9,158	20,444

The Group has accounted for provisions for guarantees granted the amount of Euros 8,000 (31 December 2022: Euros 3,000) and provisions for revocable credit lines the amount of Euros 141,000 (31 December 2022: Euros 229,000).

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	2023	2022 (restated)	2023	2022 (restated)
Board of Directors				
Non-executive directors	8	10	8,900	8,180
Executive Committee (*)	27	46	2,918	2,716
Closely related people	19	14	2,651	2,629
Controlled entities	—	—	24	24
Key management members				
Key management members	5,416	6,575	10,934	10,180
Closely related people	1,948	2,475	4,433	4,497
Controlled entities	705	928	3,276	2,613
	8,123	10,048	33,136	30,839

(*) The item Loans to Customers corresponds to mortgage loans granted prior to the respective election and to the amount used from private credit cards which must be settled on the maturity date.

In accordance with Article 85, no. 9 of RGICSF, no credits were granted during 2023 and 2022.

The transactions with related parties discriminated in the following table, included in income items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions income	
	2023	2022 (restated)	2023	2022 (restated)
Board of Directors				
Non-executive directors	–	–	27	29
Executive Committee	1	–	23	10
Closely related people	–	–	9	9
Key management members				
Key management members	174	41	62	62
Closely related people	88	22	39	43
Controlled entities	63	17	31	19
	326	80	191	172

The transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions' expense	
	2023	2022 (restated)	2023	2022 (restated)
Board of Directors				
Non-executive directors	128	19	–	–
Executive Committee (*)	26	–	–	1
Closely related people	33	9	–	–
Key management members				
Key management members	101	6	1	4
Closely related people	20	2	1	2
Controlled entities	21	–	2	2
	329	36	4	9

The revocable credit lines granted by the Group to the following related parties are as follows:

	Guarantees granted		Revocable credit lines	
	2023	2022 (restated)	2023	2022 (restated)
Board of Directors				
Non-executive directors	–	–	143	113
Executive Committee (*)	–	–	160	140
Closely related people	–	–	63	43
Key management members				
Key management members	5	5	844	825
Closely related people	–	–	180	164
Controlled entities	–	–	622	525
	5	5	2,012	1,810

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

The shareholder and bondholder position of members of the Board of Directors, Key management members and people closely related to the previous categories, as well as the movements occurred during 2023, are as follows:

		Number of securities					
Shareholders/Bondholders	Security	2023	2022 (restated)	Acquisitions	Disposals	Date	Unit price Euros
MEMBERS OF BOARD OF DIRECTORS							
Altina de Fátima Sebastián González Villamarin	BCP Shares	0	0				
Ana Paula Alcobia Gray	BCP Shares	0	0				
Cidália Maria da Mota Lopes	BCP Shares	2,184	2,184				
Fernando da Costa Lima	BCP Shares	18,986	18,986				
João Nuno Oliveira Jorge Palma	BCP Shares	1,723,818	1,364,642	636,836 (a)	277,660 (b)	23/6/2023	0.2200
Jorge Manuel Baptista Magalhães Correia	BCP Shares	388,500	388,298	202		20/1/2023	0.1900
	Bonds (i)	1	1				
	Bonds (ii)	1	1				
	Bonds (iv)	1	0	1		25/9/2023	100,000
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	1,504,495	1,177,152	582,460 (a)	255,117 (b)	23/6/2023	0.2200
José Pedro Rivera Ferreira Malaquias	BCP Shares	9,808	9,808				
Júlia Gu (Xiao Xu Gu)	BCP Shares	0	0				
Lingjiang Xu	BCP Shares	0	0				
Lingzi Yuan (Smilla Yuan)	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos	BCP Shares	2,014,344	1,554,512	574,790 (a)	114,958 (b)	23/6/2023	0.2200
Miguel de Campos Pereira de Bragança	BCP Shares	2,111,178	1,725,908	674,727 (a)	289,457 (b)	23/6/2023	0.2200
Miguel Maya Dias Pinheiro	BCP Shares	2,501,557	2,018,854	839,483 (a)	356,780 (b)	23/6/2023	0.2200
Nuno Manuel da Silva Amado	BCP Shares	2,525,388	1,525,388	1,000,000		3/1/2023	0.1567
	Bonds (i)	2	2				
	Bonds (ii)	2	2				
	Bonds (iii)	3	1	2		8/8/2023	100,000
	Bonds (iv)	1	0	1		27/9/2023	100,000
Rui Manuel da Silva Teixeira	BCP Shares		1,207,858	571,501 (a)	250,317 (b)	23/6/2023	0.2200
		1,152,359			376,663	1/8/2023	0.2500
Valter Rui Dias de Barros	BCP Shares	0	0				
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	133,881	128,684	5,197 (a)		23/6/2023	0.2200
Alexandre Manuel Casimiro de Almeida	BCP Shares	169,519	111,400	58,119 (a)		23/6/2023	0.2200
Américo João Pinto Carola	BCP Shares	140,747	104,945	63,588 (a)	27,786 (b)	23/6/2023	0.2200
Ana Maria Jordão F. Torres Marques Tavares	BCP Shares	255,931	215,340	63,819 (a)	23,228 (b)	23/6/2023	0.2200
Ana Patrícia Moniz Macedo	BCP Shares	35,864	0	63,588 (a)	27,724 (b)	23/6/2023	0.2200
António Augusto Amaral de Medeiros	BCP Shares	178,245	143,063	62,599 (a)	27,417 (b)	23/6/2023	0.2200
António Ferreira Pinto Júnior	BCP Shares	11,842	11,842				
António José Lindeiro Cordeiro	BCP Shares	93,898	64,134	49,854 (a)	20,090 (b)	23/6/2023	0.2200
António Luís Duarte Bandeira	BCP Shares	321,903	285,425	64,906 (a)	28,428 (b)	23/6/2023	0.2200
António Ricardo Fery Salgueiro Antunes	BCP Shares	120,117	61,361	58,756 (a)		23/6/2023	0.2200
António Vítor Martins Monteiro	BCP Shares	3,872	3,872				

(i) - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

(ii) - BCP *Tier 2 Subordinated Callable Notes*

(iii) - BCP 1.75% EUR 500M 6.5NC5.5 *Social Senior Preferred Notes*

(iv) - BCP/2023 - BCP Senior Preferred Fiexed FLT OCT 2026

(a) - identifies the increment in shares during 2023 corresponding to the annual deferred variable compensation of previous years.

(b) - identifies the shares used in sell-cover in 2023 related to the increment of shares of variable compensation.

		Number of securities					
Shareholders/Bondholders	Security	2023	2022 (restated)	Acquisitions	Disposals	Date	Unit price Euros
Artur Frederico Silva Luna Pais	BCP Shares	517,197	459,405	57,792 (a)		23/6/2023	0.2200
Belmira Abreu Cabral	BCP Shares	129,190	96,604	57,978 (a)	25,392 (b)	23/6/2023	0.2200
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	89,825	54,362	62,103 (a)	26,640 (b)	23/6/2023	0.2200
Carlos Manuel da Silva Teixeira	BCP Shares	0	0				
Chi Wai Leung (Timothy)	BCP Shares	43,768	26,582	17,186 (a)		23/6/2023	0.2200
Constantino Alves Mousinho	BCP Shares	108,170	72,352	35,818 (a)		23/6/2023	0.2200
Fernando Maria Cardoso Rodrigues Bicho	BCP Shares	237	237				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	174,218	135,398	68,947 (a)	30,127 (b)	23/6/2023	0.2200
Francisco António Caspa Monteiro	BCP Shares	225,015	186,219	69,030 (a)	30,234 (b)	23/6/2023	0.2200
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	153,373	119,771	58,846 (a)	25,244 (b)	23/6/2023	0.2200
Hugo Miguel Martins Resende	BCP Shares	178,524	139,589	69,030 (a)	30,095 (b)	23/6/2023	0.2200
João Adriano Azevedo Seixas Vale	BCP Shares	43,222	43,222				
João Brás Jorge	BCP Shares	91,709	91,709				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	259,116	190,677	68,439 (a)		23/6/2023	0.2200
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	107,720	48,257	59,463 (a)		23/6/2023	0.2200
Jorge Manuel Machado de Sousa Góis	BCP Shares	190,352	134,204	56,148 (a)		23/6/2023	0.2200
Jorge Manuel Magalhães Oliveira Pereira	BCP Shares	57,488	25,460	56,785 (a)	24,757 (b)	23/6/2023	0.2200
Jorge Manuel Nobre Carreteiro	BCP Shares		55,988	55,776 (a)		23/6/2023	0.2200
					41,000	5/9/2023	0.2630
		80,764		10,000		4/12/2023	0.3270
Jorge Octávio Neto dos Santos	BCP Shares	471,191	471,191				
José Artur Gouveia Coelho Caetano	BCP Shares	0	0				
José Carlos Benito Garcia de Oliveira	BCP Shares	37,941	37,941				
José Gonçalo Prior Regalado	BCP Shares	147,115	79,184	67,931 (a)		23/6/2023	0.2200
José Guilherme Potier Raposo Pulido Valente	BCP Shares	315,008	280,081	62,144 (a)	27,217 (b)	23/6/2023	0.2200
José Maria Gonçalves Pereira Brandão de Brito	BCP Shares	87,138	55,225	52,660 (a)	20,747 (b)	23/6/2023	0.2200
Liliana Marisa Catoja Costa Lemos	BCP Shares	400	400				
Luis Miguel Manso Correia dos Santos	BCP Shares	285,820	216,790	69,030 (a)		23/6/2023	0.2200
Maria Constança C. Brandão Amado Fonseca G. Santos	BCP Shares	800	800				
Maria de Fátima Coelho Dias	BCP Shares	0	0				
Maria de Los Angeles Sanchez Sanchez	BCP Shares	61,375	41,011	36,232 (a)	15,868 (b)	23/6/2023	0.2200
Maria Helena Soledade Nunes Henriques	BCP Shares	268,800	232,863	63,943 (a)	28,006 (b)	23/6/2023	0.2200
Maria Manuela de Araújo Mesquita Reis	BCP Shares	228,036	190,663	62,599 (a)	25,226 (b)	23/6/2023	0.2200
Mário António Pinho Gaspar Neves	BCP Shares	142,301	108,172	60,616 (a)	26,487 (b)	23/6/2023	0.2200
Mário Madeira Robalo Fernandes	BCP Shares	220,539	156,951	63,588 (a)		23/6/2023	0.2200
Nelson Luís Vieira Teixeira	BCP Shares		108,936		7,200	16/2/2023	0.2100
					22,200	24/2/2023	0.2250
		118,570		68,356 (a)	29,322 (b)	23/6/2023	0.2200
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	251,695	183,959	67,736 (a)		23/6/2023	0.2200
Nuno Miguel Nobre Botelho	BCP Shares	144,294	85,625	58,669 (a)		23/6/2023	0.2200
Pedro José Mora de Paiva Beija	BCP Shares		138,202		50,673	17/1/2023	0.1934
				69,030 (a)		23/6/2023	0.2200
		173,559		17,000		21/12/2023	0.2710
Pedro Manuel Francisco da Silva Dias	BCP Shares	152,178	111,149	68,493 (a)	27,464 (b)	23/6/2023	0.2200
Pedro Manuel Macedo Vilas Boas	BCP Shares		146,870	66,368 (a)		23/6/2023	0.2200
		70,000			143,238	5/12/2023	0.3310
Pedro Manuel Rendas Duarte Turras	BCP Shares	146,367	105,371	68,439 (a)	27,443 (b)	23/6/2023	0.2200

(a) - identifies the increment in shares during 2023 corresponding to the annual deferred variable compensation of previous years.

(b) - identifies the shares used in sell-cover in 2023 related to the increment of shares of variable compensation.

Shareholders/Bondholders	Security	Number of securities 2023	2022 (restated)	Acquisitions	Disposals	Date	Unit price Euros
Ricardo Potes Valadares	BCP Shares	100,121	68,014	55,354 (a)	23,247 (b)	23/6/2023	0.2200
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares		117,023		68,163	5/1/2023	0.1712
		87,324		68,439 (a)	29,975 (b)	23/6/2023	0.2200
	Bonds (i)	1	1				
Rui Artur dos Santos Baptista	BCP Shares		2,500		2,500	8/8/2023	0.2500
Rui Emanuel Agapito Silva	BCP Shares	145,528	109,252	64,315 (a)	28,039 (b)	23/6/2023	0.2200
Rui Fernando da Silva Teixeira	BCP Shares	221,892	186,154	63,588 (a)	27,850 (b)	23/6/2023	0.2200
Rui Manuel Pereira Pedro	BCP Shares	408,353	339,819	68,534 (a)		23/6/2023	0.2200
Rui Miguel Alves Costa	BCP Shares	348,163	279,133	69,030 (a)		23/6/2023	0.2200
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	146,835	110,273	64,823 (a)	28,261 (b)	23/6/2023	0.2200
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares		143,793		102,700	21/6/2023	0.2200
		79,629		63,588 (a)	25,052 (b)	23/6/2023	0.2200
Tiago Alexandre Machado Ferreira Mateus	BCP Shares	52,540	2,128	50,412 (a)		23/6/2023	0.2200
Vânia Alexandra Machado Marques Correia	BCP Shares	160,146	115,226	56,148 (a)	11,228 (b)	23/6/2023	0.2200
PEOPLE CLOSELY RELATED TO THE PREVIOUS							
of: Cidália Maria da Mota Lopes							
Alexandre Miguel Martins Ventura	BCP Shares	2,184	2,184				
of: José Miguel Bensliman Schorcht da Silva Pessanha							
Herança de Anne Marie Bensliman Silva Pessanha	BCP Shares	139	139				
of: Maria José Henriques Barreto de Matos de Campos							
Ricardo Gil Monteiro Lopes de Campos	BCP Shares	(c)	(c)				
of: Rui Manuel da Silva Teixeira							
Maria Helena Espassandim Catão	BCP Shares	576	576				
of: Américo João Pinto Carola							
Ana Isabel Salgueiro Antunes	BCP Shares	29	29				
of: Ana Maria Jordão F. Torres Marques Tavares							
Álvaro Manuel Coreia Marques Tavares	BCP Shares	25,118	25,118				
Francisco Jordão Torres Marques Tavares	BCP Shares	1,016	1,016				
of: António Luís Duarte Bandeira							
António da Silva Bandeira	BCP Shares	0	20,000		20,000	20/2/2023	0.2110
Ana Margarida Rebelo A. M. Soares Bandeira	BCP Shares	2,976	2,976				
of: António Ferreira Pinto Júnior							
Paula Alexandre Cardoso de Miguel Pinto	BCP Shares	33,187	33,187				
of: António Vítor Martins Monteiro							
Isabel Maria Vaz Leite Pinto Martins Monteiro	BCP Shares	3,104	3,104				
of: Francisco António Caspa Monteiro							
Ricardo Miranda Monteiro	BCP Shares	1,639	1,639				
Rita Miranda Monteiro	BCP Shares	1,639	1,639				
of: Maria Helena Soledade Nunes Henriques							
João Paulo Rodrigues Taborda Gonçalves	BCP Shares	130	130				
of: Maria Manuela de Araújo Mesquita Reis							
Luís Filipe da Silva Reis	BCP Shares	280,000	280,000				
of: José Pedro Rivera Ferreira Malaquias							
Maria Joana de Oliveira Monteiro Ferreira Malaquias	BCP Shares	(d)	(d)				

(i) - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

(a) - identifies the increment in shares during 2023 corresponding to the annual deferred variable compensation of previous years.

(b) - identifies the shares used in sell-cover in 2023 related to the increment of shares of variable compensation.

(c) - solidary ownership in both securities accounts, and Dr. Ricardo Campos is the first holder and Eng.ª Maria José Campos is the 2nd holder of the securities account.

(d) - solidary ownership in both securities accounts, and Dr. José Pedro Ferreira Malaquias is the first holder and Maria Joana Ferreira Malaquias is the 2nd holder of the securities account.

C) Balances and transactions with associated companies

The balances with associated companies included in the consolidated balance sheet items, except for the item investments in associated companies, are as follows:

(Thousands of euros)

	2023	2022 (restated)
Assets		
Loans and advances to credit institutions repayable on demand	12,220	8,834
Financial assets at amortised cost		
Loans and advances to credit institutions	212,037	206,078
Loans and advances to customers	2,517	59,487
Financial assets at fair value through profit or loss		
Financial assets held for trading	3,465	—
Other assets	11,778	11,497
	242,017	285,896
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	22,365	62,845
Resources from customers	198,627	211,193
Non subordinated debt securities issued	6,896	2,002
Financial liabilities held for trading	5,136	3,894
Other liabilities	356	8
	233,380	279,942

The transactions with associated companies included in the consolidated income statement items are as follows:

(Thousands of euros)

	2023	2022 (restated)
Income		
Interest and similar income	10,343	4,198
Commissions	53,594	60,230
Gains on financial operations	2,513	1,020
Other operating income	2,786	1,957
	69,236	67,405
Costs		
Interest and similar expenses	4,785	1,104
Commissions	11	113
Other administrative costs	2,365	4,136
Losses on financial operations	2,796	—
Other operating losses	1	51
	9,958	5,404

The guarantees granted and revocable and irrevocable credit lines by the Group over associated companies are as follows:

(Thousands of euros)

	2023	2022 (restated)
Guarantees granted	4,824	7,539
Revocable credit lines	9,328	9,527
Other revocable commitments	16,284	—
	30,436	17,066

Under the scope of the Group's insurance mediation activities, the remuneration from services provided is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Life insurance		
Saving products	24,166	27,966
Mortgage and consumer loans	20,424	20,699
Others	1	—
	44,591	48,665
Non-Life insurance		
Accidents and health	24,007	21,612
Motor	4,066	3,956
Multi-Risk Housing	8,516	7,753
Others	1,843	1,660
	38,432	34,981
	83,023	83,646

Remuneration from insurance intermediation services was received through bank transfers and resulted from insurance intermediation with Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ageas Portugal - Companhia de Seguros, S.A. (Millenniumbcp Ageas Group). The Group does not collect insurance premiums on behalf of Insurance Companies nor performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported related to the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activities, by nature, are analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Funds receivable for payment of life insurance commissions	10,546	11,467
Funds receivable for payment of non-life insurance commissions	9,713	8,835
	20,259	20,302

The commissions received result from insurance mediation contracts and investment contracts, under the terms established in the contracts in force. The mediation commissions are calculated according to the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;

- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialisation of these products.

D) Transactions with the Pension Fund

The balances with the Pension Fund included in items of the consolidated balance sheet are as follows:

(Thousands of euros)

	2023	2022 (restated)
Assets		
Financial assets held for trading	—	209
	—	209
Liabilities		
Resources from customers	54,850	145,303
Non subordinated debt securities issued	9,075	13,199
Financial liabilities held for trading	—	3,475
Other liabilities	231	—
	64,156	161,977

In 2023 and 2022, there were no transactions related to other financial instruments between the Group and the Pension Fund.

Income and expenses with the Pension Fund included in the items of the consolidated income statement are as follows:

(Thousands of euros)

	2023	2022 (restated)
Income		
Commissions	1,073	2,167
Expenses		
Interest expense and similar charges	102	—
Other administrative costs	15,118	14,227
	15,220	14,227

The balance Other administrative costs corresponds to rents incurred under the scope of the Pension Fund's properties in which the tenant is the Group.

As at 31 December 2023 and 2022, the guarantees granted by the Group to the Pension Fund amount to Euros 5,000.

52. Consolidated Balance sheet and Income statement by geographic and operational segments

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for management purposes by the Executive Committee. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets with recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal and ActivoBank.

Portugal activity includes the following segments: i) Retail Banking; ii) Companies and Corporate; iii) Private Banking and iv) Other.

Retail Banking includes the following business areas:

- Retail network, which ensures the monitoring of individual customers, entrepreneurs, merchants and small and medium enterprises with a turnover less than Euros 2.5 million. The Retail network strategic approach is to target "Mass Market" customers, who appreciate a value proposal based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposal based on innovation and personalisation, requiring a dedicated Account Manager;

- Retail Recovery Division that accompanies and manages the responsibilities of customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and

- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies and Corporate segment includes:

- Companies and Corporate network, which monitors clients included in the corporate segment, economic groups and institutional entities, with a turnover higher than Euros 2.5 million, offering a wide range of traditional banking products complemented by specialised financing;

- Large Corporate network that assures the relationship and the monitoring of a set of Groups / Clients, which in addition to Portugal, develop their activity in several geographies (Poland, Angola, Mozambique and East), providing a complete range of value-added products and services;

- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment, in order to defend the value and managing credit risk, in a sustainable medium and long term perspective;

- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1 million);

- Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, including corporate finance services, capital market transactions and analysis and financing structuring in the medium to long term;

- Interfundos with the activity of management of real estate investment funds;

- Specialized Credit and Real Estate Department, with the mission of managing the Group's foreclosed assets portfolio, referred as non-performing assets, in order to place them back to the market.

- Treasury, Markets and International Department, which coordinates business with banks and financial institutions in order to better serve the Bank's commercial networks and operations abroad. This unit has a dynamic emphasis that promotes international business within commercial networks, aiming to be a partner for clients for internationalization. It also provides securities custody services to resident and non-resident clients, and grants the Bank's intervention in the financial markets, providing commercial services for treasury and markets products and managing the financial risks inherent to the Bank's activity.

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, the Private Banking segment 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 31 December 2023 and 31 December 2022 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

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

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 December 2023. Information relating to prior periods is restated whenever changes in the internal organization of the entity are likely to change the composition of the reportable segments (business and geographical) or relevant changes in the dynamics of allocation of indirect revenues and costs, as described in the previous paragraph, ensuring the comparability of the information provided in the reported periods.

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

As at 31 December 2023, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	2023						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Net interest income	881,859	1,359,093	2,240,952	206,539	34,834	343,399	2,825,724
Net fees and commissions income	435,629	211,395	647,024	141,435	32,370	(49,156)	771,673
Other net income	12,535	26,414	38,949	10,609	49	(88,213)	(38,606)
Net gains arising from trading activity (2)	1,513	131,939	133,452	106	67	11,190	144,815
Dividends from equity instruments	—	756	756	—	—	1,027	1,783
Share of profit of associates under the equity method	—	4,651	4,651	—	—	59,615	64,266
Net operating revenue	1,331,536	1,734,248	3,065,784	358,689	67,320	277,862	3,769,655
Operating expenses	356,321	545,894	902,215	61,930	14,960	183,446	1,162,551
Results on modification (3)	—	(19,426)	(19,426)	—	—	—	(19,426)
Impairment for credit and financial assets (4)	(44,223)	(36,782)	(81,005)	(154,511)	(178)	(14,290)	(249,984)
Other impairments and provisions (5)	(98)	(694,696)	(694,794)	—	—	(155,068)	(849,862)
Net income before income tax	930,894	437,450	1,368,344	142,248	52,182	(74,942)	1,487,832
Income tax	(291,370)	(206,268)	(497,638)	(44,524)	(16,333)	21,124	(537,371)
Net income after income tax from continuing operations	639,524	231,182	870,706	97,724	35,849	(53,818)	950,461
Income arising from discontinued operations	—	—	—	—	(2,843)	(9)	(2,852)
Net income for the year	639,524	231,182	870,706	97,724	33,006	(53,827)	947,609
Non-controlling interests	—	(97,148)	(97,148)	—	—	5,589	(91,559)
Net income for the year attributable to Bank's Shareholders	639,524	134,034	773,558	97,724	33,006	(48,238)	856,050

(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.

(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 fair value through other comprehensive income and at amortised cost not associated with credit operations).

(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2023, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	2023						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business	Total				
BALANCE SHEET							
Cash and Loans and advances to credit institutions	14,390,981	2,803,205	17,194,186	1,255,995	2,371,683	(15,030,174)	5,791,690
Loans and advances to customers [1]	26,002,815	17,581,929	43,584,744	11,097,187	333,393	202,643	55,217,967
Financial assets [2]	—	10,269,402	10,269,402	—	—	17,594,007	27,863,409
Other assets	—	1,000,590	1,000,590	—	—	4,506,122	5,506,712
Total Assets	40,393,796	31,655,126	72,048,922	12,353,182	2,705,076	7,272,598	94,379,778
Resources from credit institutions [3]	259,026	151,175	410,201	1,618,782	—	(1,199,857)	829,126
Resources from customers [4]	37,934,752	26,764,909	64,699,661	9,463,888	2,545,353	1,218,911	77,927,813
Debt securities issued [5]	1,144,133	763,831	1,907,964	1,408	133,442	1,957,355	4,000,169
Other financial liabilities [6]	—	538,311	538,311	—	—	1,134,326	1,672,637
Other liabilities [7]	—	1,268,020	1,268,020	—	—	1,382,515	2,650,535
Total Liabilities	39,337,911	29,486,246	68,824,157	11,084,078	2,678,795	4,493,250	87,080,280
Total Equity	1,055,885	2,168,880	3,224,765	1,269,104	26,281	2,779,348	7,299,498
Total Liabilities and Equity	40,393,796	31,655,126	72,048,922	12,353,182	2,705,076	7,272,598	94,379,778
Number of employees	3,599	9,446	13,045	440	106	2,097	15,688

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

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 December 2022, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	2022 (restated)						
	Commercial banking						
	Retail in Portugal	Foreign business (1)	Total	Companies and Corporate in Portugal	Private banking	Other	Consolidated
INCOME STATEMENT							
Net interest income	621,413	1,197,822	1,819,235	202,754	21,116	106,667	2,149,772
Net fees and commissions income	421,398	211,325	632,723	149,029	32,368	(42,212)	771,908
Other net income	21,634	(106,637)	(85,003)	40,768	(10)	(138,700)	(182,945)
Net gains arising from trading activity (2)	2,680	(19,299)	(16,619)	69	182	66,328	49,960
Dividends from equity instruments	—	811	811	—	—	9,275	10,086
Share of profit of associates under the equity method	—	925	925	—	—	57,686	58,611
Net operating revenue	1,067,125	1,284,947	2,352,072	392,620	53,656	59,044	2,857,392
Operating expenses	328,887	470,347	799,234	57,615	15,299	200,870	1,073,018
Results on modification (3)	—	(309,865)	(309,865)	—	—	—	(309,865)
Impairment for credit and financial assets (4)	(66,953)	(82,394)	(149,347)	(149,529)	591	2,156	(296,129)
Other impairments and provisions (5)	(394)	(550,085)	(550,479)	—	—	(209,554)	(760,033)
Net income before income tax	670,891	(127,744)	543,147	185,476	38,948	(349,224)	418,347
Income tax	(209,989)	(96,742)	(306,731)	(58,054)	(12,172)	72,637	(304,320)
Net income after income tax							
from continuing operations	460,902	(224,486)	236,416	127,422	26,776	(276,587)	114,027
Income arising from discontinued operations	—	3,772	3,772	—	1,765	—	5,537
Net income for the year	460,902	(220,714)	240,188	127,422	28,541	(276,587)	119,564
Non-controlling interests	—	72,802	72,802	—	—	5,020	77,822
Net income for the year attributable to Bank's Shareholders	460,902	(147,912)	312,990	127,422	28,541	(271,567)	197,386

(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) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). It's also included the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(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 fair value through other comprehensive income and at amortised cost not associated with credit operations).

(5) Includes impairment of non-current assets held for sale, investments in associated companies, goodwill, other assets and provisions, 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)

	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	14,496,145	3,208,230	17,704,375	2,405,941	2,427,179	(15,338,600)	7,198,895
Loans and advances to customers (1)	26,360,608	16,983,242	43,343,850	11,751,456	345,264	757,114	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	40,856,753	26,592,625	67,449,378	14,157,397	2,772,443	5,497,525	89,876,743
Resources from credit institutions (3)	229,245	158,808	388,053	1,140,782	—	(60,475)	1,468,360
Resources from customers (4)	38,537,857	23,173,054	61,710,911	11,539,455	2,605,487	50,961	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	39,968,505	24,827,047	64,795,552	12,680,237	2,747,100	3,717,087	83,939,976
Total Equity	888,248	1,765,578	2,653,826	1,477,160	25,343	1,780,438	5,936,767
Total Liabilities and Equity	40,856,753	26,592,625	67,449,378	14,157,397	2,772,443	5,497,525	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 balance sheet amount of loans to customers at fair value through profit or loss.

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

(3) Includes resources and other financing from central banks and resources from other credit institutions.

(4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

(5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 December 2023, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	2023								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Net interest income	881,859	206,539	34,834	343,399	1,466,631	1,157,256	201,837	—	2,825,724
Net fees and commissions income	435,629	141,435	32,370	(49,156)	560,278	172,346	39,049	—	771,673
Other net income	12,535	10,609	49	(88,213)	(65,020)	21,822	4,592	—	(38,606)
Net gains arising from trading activity (2)	1,513	106	67	11,190	12,876	115,625	16,314	—	144,815
Dividends from equity instruments	—	—	—	1,027	1,027	756	—	—	1,783
Share of profit of associates under the equity method	—	—	—	59,615	59,615	—	1,942	2,709	64,266
Net operating revenue	1,331,536	358,689	67,320	277,862	2,035,407	1,467,805	263,734	2,709	3,769,655
Operating expenses	356,321	61,930	14,960	183,446	616,657	420,211	125,683	—	1,162,551
Results on modification (3)	—	—	—	—	—	(19,426)	—	—	(19,426)
Impairment for credit and financial assets (4)	(44,223)	(154,511)	(178)	(14,290)	(213,202)	(57,192)	20,410	—	(249,984)
Other impairments and provisions (5)	(98)	—	—	(155,068)	(155,166)	(681,857)	(12,839)	—	(849,862)
Net income before income tax	930,894	142,248	52,182	(74,942)	1,050,382	289,119	145,622	2,709	1,487,832
Income tax	(291,370)	(44,524)	(16,333)	21,124	(331,103)	(162,298)	(43,970)	—	(537,371)
Net income after income tax from continuing operations	639,524	97,724	35,849	(53,818)	719,279	126,821	101,652	2,709	950,461
Income arising from discontinued operations	—	—	—	(9)	(9)	—	—	(2,843)	(2,852)
Net income for the year	639,524	97,724	35,849	(53,827)	719,270	126,821	101,652	(134)	947,609
Non-controlling interests	—	—	—	5,589	5,589	(63,283)	(33,865)	—	(91,559)
Net income for the year attributable to Bank's Shareholders	639,524	97,724	35,849	(48,238)	724,859	63,538	67,787	(134)	856,050

(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.

(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, investments in associated companies, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2023, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	2023								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	14,390,981	1,255,995	2,371,683	(15,030,174)	2,988,485	1,621,924	1,181,281	—	5,791,690
Loans and advances to customers (1)	26,002,815	11,097,187	333,393	202,643	37,636,038	16,955,492	626,437	—	55,217,967
Financial assets (2)	—	—	—	17,594,007	17,594,007	9,594,785	674,653	(36)	27,863,409
Other assets	—	—	—	4,506,122	4,506,122	724,823	228,803	46,964	5,506,712
Total Assets	40,393,796	12,353,182	2,705,076	7,272,598	62,724,652	28,897,024	2,711,174	46,928	94,379,778
Resources from other credit institutions (3)	259,026	1,618,782	—	(1,199,857)	677,951	130,131	21,044	—	829,126
Resources from customers (4)	37,934,752	9,463,888	2,545,353	1,218,911	51,162,904	24,689,709	2,075,200	—	77,927,813
Debt securities issued (5)	1,144,133	1,408	133,442	1,957,355	3,236,338	763,831	—	—	4,000,169
Other financial liabilities (6)	—	—	—	1,134,326	1,134,326	538,311	—	—	1,672,637
Other liabilities (7)	—	—	—	1,382,515	1,382,515	1,187,710	80,310	—	2,650,535
Total Liabilities	39,337,911	11,084,078	2,678,795	4,493,250	57,594,034	27,309,692	2,176,554	—	87,080,280
Total Equity	1,055,885	1,269,104	26,281	2,779,348	5,130,618	1,587,332	534,620	46,928	7,299,498
Total Liabilities and Equity	40,393,796	12,353,182	2,705,076	7,272,598	62,724,652	28,897,024	2,711,174	46,928	94,379,778
Number of employees	3,599	440	106	2,097	6,242	6,872	2,574	0	15,688

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

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

3) Includes resources and other financing from central banks and resources from other credit institutions.

4) Corresponds to deposits and other resources from customers (including resources from customers at amortised cost and customer deposits at fair value through profit or loss).

5) Includes non-subordinated debt securities at amortized cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 31 December 2022, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	2022 (restated)								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
INCOME STATEMENT									
Net interest income	621,413	202,754	20,144	106,667	950,978	995,565	202,257	972	2,149,772
Net fees and commissions income	421,398	149,029	32,343	(42,212)	560,558	172,631	38,694	25	771,908
Other net income	21,634	40,768	24	(138,700)	(76,274)	(109,088)	2,451	(34)	(182,945)
Net gains arising from trading activity (2)	2,680	69	162	66,328	69,239	(40,130)	20,830	21	49,960
Dividends from equity instruments	—	—	—	9,275	9,275	811	—	—	10,086
Share of profit of associates under the equity method	—	—	—	57,686	57,686	—	1,841	(916)	58,611
Net operating revenue	1,067,125	392,620	52,673	59,044	1,571,462	1,019,789	266,073	68	2,857,392
Operating expenses	328,887	57,615	14,376	200,870	601,748	357,092	113,255	923	1,073,018
Results on modification (3)	—	—	—	—	—	(309,865)	—	—	(309,865)
Impairment for credit and financial assets (4)	(66,953)	(149,529)	591	2,156	(213,735)	(74,067)	(8,327)	—	(296,129)
Other impairments and provisions (5)	(394)	—	—	(209,554)	(209,948)	(537,143)	(6,506)	(6,436)	(760,033)
Net income before income tax	670,891	185,476	38,888	(349,224)	546,031	(258,378)	137,985	(7,291)	418,347
Income tax	(209,989)	(58,054)	(12,172)	72,637	(207,578)	(60,614)	(36,128)	—	(304,320)
Net income after income tax from continuing operations	460,902	127,422	26,716	(276,587)	338,453	(318,992)	101,857	(7,291)	114,027
Income arising from discontinued operations	—	—	—	—	—	—	3,772	1,765	5,537
Net income for the period	460,902	127,422	26,716	(276,587)	338,453	(318,992)	105,629	(5,526)	119,564
Non-controlling interests	—	—	—	5,020	5,020	108,125	(35,323)	—	77,822
Net income for the period attributable to Bank's Shareholders	460,902	127,422	26,716	(271,567)	343,473	(210,867)	70,306	(5,526)	197,386

(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)) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). It's also included the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(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, investments in associated companies, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2022, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	2022 (restated)								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other [1]	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	14,496,145	2,405,941	2,427,179	(15,338,600)	3,990,665	2,193,520	1,014,710	—	7,198,895
Loans and advances to customers [1]	26,360,608	11,751,456	345,264	757,114	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	40,856,753	14,157,397	2,772,443	5,497,525	63,284,118	23,697,447	2,824,409	70,769	89,876,743
Resources from other credit institutions [3]	229,245	1,140,782	—	(60,475)	1,309,552	155,411	3,397	—	1,468,360
Resources from customers [4]	38,537,857	11,539,455	2,605,487	50,961	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	39,968,505	12,680,237	2,747,100	3,717,087	59,112,929	22,523,830	2,303,217	—	83,939,976
Total Equity	888,248	1,477,160	25,343	1,780,438	4,171,189	1,173,617	521,192	70,769	5,936,767
Total Liabilities and Equity	40,856,753	14,157,397	2,772,443	5,497,525	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 balance sheet amount of loans to customers at fair value through profit or loss.

2) Includes debt instruments at amortised cost not associated with credit operations (net of impairment), financial assets at fair value through profit or loss (excluding the ones related to loans to customers), financial assets at fair value through other comprehensive income 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)

	2023	2022 (restated)
Net contribution		
Retail banking in Portugal	639,524	460,902
Companies and Corporate	97,724	127,422
Private Banking	35,849	26,716
Foreign business (continuing operations)	231,182	(224,426)
Non-controlling interests (1)	(97,148)	72,802
	907,131	463,416
Income arising from discontinued or discontinuing operations	(2,843)	5,537
	904,288	468,953
Amounts not allocated to segments		
Net interest income - bonds portfolio	325,921	105,777
Net interest income - others (2)	17,478	890
Foreign exchange activity	17,005	39,603
Gains / (losses) arising from sales of subsidiaries and other assets	3,098	(26,440)
Equity accounted earnings	59,614	57,686
Impairment and other provisions (3)	(169,358)	(207,397)
Operational costs	(183,446)	(200,870)
Gains on sale of Portuguese public debt	(8,181)	(24,336)
Gains on sale of foreign public debt	31	15,404
Mandatory contributions	(72,583)	(88,528)
Loans sale	(5,242)	8,357
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	(5,834)	3,473
Taxes (5)	21,124	72,637
Income from discontinued operations	(9)	—
Non-controlling interests	5,589	5,020
Others (6)	(53,445)	(32,843)
Total not allocated to segments	(48,238)	(271,567)
Consolidated net income	856,050	197,386

(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 wholesale 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.

53. 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 art° 473°-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%	3.50%	9.41%	4.50%	1.41%	3.50%
T1	11.38%	6.00%	1.88%	3.50%	11.38%	6.00%	1.88%	3.50%
Total	14.00%	8.00%	2.50%	3.50%	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)

	2023	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	2,632,602	1,715,797
Non-controlling interests eligible to CET1	475,923	433,767
Regulatory adjustments to CET1	32,342	276,422
	6,157,338	5,442,457
Tier 1		
Capital Instruments	400,000	400,000
Non-controlling interests eligible to AT1	84,267	96,341
	6,641,605	5,938,798
Tier 2		
Subordinated debt	1,014,615	1,047,875
Non-controlling interests eligible to Tier 2	225,063	271,800
Other	24,303	20,240
	1,263,981	1,339,915
Total own funds	7,905,586	7,278,713
RWA - Risk weighted assets		
Credit risk	34,304,305	36,265,788
Market risk	547,022	2,611,404
Operational risk	4,854,039	4,178,551
CVA	45,646	47,016
	39,751,012	43,102,759
Capital ratios		
CET1	15.5%	12.6%
Tier 1	16.7%	13.8%
Tier 2	3.2%	3.1%
Total own funds	19.9%	16.9%

The presented amounts include the accumulated net income.

54. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks (e.g., credit, market, operational) or non-financial risks (e.g., legal and compliance, reputational) to which the Group's business is subject to, including the impact of the ESG risk drivers (environmental, social and governance).

The Bank implemented a regular process for identifying and assessing the risks to which its activity is exposed, which conclusions are presented to the management bodies and influence the update of the Group's risk appetite and risk strategy.

Internal organisation

The Board of Directors of Banco Comercial Português is responsible for the definition of the risk strategy and policies, including the approval of the principles and rules of the highest level to be followed in risk management of the Group, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee and Committee for Risk Assessment, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee, hearing the Risk Assessment Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business. Other commissions regularly monitor specific risks, namely the Compliance and Operational Risks Commission, the Credit and Non-performing Assets Monitoring Commission, the Pension Funds Risk Monitoring Commission, the Operational Resilience Commission (with a focus on information technologies and cybernetics), the Sustainability Commission and the Corporate Risk Monitoring Commission.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Board of Directors and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

As Head of the Compliance Office, the Compliance Officer is responsible to ensure that regulatory requirements are complied with, as well as the ethical values of the organization, fulfilling all the attributions that are legally conferred to it, ensuring the existence of an internal control culture, thus contributing to the mitigation of the risk of attributing sanctions or significant asset or reputational damages to the Group Entities, including the compliance with the regulatory framework on the prevention and combating money laundering and terrorism financing.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2023	2022 (restated)
Central Governments or Central Banks	26,982,937	22,898,387
Regional Governments or Local Authorities	1,210,789	1,012,723
Administrative and non-profit Organisations	1,098,748	412,223
Multilateral Development Banks	227,711	114,633
Other Credit Institutions	3,283,571	3,279,977
Retail and Corporate customers	67,789,725	69,798,319
Other items (*)	11,597,622	10,153,154
	112,191,103	107,669,416

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with Article 156 of the CRR.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected considers the following methodological notes.

a) Collaterals and Guarantees

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

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

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

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

In this context, it is important to refer that the Bank’s shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

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

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

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

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

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

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients’ areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

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

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;

ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance with the established standards from ECB and Bank of Portugal.

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

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

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

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

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

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

The following table lists the equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

	External ratings			
Internal risk grade	**Fitch**	**S&P**	**Moody's**	**DBRS**
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B-

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2023 and 2022 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) and the guidelines issued by the Bank of Portugal through Circular Letter CC/2018/00000062, in order to align the calculation process used in the Group with the best international practices in this area.

As at 31 December 2023, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1.C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2023				
	Gross exposure				
Category	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	908,701	—	—	—	908,701
Loans and advances to customers (note 22)	45,651,670	7,290,622	1,914,768	30,749	54,887,809
Debt instruments (note 23)	17,536,547	62,872	5,105	—	17,604,524
Debt instruments at fair value through other comprehensive income (note 24) (*)	10,809,872	—	1,150	—	10,811,022
Guarantees and other commitments (note 45) (**)	14,934,354	1,433,594	336,497	2,574	16,707,019
Total	89,841,144	8,787,088	2,257,520	33,323	100,919,075

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

(Thousands of euros)

	2023				
	Impairment losses				
Category	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	224	—	—	—	224
Loans and advances to customers (note 22)	268,948	291,752	1,007,481	14,469	1,582,650
Debt instruments (note 23)	23,066	797	1,525	—	25,388
Debt instruments at fair value through other comprehensive income (note 24) (*)	—	—	1,150	—	1,150
Guarantees and other commitments (note 39)	12,880	14,686	94,008	—	121,574
Total	305,118	307,235	1,104,164	14,469	1,730,986

(Thousands of euros)

	2023				
	Net exposure				
Category	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	908,477	—	—	—	908,477
Loans and advances to customers (note 22)	45,382,722	6,998,870	907,287	16,280	53,305,159
Debt instruments (note 23)	17,513,481	62,075	3,580	—	17,579,136
Debt instruments at fair value through other comprehensive income (note 24) (*)	10,809,872	—	—	—	10,809,872
Guarantees and other commitments (note 45) (**)	14,921,474	1,418,908	242,489	2,574	16,585,445
Total	89,536,026	8,479,853	1,153,356	18,854	99,188,089

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments.

As at 31 December 2022, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments as accounting policy 1.C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2022 (restated)				
	Gross exposure				
Category	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	964,296	—	—	—	964,296
Loans and advances to customers (note 22)	46,395,996	7,564,235	2,170,979	46,956	56,178,166
Debt instruments (note 23)	12,990,232	55,787	3,802	—	13,049,821
Debt instruments at fair value through other comprehensive income (note 24) (*)	7,434,152	—	1,067	—	7,435,219
Guarantees and other commitments (note 45) (**)	14,303,231	1,768,595	364,691	921	16,437,438
Total	82,087,907	9,388,617	2,540,539	47,877	94,064,940

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments.

(Thousands of euros)

	2022 (restated)				
	Impairment losses				
Category	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	862	—	—	—	862
Loans and advances to customers (note 22)	214,470	284,448	985,557	17,898	1,502,373
Debt instruments (note 23)	13,409	720	110	—	14,239
Debt instruments at fair value through other comprehensive income (note 24) (*)	—	—	1,067	—	1,067
Guarantees and other commitments (note 39)	11,307	14,893	84,435	119	110,754
Total	240,048	300,061	1,071,169	18,017	1,629,295

(Thousands of euros)

	2022 (restated)				
	Net exposure				
Category	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	963,434	—	—	—	963,434
Loans and advances to customers (note 22)	46,181,526	7,279,787	1,185,422	29,058	54,675,793
Debt instruments (note 23)	12,976,823	55,067	3,692	—	13,035,582
Debt instruments at fair value through other comprehensive income (note 24) (*)	7,434,152	—	—	—	7,434,152
Guarantees and other commitments (note 45) (**)	14,291,924	1,753,702	280,256	802	16,326,684
Total	81,847,859	9,088,556	1,469,370	29,860	92,435,645

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit lines and revocable commitments

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Financial assets held for trading (note 24)		
Debt instruments	355,526	338,813
Derivatives	437,155	394,183
Financial assets designated at fair value through profit or loss - Debt instruments (note 24)	32,004	—
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 24)	280,558	311,404
Hedging derivatives (note 25)	40,628	59,703
Total	1,145,871	1,104,103

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;

- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During 2023, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	2023				
	Financial assets at amortised cost - Loans and advances to customers - Gross amount				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Gross amount as at 1 January	46,395,996	7,564,235	2,170,979	46,956	56,178,166
Changes in gross book value:					
Transfers from stage 1 to stage 2	(2,100,816)	2,100,816	—	—	—
Transfers from stage 1 to stage 3	(285,020)	—	285,020	—	—
Transfers from stage 2 to stage 1	1,889,217	(1,889,217)	—	—	—
Transfers from stage 2 to stage 3	—	(415,277)	415,277	—	—
Transfers from stage 3 to stage 1	36,667	—	(36,667)	—	—
Transfers from stage 3 to stage 2	—	291,025	(291,025)	—	—
Write-offs	(811)	(2,261)	(186,529)	(2,872)	(192,473)
Net balance of new financial assets and derecognised financial assets and other variations	(283,563)	(358,699)	(442,287)	(13,335)	(1,097,884)
Gross amount at the end of the year	45,651,670	7,290,622	1,914,768	30,749	54,887,809

During 2023, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

	2023				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Impairment losses as at 1 January	214,470	284,448	985,557	17,898	1,502,373
Change in impairment losses:					
Transfer to Stage 1	64,091	(55,424)	(8,587)	(80)	—
Transfer to Stage 2	(12,326)	129,062	(116,736)	—	—
Transfer to Stage 3	(4,882)	(36,867)	42,105	(356)	—
Changes occurred due to changes in credit risk	(26,368)	(45,099)	376,483	2,155	307,171
Write-offs	(811)	(2,261)	(186,529)	(2,872)	(192,473)
Changes due to new financial assets and derecognised financial assets and other variations	34,774	17,893	(84,812)	(2,276)	(34,421)
Impairment losses at the end of the year	268,948	291,752	1,007,481	14,469	1,582,650

During 2022, the changes occurred in Loans and advances to customers - gross amount are as follows:

(Thousands of euros)

	2022 (restated)				
	Financial assets at amortised cost - Loans and advances to customers - Gross amount				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Gross amount as at 1 January	46,113,653	7,964,052	2,686,267	57,713	56,821,685
Changes in gross book value:					
Transfers from stage 1 to stage 2	(2,111,726)	2,111,726	—	—	—
Transfers from stage 1 to stage 3	(258,614)	—	258,614	—	—
Transfers from stage 2 to stage 1	1,946,027	(1,946,027)	—	—	—
Transfers from stage 2 to stage 3	—	(631,859)	631,859	—	—
Transfers from stage 3 to stage 1	26,176	—	(26,176)	—	—
Transfers from stage 3 to stage 2	—	174,249	(174,249)	—	—
Write-offs	(922)	(2,996)	(440,667)	(13,820)	(458,405)
Net balance of new financial assets and derecognised financial assets and other variations	681,402	(104,910)	(764,669)	3,063	(185,114)
Gross amount at the end of the year	46,395,996	7,564,235	2,170,979	46,956	56,178,166

During 2022, the changes occurred in Loans and advances to customers - impairment are as follows:

(Thousands of euros)

	2022 (restated)				
	Financial assets at amortised cost - Loans and advances to customers impairment				
	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment losses as at 1 January	207,328	288,642	1,336,612	16,702	1,849,284
Change in impairment losses:					
Transfer to Stage 1	50,530	(50,139)	(4,778)	4,387	—
Transfer to Stage 2	(14,016)	47,552	(33,614)	78	—
Transfer to Stage 3	(4,314)	(55,508)	58,004	1,818	—
Changes occurred due to changes in credit risk	(51,425)	25,711	196,355	4,816	175,457
Write-offs	(922)	(2,996)	(440,667)	(13,820)	(458,405)
Changes due to new financial assets and derecognised financial assets and other variations	27,289	31,186	(126,355)	3,917	(63,963)
Impairment losses at the end of the year	214,470	284,448	985,557	17,898	1,502,373

Financial assets modified during the period that have not resulted in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

Financial assets modified	**2023**	**2022 (restated)**
Amortised cost before changes	457,237	396,049
Impairment losses before changes	(61,984)	(47,337)
Net amortised cost before changes	395,253	348,712
Net gain/loss arising on changes	(9,926)	(32,993)
Net amortised cost after changes	385,327	315,719

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as follows:

(Thousands of euros)

Financial assets changed	**2023**	**2022 (restated)**
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	106,778	65,942

As at 31 December 2023, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2023									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	24,913,323	2,317,570	217,742	106,027	2,641,339	269,211	149,473	418,684	11,247	27,984,593
Individuals-Other	8,455,374	996,879	138,926	50,292	1,186,097	256,328	320,458	576,786	14,263	10,232,520
Financial Companies	3,275,624	53,152	42	1	53,195	46,841	10	46,851	—	3,375,670
Non-financial companies - Corporate	10,825,177	716,737	13,734	1,961	732,432	198,010	29,407	227,417	2,209	11,787,235
Non-financial companies - SME-Corporate	8,777,780	2,327,698	13,722	3,902	2,345,322	582,545	102,199	684,744	2,959	11,810,805
Non-financial companies -SME-Retail	6,672,112	1,429,586	45,468	19,621	1,494,675	161,067	138,539	299,606	2,645	8,469,038
Non-financial companies - Other	515,637	22,791	4	16	22,811	269	2,010	2,279	—	540,727
Other loans	15,596,245	308,938	2,266	13	311,217	1	2	3	—	15,907,465
Total	79,031,272	8,173,351	431,904	181,833	8,787,088	1,514,272	742,098	2,256,370	33,323	90,108,053
Impairment										
Individuals-Mortgage	30,606	21,789	4,435	5,736	31,960	59,673	54,599	114,272	5,376	182,214
Individuals-Other	65,165	42,205	23,950	13,973	80,128	104,578	211,238	315,816	9,093	470,202
Financial Companies	23,475	1,381	3	—	1,384	34,559	6	34,565	—	59,424
Non-financial companies - Corporate	36,533	25,712	247	312	26,271	91,151	20,578	111,729	—	174,533
Non-financial companies - SME-Corporate	49,075	78,177	1,490	760	80,427	313,575	59,279	372,854	—	502,356
Non-financial companies -SME-Retail	83,013	75,676	4,281	4,152	84,109	92,830	59,457	152,287	—	319,409
Non-financial companies - Other	370	74	—	2	76	8	1,482	1,490	—	1,936
Other loans	16,881	2,763	116	1	2,880	—	1	1	—	19,762
Total	305,118	247,777	34,522	24,936	307,235	696,374	406,640	1,103,014	14,469	1,729,836
Net exposure										
Individuals-Mortgage	24,882,717	2,295,781	213,307	100,291	2,609,379	209,538	94,874	304,412	5,871	27,802,379
Individuals-Other	8,390,209	954,674	114,976	36,319	1,105,969	151,750	109,220	260,970	5,170	9,762,318
Financial Companies	3,252,149	51,771	39	1	51,811	12,282	4	12,286	—	3,316,246
Non-financial companies - Corporate	10,788,644	691,025	13,487	1,649	706,161	106,859	8,829	115,688	2,209	11,612,702
Non-financial companies - SME-Corporate	8,728,705	2,249,521	12,232	3,142	2,264,895	268,970	42,920	311,890	2,959	11,308,449
Non-financial companies -SME-Retail	6,589,099	1,353,910	41,187	15,469	1,410,566	68,237	79,082	147,319	2,645	8,149,629
Non-financial companies - Other	515,267	22,717	4	14	22,735	261	528	789	—	538,791
Other loans	15,579,364	306,175	2,150	12	308,337	1	1	2	—	15,887,703
Total	78,726,154	7,925,574	397,382	156,897	8,479,853	817,898	335,458	1,153,356	18,854	88,378,217
% of impairment coverage										
Individuals-Mortgage	0.12%	0.94%	2.04%	5.41%	1.21%	22.17%	36.53%	27.29%	47.80%	0.65%
Individuals-Other	0.77%	4.23%	17.24%	27.78%	6.76%	40.80%	65.92%	54.75%	63.75%	4.60%
Financial Companies	0.72%	2.60%	7.14%	0.00%	2.60%	73.78%	60.00%	73.78%	0.00%	1.76%
Non-financial companies - Corporate	0.34%	3.59%	1.80%	15.91%	3.59%	46.03%	69.98%	49.13%	0.00%	1.48%
Non-financial companies - SME-Corporate	0.56%	3.36%	10.86%	19.48%	3.43%	53.83%	58.00%	54.45%	0.00%	4.25%
Non-financial companies -SME-Retail	1.24%	5.29%	9.42%	21.16%	5.63%	57.63%	42.92%	50.83%	0.00%	3.77%
Non-financial companies - Other	0.07%	0.32%	0.00%	12.50%	0.33%	2.97%	73.73%	65.38%	0.00%	0.36%
Other loans	0.11%	0.89%	5.12%	7.69%	0.93%	0.00%	50.00%	33.33%	0.00%	0.12%
Total	0.39%	3.03%	7.99%	13.71%	3.50%	45.99%	54.80%	48.88%	43.42%	1.92%

As at 31 December 2022, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2022 (restated)									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	25,213,881	2,320,624	151,906	89,857	2,562,387	284,276	142,817	427,093	10,525	28,213,886
Individuals-Other	7,614,004	958,714	118,276	42,895	1,119,885	252,456	284,486	536,942	19,621	9,290,452
Financial Companies	3,569,566	80,945	61	—	81,006	72,980	1,494	74,474	7,545	3,732,591
Non-financial companies - Corporate	9,621,830	700,538	660	13	701,211	204,523	91,575	296,098	—	10,619,139
Non-financial companies - SME-Corporate	10,238,522	2,798,567	5,339	2,559	2,806,465	761,101	95,135	856,236	6,733	13,907,956
Non-financial companies -SME-Retail	6,024,603	1,683,407	30,867	14,532	1,728,806	231,377	117,109	348,486	3,453	8,105,348
Non-financial companies - Other	558,812	46,613	2	—	46,615	113	—	113	—	605,540
Other loans	11,812,537	342,203	39	—	342,242	—	30	30	—	12,154,809
Total	74,653,755	8,931,611	307,150	149,856	9,388,617	1,806,826	732,646	2,539,472	47,877	86,629,721
Impairment										
Individuals-Mortgage	15,380	23,667	4,083	5,262	33,012	56,519	56,440	112,959	5,452	166,803
Individuals-Other	52,559	31,277	18,676	11,224	61,177	104,108	180,916	285,024	12,436	411,196
Financial Companies	8,491	1,701	4	—	1,705	36,543	1,245	37,788	—	47,984
Non-financial companies - Corporate	27,484	18,218	22	—	18,240	87,043	43,500	130,543	—	176,267
Non-financial companies - SME-Corporate	46,296	81,667	506	660	82,833	298,455	46,890	345,345	129	474,603
Non-financial companies -SME-Retail	78,239	92,784	4,090	3,226	100,100	106,533	51,896	158,429	—	336,768
Non-financial companies - Other	512	129	—	—	129	5	—	5	—	646
Other loans	11,087	2,860	5	—	2,865	—	9	9	—	13,961
Total	240,048	252,303	27,386	20,372	300,061	689,206	380,896	1,070,102	18,017	1,628,228
Net exposure										
Individuals-Mortgage	25,198,501	2,296,957	147,823	84,595	2,529,375	227,757	86,377	314,134	5,073	28,047,083
Individuals-Other	7,561,445	927,437	99,600	31,671	1,058,708	148,348	103,570	251,918	7,185	8,879,256
Financial Companies	3,561,075	79,244	57	—	79,301	36,437	249	36,686	7,545	3,684,607
Non-financial companies - Corporate	9,594,346	682,320	638	13	682,971	117,480	48,075	165,555	—	10,442,872
Non-financial companies - SME-Corporate	10,192,226	2,716,900	4,833	1,899	2,723,632	462,646	48,245	510,891	6,604	13,433,353
Non-financial companies -SME-Retail	5,946,364	1,590,623	26,777	11,306	1,628,706	124,844	65,213	190,057	3,453	7,768,580
Non-financial companies - Other	558,300	46,484	2	—	46,486	108	—	108	—	604,894
Other loans	11,801,450	339,343	34	—	339,377	—	21	21	—	12,140,848
Total	74,413,707	8,679,308	279,764	129,484	9,088,556	1,117,620	351,750	1,469,370	29,860	85,001,493
% of impairment coverage										
Individuals-Mortgage	0.06%	1.02%	2.69%	5.86%	1.29%	19.88%	39.52%	26.45%	51.80%	0.59%
Individuals-Other	0.69%	3.26%	15.79%	26.17%	5.46%	41.24%	63.59%	53.08%	63.38%	4.43%
Financial Companies	0.24%	2.10%	6.56%	0.00%	2.10%	50.07%	83.33%	50.74%	0.00%	1.29%
Non-financial companies - Corporate	0.29%	2.60%	3.33%	0.00%	2.60%	42.56%	47.50%	44.09%	0.00%	1.66%
Non-financial companies - SME-Corporate	0.45%	2.92%	9.48%	25.79%	2.95%	39.21%	49.29%	40.33%	1.92%	3.41%
Non-financial companies -SME-Retail	1.30%	5.51%	13.25%	22.20%	5.79%	46.04%	44.31%	45.46%	0.00%	4.15%
Non-financial companies - Other	0.09%	0.28%	0.00%	0.00%	0.28%	4.42%	0.00%	4.42%	0.00%	0.11%
Other loans	0.09%	0.84%	12.82%	0.00%	0.84%	0.00%	30.00%	30.00%	0.00%	0.11%
Total	0.32%	2.82%	8.92%	13.59%	3.20%	38.14%	51.99%	42.14%	37.63%	1.88%

As at 31 December 2023, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2023									
		Stage 2				*Stage 3*				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	33,368,697	3,314,449	356,668	156,319	3,827,436	525,539	469,931	995,470	25,510	38,217,113
Non-financial companies - Trade	5,299,609	735,392	16,114	3,998	755,504	91,961	44,149	136,110	604	6,191,827
Non-financial companies - Construction	2,346,987	583,617	7,508	2,523	593,648	272,067	30,830	302,897	4,141	3,247,673
Non-financial companies - Manufacturing industries	5,596,512	934,013	14,368	7,458	955,839	137,257	71,289	208,546	560	6,761,457
Non-financial companies - Other activities	2,265,462	372,268	12,087	954	385,309	56,211	15,197	71,408	50	2,722,229
Non-financial companies - Other services	11,282,136	1,871,522	22,851	10,567	1,904,940	384,395	110,690	495,085	2,458	13,684,619
Other Services / Other activities	18,871,869	362,090	2,308	14	364,412	46,842	12	46,854	–	19,283,135
Total	79,031,272	8,173,351	431,904	181,833	8,787,088	1,514,272	742,098	2,256,370	33,323	90,108,053
Impairment										
Loans to individuals	95,771	63,994	28,385	19,709	112,088	164,251	265,837	430,088	14,469	652,416
Non-financial companies - Trade	28,456	25,648	863	1,084	27,595	40,537	19,292	59,829	–	115,880
Non-financial companies - Construction	15,896	13,624	978	645	15,247	91,537	17,927	109,464	–	140,607
Non-financial companies - Manufacturing industries	54,770	57,777	1,909	1,842	61,528	53,536	35,826	89,362	–	205,660
Non-financial companies - Other activities	10,608	18,371	771	170	19,312	38,378	8,562	46,940	–	76,860
Non-financial companies - Other services	59,261	64,219	1,497	1,485	67,201	273,576	59,189	332,765	–	459,227
Other Services / Other activities	40,356	4,144	119	1	4,264	34,559	7	34,566	–	79,186
Total	305,118	247,777	34,522	24,936	307,235	696,374	406,640	1,103,014	14,469	1,729,836
Net exposure										
Loans to individuals	33,272,926	3,250,455	328,283	136,610	3,715,348	361,288	204,094	565,382	11,041	37,564,697
Non-financial companies - Trade	5,271,153	709,744	15,251	2,914	727,909	51,424	24,857	76,281	604	6,075,947
Non-financial companies - Construction	2,331,091	569,993	6,530	1,878	578,401	180,530	12,903	193,433	4,141	3,107,066
Non-financial companies - Manufacturing industries	5,541,742	876,236	12,459	5,616	894,311	83,721	35,463	119,184	560	6,555,797
Non-financial companies - Other activities	2,254,854	353,897	11,316	784	365,997	17,833	6,635	24,468	50	2,645,369
Non-financial companies - Other services	11,222,875	1,807,303	21,354	9,082	1,837,739	110,819	51,501	162,320	2,458	13,225,392
Other Services / Other activities	18,831,513	357,946	2,189	13	360,148	12,283	5	12,288	–	19,203,949
Total	78,726,154	7,925,574	397,382	156,897	8,479,853	817,898	335,458	1,153,356	18,854	88,378,217
% of impairment coverage										
Loans to individuals	0.29%	1.93%	7.96%	12.61%	2.93%	31.25%	56.57%	43.20%	56.72%	1.71%
Non-financial companies - Trade	0.54%	3.49%	5.36%	27.11%	3.65%	44.08%	43.70%	43.96%	0.00%	1.87%
Non-financial companies - Construction	0.68%	2.33%	13.03%	25.56%	2.57%	33.65%	58.15%	36.14%	0.00%	4.33%
Non-financial companies - Manufacturing industries	0.98%	6.19%	13.29%	24.70%	6.44%	39.00%	50.25%	42.85%	0.00%	3.04%
Non-financial companies - Other activities	0.47%	4.93%	6.38%	17.82%	5.01%	68.27%	56.34%	65.73%	0.00%	2.82%
Non-financial companies - Other services	0.53%	3.43%	6.55%	14.05%	3.53%	71.17%	53.47%	67.21%	0.00%	3.36%
Other Services / Other activities	0.21%	1.14%	5.16%	7.14%	1.17%	73.78%	58.33%	73.77%	0.00%	0.41%
Total	0.39%	3.03%	7.99%	13.71%	3.50%	45.99%	54.80%	48.88%	43.42%	1.92%

As at 31 December 2022, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2022 (restated)									
		Stage 2				*Stage 3*				
Sector of activity	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	32,827,885	3,279,338	270,182	132,752	3,682,272	536,732	427,303	964,035	30,146	37,504,338
Non-financial companies - Trade	5,312,463	827,990	9,921	4,283	842,194	91,204	45,688	136,892	4,715	6,296,264
Non-financial companies - Construction	2,010,021	771,490	3,040	1,033	775,563	363,418	32,791	396,209	1,851	3,183,644
Non-financial companies - Manufacturing industries	5,836,145	1,013,888	9,380	4,983	1,028,251	162,228	117,804	280,032	928	7,145,356
Non-financial companies - Other activities	2,107,745	395,981	3,587	1,007	400,575	101,252	17,354	118,606	44	2,626,970
Non-financial companies - Other services	11,177,393	2,219,776	10,940	5,798	2,236,514	479,012	90,182	569,194	2,648	13,985,749
Other Services /Other activities	15,382,103	423,148	100	—	423,248	72,980	1,524	74,504	7,545	15,887,400
Total	74,653,755	8,931,611	307,150	149,856	9,388,617	1,806,826	732,646	2,539,472	47,877	86,629,721
Impairment										
Loans to individuals	67,939	54,944	22,759	16,486	94,189	160,627	237,356	397,983	17,888	577,999
Non-financial companies - Trade	22,306	26,555	1,168	1,110	28,833	35,530	20,294	55,824	129	107,092
Non-financial companies - Construction	11,517	16,055	551	288	16,894	154,391	18,769	173,160	—	201,571
Non-financial companies - Manufacturing industries	54,925	54,821	1,293	1,258	57,372	65,474	58,761	124,235	—	236,532
Non-financial companies - Other activities	7,701	15,667	529	154	16,350	44,356	8,459	52,815	—	76,866
Non-financial companies - Other services	56,082	79,700	1,077	1,076	81,853	192,285	36,003	228,288	—	366,223
Other Services /Other activities	19,578	4,561	9	—	4,570	36,543	1,254	37,797	—	61,945
Total	240,048	252,303	27,386	20,372	300,061	689,206	380,896	1,070,102	18,017	1,628,228
Net exposure										
Loans to individuals	32,759,946	3,224,394	247,423	116,266	3,588,083	376,105	189,947	566,052	12,258	36,926,339
Non-financial companies - Trade	5,290,157	801,435	8,753	3,173	813,361	55,674	25,394	81,068	4,586	6,189,172
Non-financial companies - Construction	1,998,504	755,435	2,489	745	758,669	209,027	14,022	223,049	1,851	2,982,073
Non-financial companies - Manufacturing industries	5,781,220	959,067	8,087	3,725	970,879	96,754	59,043	155,797	928	6,908,824
Non-financial companies - Other activities	2,100,044	380,314	3,058	853	384,225	56,896	8,895	65,791	44	2,550,104
Non-financial companies - Other services	11,121,311	2,140,076	9,863	4,722	2,154,661	286,727	54,179	340,906	2,648	13,619,526
Other Services /Other activities	15,362,525	418,587	91	—	418,678	36,437	270	36,707	7,545	15,825,455
Total	74,413,707	8,679,308	279,764	129,484	9,088,556	1,117,620	351,750	1,469,370	29,860	85,001,493
% of impairment coverage										
Loans to individuals	0.21%	1.68%	8.42%	12.42%	2.56%	29.93%	55.55%	41.28%	59.34%	1.54%
Non-financial companies - Trade	0.42%	3.21%	11.77%	25.92%	3.42%	38.96%	44.42%	40.78%	2.74%	1.70%
Non-financial companies - Construction	0.57%	2.08%	18.13%	27.88%	2.18%	42.48%	57.24%	43.70%	0.00%	6.33%
Non-financial companies - Manufacturing industries	0.94%	5.41%	13.78%	25.25%	5.58%	40.36%	49.88%	44.36%	0.00%	3.31%
Non-financial companies - Other activities	0.37%	3.96%	14.75%	15.29%	4.08%	43.81%	48.74%	44.53%	0.00%	2.93%
Non-financial companies - Other services	0.50%	3.59%	9.84%	18.56%	3.66%	40.14%	39.92%	40.11%	0.00%	2.62%
Other Services /Other activities	0.13%	1.08%	9.00%	0.00%	1.08%	50.07%	82.28%	50.73%	0.00%	0.39%
Total	0.32%	2.82%	8.92%	13.59%	3.20%	38.14%	51.99%	42.14%	37.63%	1.88%

As at 31 December 2023, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2023									
		Stage 2				*Stage 3*				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	54,817,070	6,507,490	243,837	97,956	6,849,283	1,101,355	321,902	1,423,257	14,814	63,104,424
Poland	22,932,079	1,254,639	168,557	76,684	1,499,880	404,395	394,011	798,406	18,509	25,248,874
Mozambique	1,282,123	411,222	19,510	7,193	437,925	8,522	26,185	34,707	—	1,754,755
Total	79,031,272	8,173,351	431,904	181,833	8,787,088	1,514,272	742,098	2,256,370	33,323	90,108,053
Impairment										
Portugal	190,234	201,637	10,867	9,419	221,923	551,673	145,912	697,585	—	1,109,742
Poland	103,505	40,435	22,551	14,419	77,405	143,301	245,864	389,165	14,469	584,544
Mozambique	11,379	5,705	1,104	1,098	7,907	1,400	14,864	16,264	—	35,550
Total	305,118	247,777	34,522	24,936	307,235	696,374	406,640	1,103,014	14,469	1,729,836
Net exposure										
Portugal	54,626,836	6,305,853	232,970	88,537	6,627,360	549,682	175,990	725,672	14,814	61,994,682
Poland	22,828,574	1,214,204	146,006	62,265	1,422,475	261,094	148,147	409,241	4,040	24,664,330
Mozambique	1,270,744	405,517	18,406	6,095	430,018	7,122	11,321	18,443	—	1,719,205
Total	78,726,154	7,925,574	397,382	156,897	8,479,853	817,898	335,458	1,153,356	18,854	88,378,217
% of impairment coverage										
Portugal	0.35%	3.10%	4.46%	9.62%	3.24%	50.09%	45.33%	49.01%	0.00%	1.76%
Poland	0.45%	3.22%	13.38%	18.80%	5.16%	35.44%	62.40%	48.74%	78.17%	2.32%
Mozambique	0.89%	1.39%	5.66%	15.26%	1.81%	16.43%	56.77%	46.86%	0.00%	2.03%
Total	0.39%	3.03%	7.99%	13.71%	3.50%	45.99%	54.80%	48.88%	43.42%	1.92%

As at 31 December 2022, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

	2022 (restated)									
		Stage 2				*Stage 3*				
Geography	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Portugal	54,604,642	7,155,127	159,209	66,646	7,380,982	1,410,285	306,213	1,716,498	19,011	63,721,133
Poland	18,184,099	1,377,667	142,519	81,498	1,601,684	386,990	343,753	730,743	28,866	20,545,392
Mozambique	1,865,014	398,817	5,422	1,712	405,951	9,551	82,680	92,231	—	2,363,196
Total	74,653,755	8,931,611	307,150	149,856	9,388,617	1,806,826	732,646	2,539,472	47,877	86,629,721
Impairment										
Portugal	150,039	205,954	7,124	5,447	218,525	550,372	124,012	674,384	—	1,042,948
Poland	83,818	42,151	19,641	14,566	76,358	136,847	210,573	347,420	18,017	525,613
Mozambique	6,191	4,198	621	359	5,178	1,987	46,311	48,298	—	59,667
Total	240,048	252,303	27,386	20,372	300,061	689,206	380,896	1,070,102	18,017	1,628,228
Net exposure										
Portugal	54,454,603	6,949,173	152,085	61,199	7,162,457	859,913	182,201	1,042,114	19,011	62,678,185
Poland	18,100,281	1,335,516	122,878	66,932	1,525,326	250,143	133,180	383,323	10,849	20,019,779
Mozambique	1,858,823	394,619	4,801	1,353	400,773	7,564	36,369	43,933	—	2,303,529
Total	74,413,707	8,679,308	279,764	129,484	9,088,556	1,117,620	351,750	1,469,370	29,860	85,001,493
% of impairment coverage										
Portugal	0.27%	2.88%	4.47%	8.17%	2.96%	39.03%	40.50%	39.29%	0.00%	1.64%
Poland	0.46%	3.06%	13.78%	17.87%	4.77%	35.36%	61.26%	47.54%	62.42%	2.56%
Mozambique	0.33%	1.05%	11.45%	20.97%	1.28%	20.80%	56.01%	52.37%	0.00%	2.52%
Total	0.32%	2.82%	8.92%	13.59%	3.20%	38.14%	51.99%	42.14%	37.63%	1.88%

As at 31 December 2023, the gross exposure, by type of financial instrument, internal rating and stage, is analysed as follows:

(Thousands of euros)

	2023							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	48,884,930	9,891,705	4,050,015	800	1,269,469	64,096,919	292,238	63,804,681
stage 2	1,338,150	1,942,276	3,215,313	379,810	477,945	7,353,494	292,549	7,060,945
stage 3	—	—	—	1,896,329	23,543	1,919,872	1,009,006	910,866
POCI	2,152	2,448	1,202	24,831	115	30,748	14,469	16,279
	50,225,232	11,836,429	7,266,530	2,301,770	1,771,072	73,401,033	1,608,262	71,792,771
Debt instruments at fair value through other comprehensive income (*)								
stage 1	10,490,205	153,637	11,687	50	154,294	10,809,873	—	10,809,873
stage 3	—	—	—	—	1,150	1,150	1,150	—
	10,490,205	153,637	11,687	50	155,444	10,811,023	1,150	10,809,873
Guarantees and other commitments (**)								
stage 1	9,603,432	3,927,153	1,224,614	3,511	175,643	14,934,353	12,880	14,921,473
stage 2	169,847	400,684	670,786	13,250	179,027	1,433,594	14,686	1,418,908
stage 3	—	—	—	336,351	147	336,498	94,008	242,490
POCI	6	5	1	2,563	—	2,575	—	2,575
	9,773,285	4,327,842	1,895,401	355,675	354,817	16,707,020	121,574	16,585,446
Total	70,488,722	16,317,908	9,173,618	2,657,495	2,281,333	100,919,076	1,730,986	99,188,090

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments (note 45).

As at 31 December 2022, the gross exposure, by type of financial instrument, internal rating and stage, is analysed as follows:

(Thousands of euros)

	2022 (restated)							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	44,625,339	10,468,892	3,984,622	2,862	1,268,808	60,350,523	228,741	60,121,782
stage 2	1,456,028	1,911,502	3,321,694	373,651	557,148	7,620,023	285,168	7,334,855
stage 3	—	—	—	2,165,309	9,472	2,174,781	985,667	1,189,114
POCI	1,928	9,048	1,122	34,782	77	46,957	17,898	29,059
	46,083,295	12,389,442	7,307,438	2,576,604	1,835,505	70,192,284	1,517,474	68,674,810
Debt instruments at fair value through other comprehensive income (*)								
stage 1	6,600,955	169,240	34,790	—	629,167	7,434,152	—	7,434,152
stage 3	—	—	—	—	1,067	1,067	1,067	—
	6,600,955	169,240	34,790	—	630,234	7,435,219	1,067	7,434,152
Guarantees and other commitments (**)								
stage 1	9,105,641	3,673,579	1,312,038	57	211,917	14,303,232	11,307	14,291,925
stage 2	219,327	390,858	832,431	34,840	291,138	1,768,594	14,893	1,753,701
stage 3	—	—	—	364,627	64	364,691	84,435	280,256
POCI	—	—	—	921	—	921	119	802
	9,324,968	4,064,437	2,144,469	400,445	503,119	16,437,438	110,754	16,326,684
Total	62,009,218	16,623,119	9,486,697	2,977,049	2,968,858	94,064,941	1,629,295	92,435,646

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.
(**) The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments (note 45).

As at 31 December 2023, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by segment, are presented in the following table:

(Thousands of euros)

	2023					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals - Mortgage	27,960	27,956,633	27,984,593	9,347	172,867	182,214
Individuals - Other	8,531	10,223,989	10,232,520	4,709	465,493	470,202
Financial Companies	48,444	3,327,226	3,375,670	34,439	24,985	59,424
Non-financial companies-Corporate	204,869	11,582,366	11,787,235	105,559	68,974	174,533
Non-financial companies-SME-Corporate	517,062	11,293,743	11,810,805	326,269	176,087	502,356
Non-financial companies-SME-Retail	84,903	8,384,136	8,469,039	77,852	241,557	319,409
Non-financial companies-Other	702	540,025	540,727	567	1,369	1,936
Other loans	—	15,907,464	15,907,464	—	19,762	19,762
Total	892,471	89,215,582	90,108,053	558,742	1,171,094	1,729,836

As at 31 December 2022, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by segment, are presented in the following table:

(Thousands of euros)

	2022 (restated)					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals - Mortgage	30,700	28,183,186	28,213,886	9,386	157,417	166,803
Individuals - Other	26,953	9,263,499	9,290,452	18,543	392,653	411,196
Financial Companies	81,059	3,651,532	3,732,591	37,622	10,362	47,984
Non-financial companies-Corporate	276,046	10,343,093	10,619,139	126,378	49,889	176,267
Non-financial companies-SME-Corporate	654,073	13,253,883	13,907,956	301,952	172,651	474,603
Non-financial companies -SME - Retail	158,552	7,946,796	8,105,348	94,878	241,890	336,768
Non-financial companies-Other	—	605,540	605,540	—	646	646
Other loans	—	12,154,809	12,154,809	—	13,961	13,961
Total	1,227,383	85,402,338	86,629,721	588,759	1,039,469	1,628,228

As at 31 December 2023, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by sector of activity are presented in the following table:

(Thousands of euros)

	2023					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	36,491	38,180,622	38,217,113	14,056	638,360	652,416
Non-financial companies-Trade	63,282	6,128,545	6,191,827	33,799	82,081	115,880
Non-financial companies-Construction	212,160	3,035,513	3,247,673	88,160	52,447	140,607
Non-financial companies-Manufacturing industry	110,203	6,651,255	6,761,458	57,795	147,865	205,660
Non-financial companies-Other activities	48,448	2,673,781	2,722,229	37,216	39,644	76,860
Non-financial companies-Other services	373,443	13,311,176	13,684,619	293,277	165,950	459,227
Other Services/Other activities	48,444	19,234,690	19,283,134	34,439	44,747	79,186
Total	892,471	89,215,582	90,108,053	558,742	1,171,094	1,729,836

As at 31 December 2022, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by sector of activity are presented in the following table:

(Thousands of euros)

	2022 (restated)					
	Gross Exposure			Impairment losses		
Sector of activity	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Loans to individuals	57,653	37,446,685	37,504,338	27,929	550,070	577,999
Non-financial companies-Trade	56,649	6,239,615	6,296,264	30,640	76,452	107,092
Non-financial companies-Construction	308,289	2,875,355	3,183,644	158,454	43,117	201,571
Non-financial companies-Manufacturing industry	173,248	6,972,108	7,145,356	93,885	142,647	236,532
Non-financial companies-Other activities	95,832	2,531,138	2,626,970	44,541	32,325	76,866
Non-financial companies-Other services	454,653	13,531,096	13,985,749	195,688	170,535	366,223
Other Services/Other activities	81,059	15,806,341	15,887,400	37,622	24,323	61,945
Total	1,227,383	85,402,338	86,629,721	588,759	1,039,469	1,628,228

As at 31 December 2023, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by geography, are presented in the following table:

(Thousands of euros)

	2023					
	Gross Exposure			Impairment losses		
Geography	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Portugal	758,022	62,346,402	63,104,424	516,336	593,406	1,109,742
Poland	121,548	25,127,326	25,248,874	36,255	548,289	584,544
Mozambique	12,901	1,741,854	1,754,755	6,151	29,399	35,550
Total	892,471	89,215,582	90,108,053	558,742	1,171,094	1,729,836

As at 31 December 2022, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by geography, are presented in the following table:

(Thousands of euros)

	2022 (restated)					
	Gross Exposure			Impairment losses		
Geography	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Portugal	1,053,955	62,667,178	63,721,133	511,657	531,291	1,042,948
Poland	98,717	20,446,675	20,545,392	37,219	488,394	525,613
Mozambique	74,711	2,288,485	2,363,196	39,883	19,784	59,667
Total	1,227,383	85,402,338	86,629,721	588,759	1,039,469	1,628,228

The columns Gross exposure and Collective impairment losses of the previous tables include loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 31 December 2023, the following table includes the loans portfolio (including guarantees and commitments) by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2023					
Year of production	Construction and Commercial Real Estate	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2013 and previous						
Number of operations	13,988	27,550	275,796	637,888	380	955,602
Value (Euros '000)	928,757	3,261,687	8,790,207	1,229,144	89,608	14,299,403
Impairment constituted (Euros '000)	73,508	58,659	113,180	22,494	812	268,653
2014						
Number of operations	1,310	5,156	7,877	63,545	85	77,973
Value (Euros '000)	69,788	447,850	327,925	111,200	184,307	1,141,070
Impairment constituted (Euros '000)	7,137	5,895	5,441	4,563	873	23,909
2015						
Number of operations	1,740	7,093	9,709	84,470	114	103,126
Value (Euros '000)	85,463	591,723	464,924	145,749	8,498	1,296,357
Impairment constituted (Euros '000)	1,952	22,286	4,621	7,655	577	37,091
2016						
Number of operations	2,053	8,438	10,979	110,408	49	131,927
Value (Euros '000)	141,513	1,117,972	542,229	213,263	3,067	2,018,044
Impairment constituted (Euros '000)	2,314	12,494	5,106	13,662	179	33,755
2017						
Number of operations	2,482	9,808	17,985	120,635	99	151,009
Value (Euros '000)	157,801	978,292	1,047,446	246,833	14,258	2,444,630
Impairment constituted (Euros '000)	10,391	17,786	6,592	17,477	774	53,020
2018						
Number of operations	4,819	15,084	23,954	213,882	165	257,904
Value (Euros '000)	384,262	1,901,330	1,604,675	530,572	301,822	4,722,661
Impairment constituted (Euros '000)	5,771	33,804	8,220	37,433	1,227	86,455
2019						
Number of operations	7,245	21,732	27,329	521,238	150	577,694
Value (Euros '000)	499,121	1,658,088	1,956,352	982,211	79,619	5,175,391
Impairment constituted (Euros '000)	7,673	43,210	7,137	67,067	1,144	126,231
2020						
Number of operations	9,258	31,822	32,966	244,303	189	318,538
Value (Euros '000)	862,852	2,855,711	2,410,351	617,566	104,195	6,850,675
Impairment constituted (Euros '000)	14,538	76,473	8,944	38,516	1,913	140,384
2021						
Number of operations	9,130	33,058	48,727	363,405	219	454,539
Value (Euros '000)	792,772	2,539,394	3,981,918	1,016,489	333,477	8,664,050
Impairment constituted (Euros '000)	11,334	42,963	10,857	67,703	3,131	135,988
2022						
Number of operations	9,311	34,292	35,724	571,063	396	650,786
Value (Euros '000)	1,397,283	4,265,544	3,490,509	1,677,789	126,587	10,957,712
Impairment constituted (Euros '000)	15,286	51,293	6,233	79,493	1,704	154,009
2023						
Number of operations	14,388	113,890	31,737	1,312,681	4,733	1,477,429
Value (Euros '000)	1,967,654	6,445,098	3,317,913	2,949,518	179,760	14,859,943
Impairment constituted (Euros '000)	16,782	217,800	6,768	70,824	2,232	314,406
Total						
Number of operations	75,724	307,923	522,783	4,243,518	6,579	5,156,527
Value (Euros '000)	7,287,266	26,062,689	27,934,449	9,720,334	1,425,198	72,429,936
Impairment constituted (Euros '000)	166,686	582,663	183,099	426,887	14,566	1,373,901

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2022, the following table includes the loans portfolio (including guarantees and commitments) by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2022 (restated)					
Year of production	**Construction and Commercial Real Estate**	**Companies - Other Activities**	**Mortgage loans**	**Individuals - Other**	**Other loans**	**Total**
2012 and previous						
Number of operations	15,703	25,791	293,344	677,001	384	1,012,223
Value (Euros '000)	970,246	3,194,423	10,117,624	1,228,014	81,780	15,592,087
Impairment constituted (Euros '000)	73,617	51,428	106,931	17,378	646	250,000
2013						
Number of operations	1,121	3,600	10,115	65,523	17	80,376
Value (Euros '000)	64,192	510,025	376,049	106,759	2,537	1,059,562
Impairment constituted (Euros '000)	3,236	3,441	5,681	3,329	6	15,693
2014						
Number of operations	1,234	4,859	8,737	82,035	86	96,951
Value (Euros '000)	76,217	509,250	356,743	126,516	183,780	1,252,506
Impairment constituted (Euros '000)	5,049	9,235	4,719	4,618	855	24,476
2015						
Number of operations	1,691	6,284	10,836	112,676	124	131,611
Value (Euros '000)	106,007	908,354	515,361	185,482	44,947	1,760,151
Impairment constituted (Euros '000)	1,947	23,398	3,874	9,116	27,758	66,093
2016						
Number of operations	1,911	8,196	12,280	134,403	55	156,845
Value (Euros '000)	154,183	1,209,277	616,181	256,858	4,248	2,240,747
Impairment constituted (Euros '000)	5,274	13,961	4,432	17,195	174	41,036
2017						
Number of operations	2,568	11,100	20,277	142,014	96	176,055
Value (Euros '000)	219,318	1,228,140	1,202,742	305,913	13,230	2,969,343
Impairment constituted (Euros '000)	2,807	17,900	5,830	21,347	720	48,604
2018						
Number of operations	5,312	19,488	26,701	286,638	203	338,342
Value (Euros '000)	498,338	2,227,925	1,833,809	655,719	309,885	5,525,676
Impairment constituted (Euros '000)	7,262	32,931	6,511	43,836	1,607	92,147
2019						
Number of operations	8,703	27,962	30,166	595,430	185	662,446
Value (Euros '000)	632,970	2,098,246	2,198,981	1,221,662	144,135	6,295,994
Impairment constituted (Euros '000)	7,295	45,754	5,735	75,179	3,002	136,965
2020						
Number of operations	9,891	37,416	36,088	313,758	255	397,408
Value (Euros '000)	1,148,968	4,324,442	2,656,294	809,745	165,228	9,104,677
Impairment constituted (Euros '000)	13,228	83,686	7,361	42,424	1,638	148,337
2021						
Number of operations	10,744	37,545	53,486	524,347	340	626,462
Value (Euros '000)	1,146,704	3,355,457	4,464,436	1,376,201	388,696	10,731,494
Impairment constituted (Euros '000)	15,760	51,953	8,848	61,243	2,299	140,103
2022						
Number of operations	14,046	117,544	38,354	1,108,878	4,678	1,283,500
Value (Euros '000)	2,097,778	7,566,584	3,822,846	2,514,949	364,556	16,366,713
Impairment constituted (Euros '000)	19,365	169,939	5,788	64,160	2,593	261,845
Total						
Number of operations	72,924	299,785	540,384	4,042,703	6,423	4,962,219
Value (Euros '000)	7,114,921	27,132,123	28,161,066	8,787,818	1,703,022	72,898,950
Impairment constituted (Euros '000)	154,840	503,626	165,710	359,825	41,298	1,225,299

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2023, the following table includes the fair value of the collaterals by segments (not limited by the value of the collateral) associated to the loan's portfolio:

	2023					
	Construction and Commercial Real Estate		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)
< 0.5 M€						
Number	7,433	10,521	8,995	74,256	453,097	247
Value (Euros '000)	957,351	270,085	1,360,898	1,715,200	64,939,467	14,258
>= 0.5 M€ and < 1 M€						
Number	788	68	1,221	261	6,910	5
Value (Euros '000)	548,653	46,495	856,785	181,934	4,459,854	2,833
>= 1 M€ and < 5 M€						
Number	752	49	1,137	180	1,169	1
Value (Euros '000)	1,564,212	90,200	2,317,694	351,774	1,828,625	1,121
>= 5 M€ and < 10 M€						
Number	126	1	128	15	16	—
Value (Euros '000)	883,759	5,424	892,174	111,364	102,113	—
>= 10 M€ and < 20 M€						
Number	52	1	62	12	2	—
Value (Euros '000)	705,360	10,415	882,748	176,111	21,129	—
>= 20 M€ and < 50 M€						
Number	32	1	47	2	—	—
Value (Euros '000)	900,127	20,241	1,393,377	46,125	—	—
>= 50 M€						
Number	4	—	15	4	—	—
Value (Euros '000)	263,193	—	1,124,438	855,609	—	—
Total Number	9,187	10,641	11,605	74,730	461,194	253
Total Value (Euros '000)	5,822,655	442,860	8,828,114	3,438,117	71,351,188	18,212

(*) The fair value of real estate collateral relates to the PVT included in valuations.

(**) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2022, the following table includes the fair value of the collaterals by segments (not limited by the value of the collateral) associated to the loan's portfolio:

	2022 (restated)					
	Construction and Commercial Real Estate		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate (*)**	**Other real Collateral (**)**	**Real Estate (*)**	**Other real Collateral (**)**	**Real Estate (*)**	**Other real Collateral (**)**
< 0.5 M€						
Number	6,822	9,575	9,030	71,315	468,372	303
Value (Euros '000)	882,242	223,661	1,369,613	1,489,242	62,924,078	17,038
>= 0.5 M€ and < 1 M€						
Number	741	70	1,189	236	6,321	4
Value (Euros '000)	520,105	47,186	832,819	162,741	4,080,818	2,230
>= 1 M€ and < 5 M€						
Number	634	47	1,110	205	1,062	1
Value (Euros '000)	1,307,513	84,190	2,223,387	395,940	1,636,182	1,267
>= 5 M€ and < 10 M€						
Number	108	2	118	15	14	—
Value (Euros '000)	737,705	10,838	852,256	102,251	86,476	—
>= 10 M€ and < 20 M€						
Number	50	2	57	13	1	—
Value (Euros '000)	651,146	21,833	809,825	194,916	11,110	—
>= 20 M€ and < 50 M€						
Number	22	—	40	1	—	—
Value (Euros '000)	636,352	—	1,208,432	20,452	—	—
>= 50 M€						
Number	6	—	14	2	—	—
Value (Euros '000)	455,600	—	1,245,381	523,630	—	—
Total Number	8,383	9,696	11,558	71,787	475,770	308
Total Value (Euros '000)	5,190,663	387,708	8,541,713	2,889,172	68,738,664	20,535

(*) The fair value of real estate collateral relates to the PVT included in valuations.

(**) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2023, the following table includes the LTV (*loan-to-value*) ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2023				
Segment/Ratio	**Number of properties**	**Stage 1**	**Stage 2**	**Stage 3**	**Impairment**
Construction and CRE					
Without associated collateral	n.a.	1,325,209	368,506	61,341	69,194
<60%	26,471	1,231,512	314,464	27,331	22,492
>=60% and <80%	4,107	405,123	124,352	25,326	17,357
>=80% and <100%	858	115,631	26,141	2,513	3,689
>=100%	915	83,185	56,059	49,530	30,584
Companies - Other Activities					
Without associated collateral	n.a.	9,520,386	1,406,516	244,982	438,065
<60%	49,955	1,888,694	528,115	128,724	75,157
>=60% and <80%	15,150	965,433	277,671	80,993	42,715
>=80% and <100%	9,050	457,684	378,185	48,634	34,873
>=100%	2,328	492,635	159,776	258,397	208,054
Mortgage loans					
Without associated collateral	n.a.	62,011	3,510	9,719	12,435
<60%	380,896	13,666,658	1,351,098	264,041	119,276
>=60% and <80%	119,725	8,368,284	896,151	117,924	39,255
>=80% and <100%	33,465	2,594,964	349,466	50,104	20,302
>=100%	4,814	168,138	53,712	19,770	10,447

As at 31 December 2022, the following table includes the LTV (*loan-to-value*) ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2022 (restated)				
Segment/Ratio	**Number of properties**	**Stage 1**	**Stage 2**	**Stage 3**	**Impairment**
Construction and CRE					
Without associated collateral	n.a.	1,528,695	453,957	73,399	70,799
<60%	25,799	1,019,694	259,169	42,667	31,589
>=60% and <80%	2,771	376,094	81,106	21,337	9,536
>=80% and <100%	1,067	131,874	46,414	58,121	49,541
>=100%	979	74,888	73,472	61,705	40,249
Companies - Other Activities					
Without associated collateral	n.a.	10,285,172	1,651,463	284,131	393,519
<60%	49,259	1,563,296	495,030	141,344	65,781
>=60% and <80%	16,491	991,449	329,502	128,863	48,995
>=80% and <100%	11,106	576,326	406,133	72,826	47,386
>=100%	2,741	654,901	202,769	280,711	146,244
Mortgage loans					
Without associated collateral	n.a.	53,715	2,892	10,403	10,816
<60%	383,344	13,363,029	1,310,064	261,616	102,636
>=60% and <80%	129,126	8,530,613	844,549	112,000	32,431
>=80% and <100%	39,677	2,884,194	357,767	58,421	19,953
>=100%	6,013	235,017	60,244	30,008	15,674

As at 31 December 2023, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 27) and as Other assets (note 32), by type of asset:

(Thousands of euros)

	2023					
	Assets arising from recovered loans results		Assets belong to investments funds and real estate companies		Total	
Asset	Appraised value	Book value	Appraised value (1)	Book value	Appraised value	Book value
Land						
Urban	80,526	49,779	84,684	84,684	165,210	134,463
Rural	4,622	2,188	17,560	17,560	22,182	19,748
Buildings in development						
Commercials	790	529	—	—	790	529
Mortgage loans	2,474	1,438	—	—	2,474	1,438
Constructed buildings						
Commercials	29,968	15,391	—	—	29,968	15,391
Mortgage loans	52,120	35,758	—	—	52,120	35,758
Other	30,495	30,261	—	—	30,495	30,261
Other assets	5,400	5,400	—	—	5,400	5,400
	206,395	140,744	102,244	102,244	308,639	242,988

(1) Value deducted from haircuts or other applicable impairments

As at 31 December 2022, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 27), by type of asset:

(Thousands of euros)

	2022 (restated)					
	Assets arising from recovered loans		Assets belong to investments funds and real estate companies		Total	
Asset	Appraised value	Book value	Appraised value (1)	Book value	Appraised value	Book value
Land						
Urban	126,593	84,970	199,094	199,094	325,687	284,064
Rural	5,318	2,996	20,768	20,768	26,086	23,764
Buildings in development						
Commercials	869	517	—	—	869	517
Mortgage loans	2,550	1,491	—	—	2,550	1,491
Other	11	11	—	—	11	11
Constructed buildings						
Commercials	62,390	43,304	—	—	62,390	43,304
Mortgage loans	82,549	64,015	185	185	82,734	64,200
Other	38,697	38,574	—	—	38,697	38,574
	318,977	235,878	220,047	220,047	539,024	455,925

(1) Value deducted from haircuts or other applicable impairments

Credit portfolio monitoring process

The Bank has in place a credit portfolio management and monitoring processes, namely with regard to the assessment of the risk profile of the exposure in different portfolios/segments. These procedures have the purpose of identifying and closely monitoring the customers potentially more affected by the prevailing macroeconomic context, anticipating possible difficulties in complying the responsibilities and defining credit and performance strategies adjusted to the specificities of each customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk in cases where there are risks of loss in the exposure value.

The importance of this approach is reinforced by the uncertainty that has marked the activity in recent years, with special emphasis on the pandemic context that emerged at the beginning of 2020 and the effects resulting from multiple geopolitical conflicts, with impacts on various aspects such as a more modest level of economic growth, budgetary pressures to cope with the impacts felt by economic agents, the need to allocate budgetary amounts to areas such as Defence, limitations on the transportation of goods, pressure on energy costs, inflationary impacts, high levels of interest rates and rising unemployment rates.

In the specific case of Portugal, the context described translated into lower demand for credit instruments from customers, especially in the corporate segment.

The main guidelines of the credit portfolio monitoring approach can be characterized as presented below:

- Global and transversal: Analysis of the entire credit portfolio of the Bank, being excluded from the monitoring process only customers with a better risk profile (in the case of retail) or with exposures of a lower size (in the case of retail and corporate).

- Specialized: Monitoring by the “Comité de Acompanhamento de Risco de Empresas” (CARE), and Credit Division in coordination with the Rating Division for the corporate segment and by the Credit Division and Retail Recovery Division for individuals and small businesses. The cases monitored by the CARE committee, are related to clients covered by a set of criteria that combine exposure size and risk factors like the rating assigned, IFRS 9 staging and, for the corporate segment, the level of leverage and whether the sector in which it operates is considered highly vulnerable.

- Segmented: Prioritization of approach/analysis recurrence based on risk signs, in order to gather additional information and agree on appropriate and sustainable financial restructuring solutions in a timely manner.

- Prospective: Use of predictive models, in order to anticipate potential future defaults, avoiding a reactive approach.

- Standardized: Both in terms of risk models and monitoring, and in terms of credit solutions for which it is possible to identify pre-defined alternatives (retail segments).

- Convenient and innovative: Making the restructuring journey simpler and more convenient both in terms of credit solutions and channels, extending the restructuring offer to the App for consumer credit and mortgages.

Specifically in the corporate segment, the process of portfolio follow-up and monitoring can be generically characterized as described below, having as a fundamental component the attribution of credit strategies, among pre-defined options, with review periods differentiated according to the level of risk associated to the strategy attributed:

1. Client Assessment and presentation of Indicative Credit Strategy by the Rating Division (for customers with ratings assigned by corporate rating models);

2. Approval, by the competent credit decision levels, of a credit strategy for each customer, taking into consideration the Indicative Credit Strategy from the Rating Division, the information received from the area that follows the client and the inputs received as a result of the customer interaction process;

3. Decision, negotiation and formalisation of the operations that will ensure that the approved strategy is pursued and the approved credit limits are met (Credit Division, Areas that follow the client and Operations Division);

4. Monitoring the Credit Strategy and the evolution of the customer's activity (Credit Division, Areas that follow the client and Specialised Committees - CARE);

5. Monitoring of the credit portfolio and effectiveness of the portfolio monitoring process and credit strategy attribution (Risk Office), based on a set of KPIs, (e.g. percentage of the credit portfolio with valid risk strategy; evolution of credit exposure to customers with a reduction strategy; adequacy of the credit strategy to the customer's performance);

6. In the attribution of the customer's credit strategy, besides the intrinsic factors of the customer, more transversal factors are taken into consideration, such as the evaluation of the sectorial risk and ESG impacts (periodically reviewed with the support of the Economic, Sustainability and Criptoactives Studies Division) and taking into consideration the attribution of a ESG rating regarding the clients with most relevant exposures;

7. The occurrence of effective and/or potential risk events (signs of default/delinquency; breach of contractual covenants; severe alteration in sector risk; alteration in the corporate/shareholder structure), trigger an extraordinary/anticipated revision of the strategy.

Within the scope of this monitoring process and with an impact on other complementary procedures adopted by the Bank, namely for reporting purposes, the Bank defines a list of sectors considered as more vulnerable to the macroeconomic environment, which is reviewed periodically (at least annually), also involving the preparation of report presenting a detailed characterisation of its loan portfolio under a sectoral perspective.

Additional measures with impact on the Impairment level

i. Updating macroeconomic scenarios and the parameters of the collective impairment model

Taking into account the changes and uncertainty of the context and the economic outlook essentially marked by a context conditioned by the maintenance of relatively high levels of inflation and interest rates, an update of the macroeconomic scenarios used in the collective impairment analysis model in Portugal was carried out in December 2023, based on three scenarios (Central Scenario, Optimistic and Pessimistic) prepared by the Bank's Economic Studies area.

The referred scenarios, which are used in the Bank for several purposes other than the impairment calculation, took into consideration the existing projections of reputed entities.

The tables below systematise the projections for 2023 and 2024 considered for Portugal concerning the central scenarios with regard to some of the critical variables used in the calculation of collective impairment.

Update of main macroeconomic scenario assumptions (Base Scenario) - Portugal

	December 2022 Scenario		December 2023 Scenario		Difference	
Variable	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**
Unemployment rate	5.88%	5.92%	6.53%	7.15%	0.65%	1.23%
3 months Euribor Rate	3.17%	3.10%	3.43%	3.18%	0.26%	0.08%
Savings Rate	5.80%	6.00%	6.40%	8.40%	0.60%	2.40%
Inflation Rate	5.83%	3.25%	5.34%	2.93%	-0.49%	-0.33%

Regarding Poland, an update of the macroeconomic assumptions was also carried out in relation to those considered in December 2022, which translates into the terms presented in the table below regarding the projections for 2023 and 2024 foreseen in the central scenario.

Update of main macroeconomic scenario assumptions (Base Scenario) - Poland

	December 2022 Scenario		December 2023 Scenario		Difference	
Variable	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**
Unemployment rate	5.80%	6.00%	5.20%	5.30%	-0.60%	-0.70%
Nominal GDP annual evolution	13.80%	9.00%	11.70%	7.60%	-2.10%	-1.40%
Consumption annual evolution	0.70%	1.50%	-1.00%	3.50%	-1.70%	2.00%
Disposable Income	4.90%	4.80%	12.60%	8.10%	7.70%	3.30%
EUR/PLN exchange rate	4,64	4,52	4,48	4,42	-0.16	-0,10
CHF/PLN exchange rate	4,65	4,48	4,60	4,58	-0.05	0,10

The following tables describe the weightings assigned in Portugal and Poland to the different macroeconomic scenarios considered at the end of 2022 and 2023, which can be considered as conservative:

Weightings of the macroeconomic scenarios considered

	Weightings			
	Portugal		Poland	
Scenario	**Dec 2022**	**Dec 2023**	**Dec 2022**	**Dec 2023**
Central	60 %	60 %	65 %	70 %
Upside	10 %	10 %	10 %	10 %
Downside	30 %	30 %	25 %	20 %

For Portugal, a simulation of an additional one percentage point worsening in the evolution of the key indicators for the collective impairment estimate was carried out, which translates into the impacts shown in the table below, based on the collective impairment of the portfolio in Portugal as at 31 December 2023, which amounted to Euros 488 million (this figure does not include the impairment amounts calculated by the overlays methodology described in point ii. of this section).

Sensitivity analysis on the calculation of collective impairment (December 2023)

Variable	Estimated impact (% variation)
100 bp Unemployment Rate aggravation	4,68%
100 bp 3 months Euribor aggravation	6,76%
100 bp Savings Rate aggravation	0,55%
100 bp Inflation Rate aggravation	4,62%

ii. Impairment overlays

In order to incorporate an additional level of conservatism in the impairment values, the Bank defined and implemented a methodology of complementary of identification of significant increase in credit risk situations and potential signs of impairment.

This approach adopts differentiated criteria in relation to the base methodologies in force, with distinct processes having been adopted for the calculation of overlays for the corporate and individual customers segments.

The overlays currently in force seek in particular to address the context of uncertainty that continues to prevail, associated with a context of multiple geopolitical crisis, the constraints that still exist with regard to economic growth, inflationary pressures and the high level of interest rates, an environment that constitutes a disruption of the context that prevailed until the end of 2021, characterized by low levels of interest rates and inflation.

This positioning is in line with the guidelines on this matter issued by the Supervisors in what regards the identification and measurement of credit risk in contexts of uncertainty, so that the release of overlays initially constituted in the context of the pandemic should be carried out with prudence and taking into account the possible need for new overlays to respond to the current context.

The exercise carried out reflected, in terms of impairment value, in the calculation of the estimated impact arising from potential migrations of customers with higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis. It should be noted that the most significant impact occurred in the corporate segment. The methodology developed by the Bank was considered for the calculation and recording of impairment at the reference date of the accounts, without affecting the classification of credit exposures by stages in the Bank's loan portfolio.

In Poland, the Bank also adopted a policy of recording overlays. Taking into consideration the country's specific reality, adjustments to the overlay's methodology had already been incorporated in 2022 to address the impacts of the geopolitical crisis.

As a result of the implementation of this methodology, the Bank calculated an additional impairment to that resulting from the collective analysis model, therefore with characteristics of overlays, whose amount on 31 December 2023 was approximately Euros 99.0 million in Portugal (Euros 95.0 million in December 2022), Euros 48.3 million in Poland (Euros 33.9 million in December 2022) and Euros 2.8 million in Mozambique (in the end of 2022 there weren’t overlay allocations in this geography).

Government measures to mitigate the impacts on mortgage contracts

Decree-Law 80-A/2022

Specifically with regard to Decree-Law 80-A/2022, a Portuguese Government act of 25 November 2022 that established measures to mitigate the effects of the increase in the reference indexing factors of credit contracts for the acquisition or construction of permanent house ownership, it is worth highlighting the fact that it introduced the obligation for Financial Institutions to approach individual customers with mortgage credit who potentially fit into the requirements set out in that act.

In what concerns Millennium bcp, a contact was promoted with about 180 thousand customers, requesting information in order to calculate the respective effort rate.

On 31 December 2023, date when the period to adhere to this measure expired, the number of clients that had shown interest in evaluating the support mechanisms provided for under Decree Law 80-A/2022 amounted to around 15 thousand.

Decree-Law 20-B/2023

Decree-Law 20-B/2023, a Portuguese Government regulation of 22 March 2023, embodied the legislative package "Mais Habitação", providing extraordinary support to families, namely through the creation of support for borrowers of credit agreements for permanent own housing in the form of a temporary subsidy of the interest component, in situations where the index rate exceeds a certain threshold.

On 13 February 2024, loans with subsidies already processed amounted to exposures of approximately Euros 520 million, with an average monthly subsidy of Euros 49.

Decree-Law 91/2023

Also with regard to the promotion of support measures for borrowers of mortgage loan contracts, it is worth noting the publication of Decree-Law 91/2023, a Portuguese government decree of 11 October 2023, which allows to fix the installment over a period of 24 months, taking into account an interest rate benchmark defined in the decree-law, and with an adherence period until 31 March 2024.

By 31 January 2024, at the request of customers, the Bank had implemented this measure in around 1,800 contracts.

Credit concentration risk

The Group's policy relating to the identification, measurement, and evaluation of the concentration risk in credit risk is approved by the Bank's management body, applied to all Group entities, and is based on the following guidelines:

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

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

1) Exposures to Sovereigns;
2) Exposures to Institutions (Banks/financial institutions);
3) Single-name exposures (Large Corporate exposures);
4) Geographic concentration (country risk);
5) Exposure to sectors of activity.

These limits apply to the 'Net exposures' (*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The metrics regarding the concentration of exposure to Sovereigns and geographic concentration exclude the countries in which the Group has significant operations (Portugal, Poland and Mozambique) and the respective Sovereigns.

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

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE (Non-performing exposures) positions are considered "always in excess" and its framed by the actions covered by the NPE reduction Plan defined and executed at Group BCP level.

The limits in force as at 31 December 2023, for the exposure to Single-name, in terms of the Net Exposure weight over the Consolidated Own Funds, are the following:

Risk quality	Risk grade	*Single-name*
High quality	1 - 5	7.0%
Average/good quality	6 - 7	4.5%
Average low/quality	8 - 9	2.8%
Low quality	10 - 11	0.5%
Restricted credit	12 - 13	0.3%

(*) Net exposure = EAD x LGD, considering LGD=45% whenever own estimates for LGD are not available or applicable. EAD = Exposure at default ; LGD = Loss given Default.

As at 31 December 2023:

- There were no exposure excesses to Sovereigns, Institutions or countries;

- There were 4 Economic Groups with net exposure above the established Single-name limits for their respective risk grade. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the assessment of the Single-name concentration is also performed within the Group RAS (Risk Appetite Statement) scope.

In what concerns the limit for exposure to sectors of activity, in force on 31 December 2023, this is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. At this date, there was no excess over this limit.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks.

The credit concentration risk is measured and monitored by the Risk Office supported on a database on credit exposures (the *Risk Office Datamart*), monthly updated by the Group’s systems, which feeds the risk management system of the Group.

The Risk Office maintains a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, which is used by the Credit Division and by the Commercial Networks within the scope of credit analysis for large clients with the purpose of ensuring exposures are kept within the approved limits.

Real state risk

Real estate risk materializes through losses associated with changes in the value of assets held by the Bank or, indirectly, through funds and/or real estate companies.

The Group detains a real estate portfolio, that comes from repossessed assets linked with recovery processes of non-performing exposures, that is subject to fluctuations and risks in the real estate market and the obligations arising from ownership of the properties.

As a credit institution operating in the financial market, the Bank does not operate directly in the real estate sector, neither as a sales agent nor as an operator in the rental segment.

In this context, the management of this portfolio is based on the following objectives:

• Minimize the risks associated with the real estate portfolio;

• Minimize management costs, maintenance and sale of properties;

• Maximize the financial results from the sale of foreclosed assets;

• Mitigate the portfolio's impact on the Bank's cost of capital and liquidity.

Within this framework, the Bank should optimize the outflow of foreclosed assets from the real estate portfolio, developing appropriate commercial strategies and exploring the distribution channels that are expected to be most effective at any given time to sell the different types of properties held by the Bank.

By managing this portfolio, the following risks were identified and monitored by the Bank:

- Price risk – Risk associated with the devaluation of the property due to unfavourable developments in the real estate market, whether due to a decrease in demand or strong pressure on property sales;

- Liquidity risk - Inherent to the nature of real estate assets and the impact on the Bank's liquidity position and respective financial costs of holding the property;

- Operational risk - associated with the processes of acquiring, maintaining and selling properties, which can result in costs or lost revenue (includes the risks of vandalization and deterioration of properties);

- Compliance risk - compliance with legal standards from the property acquisition process, to the requirements to be observed in its sale, including the responsibility associated with your status as owner;

- Fiscal risk – associated with possible tax contingencies relating to properties owned by the Bank and monitoring the administrative and judicial processes;

- Reputational risk - related to the risks mentioned above, but also with the image projected by the Bank in the way it manages its operations in the real estate market.

The risks associated above are mitigated by the Bank through the existence of a team specialized in the management of this type of assets; a set of internal policies and standards that regulate the asset management processes on the balance sheet; and an insurance policy.

The portfolio of real estate assets has been progressively reduced by the Bank over the last few years.

Market risk

Market risks consist of the potential losses that may arise within a portfolio as a result of changes in interest or exchange rates, and/or in the prices of the different financial instruments within the portfolio, considering not only the correlations that exist between those instruments but also their volatilities.

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

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

The definition of these areas allows for an effective management separation between trading and banking books, as well as a proper allocation of each operation to the most suitable management area, according to the respective context and strategy.

To ensure that risk levels incurred in the different portfolios of the Group align with predefined tolerance risk levels, various market risks limits are established, typically on an annual basis, applying to all portfolios of the risk management areas where the risks are incident. These limits are monitored daily (or intra-daily, in the case of financial markets) by the Risk Office.

Stop loss limits are also set for portfolios in the financial markets' areas – Trading and Funding – based on multiples of the risk limits defined for them, aiming to limit the maximum losses that may occur in these areas. If these limits are breached, a mandatory review of the underlying business strategy and assumptions regarding the management of the positions in question ensues.

Market risks of the prudential trading book [1]

For the daily measurement of generic market risk, which includes interest rate risk, exchange rate risk, equity risk and credit default swap price risk (indexes) - a Value-at-Risk (VaR) model is used, considering a time horizon of 10 business days and a 99% significance level.

Additionally, the Group uses an integrated market risk measure that monitors all relevant sub-types of risk. This measure integrates assessment of generic, specific, non-linear and commodity risks. Each sub-type of risk is measured individually using appropriate risk models, with the integrated measure calculated from individual measures for each, without considering any type of diversification between the sub-types (worst-case scenario approach).

For non-linear risk, an internally developed methodology is applied, replicating the effect of main non-linear elements of options on P&L results of the different portfolios in which these are included, similarly to what is considered in the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured using standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, measured by the methodologies referred to above:

(Thousands of euros)

	2023	Max of global risk in the period	Min of global risk in the period	2022 (restated)
Generic Risk (VaR)	889	4,250	683	1,322
Interest Rate Risk	587	4,458	555	1,011
FX Risk	551	1,438	566	841
Equity Risk	499	218	80	585
Diversification effects	*(748)*	*(1,864)*	*(518)*	*(1,114)*
Specific Risk	624	428	16	13
Non-Linear Risk	—	—	—	—
Commodities Risk	—	—	—	—
Global Risk	1,513	4,678	699	1,335

Validation of the internal VaR model's appropriateness for the assessment of risks involved in the positions held, is conducted over time, with different scopes and frequency, including back testing, diversification effects estimation, and analysis of risk factor comprehensiveness.

In addition to VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results to identify risk concentrations not captured by the VaR model.

(1) Trading Book - positions allocated to the Trading Management Area (and not specifically to the accounting trading book)

Interest rate risk

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

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long-term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

(Thousands of euros)

	2023			
Currency	**-200 bp(*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	2,726	1,368	(1,378)	(2,763)
EUR	(52,312)	(24,650)	21,646	38,925
PLN	130,883	63,939	(61,469)	(120,974)
USD	(8,362)	(4,103)	3,954	7,764
	72,935	36,554	(37,247)	(77,048)

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

(Thousands of euros)

	2022 (restated)			
Currency	**-200 bp(*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	1,422	741	(763)	(1,544)
EUR	(99,549)	(50,069)	50,011	99,465
PLN	(71,253)	(35,436)	34,996	69,502
USD	(32,091)	(15,661)	14,937	29,193
	(201,471)	(100,425)	99,181	196,616

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

As described in accounting policy 1.B, the financial statements of the Group's subsidiaries and associates placed abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates		Average exchange rates	
	(Balance sheet)		(Income statement)	
Currency	2023	2022 (restated)	2023	2022 (restated)
AOA	924.8560	543.2680	748.1139	487.7116
BRL	5.3614	5.6390	5.4066	5.4153
CHF	0.9297	0.9872	0.9729	1.0042
MOP	8.8865	8.5744	8.8865	8.5744
MZN	70.5700	68.1850	69.2471	67.5585
PLN	4.3437	4.6816	4.5396	4.6823
USD	1.1049	1.0667	1.0819	1.0537

Foreign exchange and equity risk of the banking book

The foreign exchange risk of the banking book is transferred internally to the Trading Area, in accordance with the Group’s risk specialization model for the management of balance sheet foreign exchange risk. Structural foreign exchange exposures, including those resulting from financial holdings in subsidiaries, are not transferred and may be covered by market operations, in line with the defined strategy for managing structural foreign exchange risk, aiming at hedging against volatility in the CET1 ratio stemming from exchange rates changes.

As at 31 December 2023, the Group 's financial investments in foreign currency were not hedged.

On a consolidated basis these are identified as net investment hedges in accounting terms, according with IFRS nomenclature. On an individual basis, they are designated as fair value hedges of equity investments.

Gains and losses on instruments used to hedge net investments in foreign institutions are recognized in foreign exchange reserves and presented in the statement of comprehensive income.

The transfer of funds to Portugal, including dividends, owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, may be subject to the restrictions and exchange controls that, at any given time, are in force in the country where the subsidiaries are incorporated or associated.

Regarding equity risk, the Group maintains a set of small-scale, low-risk positions, primarily in the investment portfolio, mainly resulting from execution/payment processes. Management of these positions is conducted by a specialized area of the Group, with risk controlled through defined metrics and limits for market risk control.

Liquidity risk

The evaluation of the Group's liquidity risk is carried out using indicators set by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also fixed.

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's structural liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, to enable the decision making that leads to the maintenance of financing conditions adequate to the business sustainability.

The methodological aspects of the control of liquidity risk are a responsibility of the Risk Commission. This control includes the regular execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

Throughout 2023, the Group's three operations - BCP, Bank Millennium and Banco Internacional de Moçambique - maintained robust liquidity positions, supported mainly by retail deposit bases with proven stability and which allowed maintaining all liquidity indicators, regulatory and internal, comfortably above the minimum requirements.

At the end of the year and on a consolidated basis, the regulatory short term standard (LCR: Liquidity Coverage Ratio) reached 276%, compared to 212% in December 2022, well above the minimum regulatory requirement of 100%. The other short-term liquidity indicator included in the Group's Risk Appetite Statement (RAS), which represents the degree of coverage of customer deposits by the liquidity buffers available for discounting at European central banks, also had a favorable evolution, having evolved from 42% to 45%.

From a structural liquidity perspective, the Group continued to reinforce its stable financing base, characterized by the high weight of customer deposits in the funding structure, complemented by medium and long-term instruments, consisting mainly of MREL (Minimum Requirements for Own Funds and Eligible Liabilities). The regulatory stable funding ratio (NSFR: Net Stable Funding Ratio; Article 428 of Regulation (EU) 2019/876) reached 167% in December 2023, vs. 154% a year earlier.

As at 31 December 2023, the Group maintains a structurally comfortable liquidity profile with a loan-to-deposit ratio of 71% (according to Bank of Portugal Instruction No. 16/2004), compared to 74% as at 31 December 2022, indicating a slight improvement over this period.

In Portugal, following the significant migration of deposits to non-bank savings products that occurred mainly in the first quarter of 2023, the volume of customer funds showed a stable behavior throughout the 2nd half of the year, allowing the Bank to protect its market share.

In what concerns wholesale funding, BCP carried out in January 2023 the early repayment of the second and last tranche of the Targeted Longer-Term Refinancing Operation III (TLTRO III, "T LTRO III" in the English abbreviation, in the gross amount of Euros 600,000,000), with no significant impact on the liquidity risk indicators.

In September 2023, after regaining investment grade status by the four main rating agencies, BCP returned to the market, placing an issue of senior preferred debt eligible for MREL (Minimum Requirements for Own Funds and Eligible Liabilities) under its Euro Note Program. The issue, in the amount of Euros 500,000,000, has a term of 3 years, with an option for early repayment by the Bank at the end of the second year, an issue price of 99.825% and a fixed interest rate of 5.625%, per year, during the first 2 years (corresponding to a spread of 1.90% over the 2-year mid-swaps rate). In the third year, the interest rate will result from the sum of the 3-month Euribor with a spread of 1.90%. The issue was placed among a very diversified base of institutional investors, with demand exceeding the transaction amount by more than 3 times. The high demand and profile of investors involved in the issue made it possible to narrow the spread by 30 basis points during the execution phase, also reflecting an excellent market response to the Bank's recent rating upgrades.

The liquidity buffer available for discounting at the ECB stood at Euros 27,859,364,000 at the end of 2023, Euros 1,351,735,000 higher than a year earlier, to which contributed the cash flow from operations, the reduction in derivative margin accounts, the placement of the MTN issuance and the market price increase of assets integrated in the portfolio of assets discountable with the ECB, which offset the impacts in the opposite direction of the evolution of the commercial gap and the reversal of haircuts applicable to eligible assets at the values in force before the extraordinary measures taken by the ECB following the COVID-19 pandemic. At the end of 2023, the liquidity buffer comprised a long position of Euros 2,050,654,000 with the ECB, slightly lower than that observed a year earlier (Euros 2,574,146,000).

Throughout 2023, Bank Millennium showed a significant growth of 11% in its retail deposits base. The operation's liquidity position was further reinforced by the market placement of a senior non-preferred issue of Euros 500,000,000. Initially with an amount of Euros 400,000,000, it was subsequently increased by an additional amount of Euros 100,000,000. It has a maturity of four years and a remuneration of 9.875% and qualifies for MREL purposes, thus meaning the fulfilment of another stage of the institution's recovery plan.

Banco Internacional de Moçambique continued to display a resilient liquidity position, supported by a very conservative loan to deposits ratio and 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.

The pool of eligible assets for funding operations in the European Central Bank and other central banks, after haircuts, is detailed as follows:

(Thousands of euros)

	2023	2022 (restated)
European Central Bank	14,677,769	13,677,518
Other Central Banks	7,346,514	5,213,823
	22,024,283	18,891,341

As at 31 December 2023 the gross amount discounted with the European Central Bank is null (31 December 2022: Euros 600,000,000). The amount discounted with the Bank of Mozambique amounts to Euros 1,469,000 (31 December 2022: Euros 2,165,000). There are no discounted amounts with other central banks.

The evolution of the ECB’s Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousands of euros)

	2023	2022 (restated)
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	14,677,769	13,677,518
Outside the pool of ECB monetary policy	11,130,941	10,269,081
	25,808,710	23,946,599
Net borrowing at the ECB (ii)	(2,050,654)	(2,574,146)
Liquidity buffer (iii)	27,859,364	26,520,745

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).

ii) Includes as at 31 December 2023 the amount of deposits with the Bank of Portugal and other liquidity with the Eurosystem (Euros 2,050,654,000) in excess over the minimum cash reserves (Euros 499,338,000).

iii) Eligible collateral available for discount with the ECB, after haircuts, deducted from the net funding at the ECB.

The Group's counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to deal with possible situations of financial stress. The measures for its reinforcement are described in the Recovery Plan which, as at 31 December 2023, projected a total estimated value for Portugal of Euros 2,735,000,000, arising from the sale of corporate bonds and commercial paper, securitization of a portfolio of consumer credit and issuance of retained covered bonds to be mobilized for the ECB's monetary policy pool.

In consolidated terms, the refinancing risk of medium and long-term instruments will remain at very low levels over the next years, with no material expression.

Encumbered and Unencumbered assets

Within the scope of the European Banking Authority's guidance on the disclosure of encumbered assets and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Committee, the following information is presented in accordance with Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

(Thousands of euros)

	2023 (1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the disclosing institution	2,209,334	1,732,985			88,478,010	23,355,398		
Equity instruments	—	—	—	—	108,617	—	108,617	—
Debt securities	1,732,985	1,732,985	1,600,621	1,600,621	24,139,055	19,569,285	23,462,376	18,923,903
of which: covered bonds	—	—	—	—	49,735	—	49,735	—
of which: securitisations	—	—	—	—	7,329	3,348	7,329	3,348
of which: issued by general governments	1,693,088	1,693,088	1,561,888	1,561,888	17,567,226	17,177,757	16,922,286	16,543,663
of which: issued by financial corporations	—	—	—	—	1,704,878	259,885	1,713,561	259,586
of which: issued by non-financial corporations	39,897	39,897	38,734	38,734	2,939,512	491,430	2,952,759	491,430
Other assets	459,458	—			64,159,488	3,797,102		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

(2) EHQLA (*Set as Extremely High-Quality Liquid Assets*) e HQLA (*High-Quality Liquid Assets*).

Collateral received and own debt securities issued

(Thousands of euros)

	2023 (1)			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the disclosing institution	—	—	253,362	139,971
Debt securities	—	—	139,971	139,971
of which: issued by general governments	—	—	139,971	139,971
Loans and advances other than loans on demand	—	—	111,455	—
Own covered bonds and securitisations issued and not yet pledged			9,114,834	—
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	2,209,334	1,732,985		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

(2) EHQLA (*Set as Extremely High-Quality Liquid Assets*) e HQLA (*High-Quality Liquid Assets*).

Sources of encumbrance

(Thousands of euros)

Sources of encumbrance	Matching liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	1,163,408	1,687,935

The table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

At the end of 2023, and according to the EBA methodology, the total encumbered assets represents 2% of the Group's total balance sheet assets. The encumbered Loans to customers represents 13% of the total encumbered assets, while Debt securities represents 78%.

The main sources of asset encumbrance stem from financing operations in Portugal, notably transactions with the European Investment Bank (EIB), collateralization of derivative operations and securitization programs. Collateralization of securitization operations in Poland and derivatives, as well as financing operations with the European Investment Bank and other commitments with the Deposit Guarantee Fund, are primarily supported by eligible sovereign debt held with central banks. On the other hand, securitization programs in Portugal are collateralised by certain Loans to Customers' portfolios.

As at 31 December 2023, the Other assets includes unencumbered assets in the amount of Euros 3,350,705,000 related to Loans on demand, the amount of Euros 54,466,987,000 related to Loans and advances other than loans on demand (of which encumbered assets in the amount of Euros 276,263,000) and the amount of Euros 6,872,185,000, mostly unencumbered and related to the Group's activity, namely, to: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

As at 31 December 2023, BCP Group has a Euros 12.5 billion BCP Covered Bond Programme ("BCP Programme") with Euros 9.2 billion of covered bonds outstanding. The BCP Programme is backed by a Euros 10.9 billion portfolio of residential mortgages, as well as by a liquidity buffer of Euros 50 million, providing an overcollateralization of 18.8%, which is above the minimum of 14% currently required by rating agencies.

The new Portuguese covered bond legislation, under which the BCP Programme has been recently updated and authorised for the issuance of "Covered Bonds (Premium)" (label now born by all its outstanding covered bonds), affords covered bond holders a dual-recourse, firstly over the issuer, secondly over the cover pool that may also include other eligible assets, over which they benefit from a special preferential claim. The Portuguese covered bond legislation ensures total segregation of the covered pool from any future issuer's insolvent estate, for the benefit of covered bond holders, who have precedence over claims of any other of the issuer's creditors in case of issuer insolvency, thus and to this extent superseding the general insolvency and recovery legislation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, among them a maximum LTV of 80%, in the case of programmes issuing Covered Bonds (Premium), delinquency of no more than 90 days, and them being first lien mortgages (or, if otherwise, all preceding liens being in the cover pool) over properties located in the EU. The BCP's Programme documentation limits property location to Portugal only.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousands of euros)

	2023						
	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Assets							
Cash and deposits at Central Banks	4,545,526	–	–	–	–	–	4,545,526
Loans and advances to Credit Institutions - Repayable on demand	337,687	–	–	–	–	–	337,687
Other loans and advances (a)	–	703,056	205,645	–	–	–	908,701
Loans and advances to customers (a)	–	–	8,758,135	13,062,576	32,451,042	616,056	54,887,809
Other financial assets (b)	–	2,573,933	2,463,873	5,409,172	1,004,966	704,509	12,156,453
	4,883,213	3,276,989	11,427,653	18,471,748	33,456,008	1,320,565	72,836,176
Liabilities							
Resources from Credit Institutions	–	516,776	312,350	–	–	–	829,126
Resources from costumers	45,049,544	15,685,920	14,117,747	693,602	60,000	–	75,606,813
Debt securities issued	–	–	311	2,360,372	351,999	–	2,712,682
Subordinated debt	–	–	–	328,679	1,068,746	–	1,397,425
	45,049,544	16,202,696	14,430,408	3,382,653	1,480,745	–	80,546,046

(a) Gross of impairment
(b) Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income.

Operational Risk

The operational risk management system is framed by the “3 Lines of Defence” Corporate Governance model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, these processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the most relevant Group subsidiaries have their own process's structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

The responsibility for the day-to-day processes’ management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred. The Internal Audit function embodies the 3rd Line of Defence and supervises the appropriate fulfilment of the functions and activities of the remaining two lines of defence.

In 2023, the usual operational risk management activities continued to be executed by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group’s management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts.

The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilisation to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels.

Covenants

The contractual terms of instruments of various wholesale funding instruments encompass obligations assumed by entities belonging to the Group as borrowers or issuers, concerning general duties of corporate conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors (“negative pledge”). These terms essentially reflect the internationally adopted standards for each of the types of debt instruments used by the Group.

The terms of the Group’s intervention in rated securitization transactions involving its own assets are subject to changes in case the Group triggers certain rating criteria. The criteria established in each transaction results mainly from the analysis performed at the moment that the transaction was structured, being usually applied by each rating agency in a standardised way to the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade of BCP.

Hedge accounting

The detailed information of the strategies, hedge transactions, hedged items and hedging instruments applied by the Group, is shown in a table below:

Strategy	Description of hedge transactions	Hedged items	Hedging instruments
Cash flow volatility hedge of the flows generated by the portfolio of Euros floating rate mortgage loans (a)	Group hedges the risk of the volatility of interest payments from floating rate mortgages. The volatility of cash flows results from interest rate risk	Floating rate mortgage loans (BCP S.A.)	IRS transactions
Cash flow volatility hedge due to future income and interest costs denominated in foreign currencies (a)	The Group hedges the risk of the volatility of cash flows generated by income and interest costs denominated in foreign currencies. The volatility of cash flows results from the currency risk	Cash flows resulting from income and interest costs denominated in foreign currencies (Bank Millennium S.A.)	FX position transactions
Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities (a)	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN liabilities financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk	Cash flows resulting from the FX mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them (Bank Millennium S.A.)	CIRS transactions
Hedge of volatility of the cash flows generated by PLN denominated financial assets (a)	The Group hedges the risk of the volatility of cash flows generated by PLN denominated financial assets. The volatility of cash flows results from interest rate risk	Cash flows resulting from PLN denominated financial assets (Bank Millennium S.A.)	IRS transactions
Fair value hedge of fixed rate mortgage loans (a)	Group hedges changes in the fair value of cash flows of fixed rate mortgage loans due to changes in market interest rates	Fixed rate mortgage loans (BCP S.A.)	IRS transactions
Fair value hedge of fixed rate debt instruments (a)	Group hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate debt securities, classified as Financial assets at amortised cost (BCP S.A.)	IRS transactions
Fair value hedge of fixed rate debt instruments in Euros (a)	Group hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate debt securities, classified as Financial assets at fair value through other comprehensive income (BCP S.A. and ActivoBank S.A.)	IRS transactions
Fair value hedge of fixed rate issued debt instruments in Euros (a)	Group hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate Issued debt (BCP S.A.)	IRS transactions
Fair value hedge of fixed rate deposits in Euros (a)	Group hedges changes in the fair value of fixed rate deposits due to changes in market interest rates	Term deposits (BCP S.A.)	IRS transactions
Fair value hedge of fixed rate deposits in Euros (macro hedge) (b)	Group hedges changes in the fair value of fixed rate deposits due to changes in market interest rates	Repayable demand deposits without maturity (BCP S.A. and ActivoBank S.A.)	IRS transactions
Fair value hedge of fixed rate debt instruments in USD (a)	Group hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate debt securities, classified as Financial assets at fair value through other comprehensive income or amortised cost (BCP S.A.)	CIRS transactions
Fair value hedge of a fixed interest rate debt instrument (macro hedge) (a)	The Group hedges part of the interest rate risk associated with the change in the fair value of a fixed-rate debt instrument recorded in other comprehensive income, resulting from fluctuations in market interest rate	A portfolio of fixed coupon debt securities classified as financial assets measured at fair value through other comprehensive income denominated in PLN (Bank Millennium S.A.)	IRS transactions
Hedging the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies (b)	The Group hedges part of the interest rate risk related to changes in the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies, resulting from the volatility of market interest rates	Cash flows from issued fixed-rate liabilities denominated in foreign currencies (Bank Millennium S.A.)	IRS transactions

(a) - Strategy applied in 2023 and 2022.
(b) - Strategy applied in 2023.

As at 31 December 2023, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2023			
	Hedging instruments			
		Book value		
Type of hedging	Notional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	11,482,214	34,716	8,441	(43,031)
Foreign exchange risk				
Currency and interest rate swap	348,464	2,279	6,272	856
	11,830,678	36,995	14,713	(42,175)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	10,258,928	164	14,965	1,310,159
Foreign exchange risk				
Currency and interest rate swap	454,268	3,469	38,147	16,544
	10,713,196	3,633	53,112	1,326,703
Total	22,543,874	40,628	67,825	1,284,528

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2022, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2022 (restated)			
	Hedging instruments			
		Book value		
Type of hedging	Notional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	11,962,045	27,696	7,031	309,506
Foreign exchange risk				
Currency and interest rate swap	431,257	2,999	18,432	(717)
	12,393,302	30,695	25,463	308,789
Cash flows hedging				
Interest rate risk				
Interest rate swaps	14,559,138	—	110,562	(1,513,397)
Foreign exchange risk				
Currency and interest rate swap	1,273,663	29,008	41,975	(10,527)
	15,832,801	29,008	152,537	(1,523,924)
Total	28,226,103	59,703	178,000	(1,215,135)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2023, the table below includes the detail of the hedged items:

(Thousands of euros)

		2023						
		Hedged items						
		Book value		Cumulative value of the adjustments			Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities	Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	288,106	–	(24,592)	13,551	(33,462)	n/a	n/a
	(H)	1,599,095	–	(21,780)	–	55,434	n/a	n/a
	(C)	2,997,010	–	(126,169)	–	93,925	n/a	n/a
	(D)	–	10,000	–	(221)	221	n/a	n/a
	(E)	–	2,387,825	–	103,603	(16,516)	n/a	n/a
	(F)	–	1,329,345	–	(34,224)	(32,636)	n/a	n/a
	(G)	–	1,037,079	–	(41,831)	(30,208)	n/a	n/a
Foreign exchange risk								
Currency and interest rate swap		–	348,464	–	51	(173)	n/a	n/a
		4,884,211	5,112,713	(172,541)	40,929	36,585	n/a	n/a
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	10,258,698	–	–	–	(1,310,159)	(470,250)	(808,471)
Foreign exchange risk Currency and interest rate swap	(B)	454,268	–	–	–	(16,027)	(2,138)	(51)
		10,712,966	–	–	–	(1,326,186)	(472,388)	(808,522)
Total		15,597,177	5,112,713	(172,541)	40,929	(1,289,601)	(472,388)	(808,522)

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

As at 31 December 2022, the table below includes the detail of the hedged items:

(Thousands of euros)

		2022 (restated)						
		Hedged items						
							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Type of hedging		Assets	Liabilities	Assets	Liabilities			
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	814,689	—	(71,691)	—	(70,012)	n/a	n/a
	(H)	1,524,001	—	(510,086)	—	(181,718)	n/a	n/a
	(C)	3,437,415	—	(285,374)	(3,278)	(210,181)	n/a	n/a
	(D)	—	10,000	—	517	580	n/a	n/a
	(E)	—	12,350	—	(1,232)	718	n/a	n/a
	(F)	—	1,295,542	—	(66,860)	65,881	n/a	n/a
	(G)	—	998,066	—	(72,040)	67,509	n/a	n/a
Foreign exchange risk								
Currency and interest rate swap		—	431,257	—	(1,131)	1,079	n/a	n/a
		5,776,105	2,747,215	(867,151)	(144,024)	(326,144)	n/a	n/a
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	14,558,924	—	—	—	1,513,397	(1,775,249)	7,644
Foreign exchange risk								
Currency and interest rate swap	(B)	1,273,663	—	—	—	11,473	(20,123)	(280)
		15,832,587	—	—	—	1,524,870	(1,795,372)	7,364
Total		21,608,692	2,747,215	(867,151)	(144,024)	1,198,726	(1,795,372)	7,364

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 31 December 2023 and 2022, is as follows:

(Thousands of euros)

	Cash flow hedge reserve		Exchange differences	
	2023	2022 (restated)	2023	2022 (restated)
Balance as at 1 January	(1,788,008)	(141,642)	–	55,326
Amounts recognised in other comprehensive income:				
Hedging cash flows				
Changes in fair value of currency and interest rate swaps	1,326,186	(1,523,207)	–	–
Foreign exchange changes	(6,747)	1,725	–	–
Hedge breakage	(816,115)	(123,938)	–	–
Ineffectiveness of coverage recognised in results	(517)	1,333	–	–
Others	4,291	(2,279)	–	–
Hedging of net investments - foreign exchange risk				
Reclassified to the income statement	–	–	–	3,685
Change in the fair value of settled transactions	–	–	–	(59,011)
Balance at the end of the year	(1,280,910)	(1,788,008)	–	–

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2023:

(Thousands of euros)

	2023					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains/(losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	–	(6,273)		–	–
Foreign exchange risk						
Currency and interest rate swap	(D)	–	683		–	–
		–	(5,590)		–	–
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	61,205	–	(E)	(45,947)	–
Foreign exchange risk						
Currency and interest rate swap	(D)	19,801	517		–	–
		81,006	517		(45,947)	–
Total		81,006	(5,073)		(45,947)	–

(A) Income Statement item in which the ineffectiveness of the hedge was recognised
(B) Income Statement item in which the reclassified amount was recognised
(C) but which are no longer expected to occur
(D) Net gains/(losses) from hedge accounting operations
(E) Interest income

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2022:

(Thousands of euros)

	2022 (restated)					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains/(losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	—	(17,717)		—	—
Foreign exchange risk						
Currency and interest rate swap	(D)	—	362		—	—
		—	(17,355)		—	—
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	(66,333)	(238)	(E)	54,861	—
Foreign exchange risk						
Currency and interest rate swap	(D)	(15,838)	(1,333)		—	—
		(82,171)	(1,571)		54,861	—
Total		(82,171)	(18,926)		54,861	—

(A) Income Statement item in which the ineffectiveness of the hedge was recognised
(B) Income Statement item in which the reclassified amount was recognised
(C) but which are no longer expected to occur
(D) Net gains/(losses) from hedge accounting operations
(E) Interest income

The table below shows the detail of hedging instruments, as at 31 December 2023, by maturity:

(Thousands of euros)

	2023					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	7,750	508,735	10,965,729	11,482,214	34,716	8,441
Fixed interest rate (average)	3.56%	6.17%	2.91%	3.07%		
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	140,291	208,173	–	348,464	2,279	6,272
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	499,574	1,600,000	8,159,354	10,258,928	164	14,965
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	354,009	19,885	80,374	454,268	3,469	38,147
Total derivatives traded by OTC Market:	1,001,624	2,336,793	19,205,457	22,543,874	40,628	67,825

The table below shows the detail of hedging instruments, as at 31 December 2022, by maturity:

(Thousands of euros)

	2022 (restated)					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	293,467	377,114	11,291,464	11,962,045	27,696	7,031
Fixed interest rate (average)	1.05%	1.44%	2.44%	2.38%		
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	98,439	332,818	–	431,257	2,999	18,432
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	240,409	278,751	14,039,978	14,559,138	–	110,562
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	153,720	685,365	434,578	1,273,663	29,008	41,975
Total derivatives traded by OTC Market:	786,035	1,674,048	25,766,020	28,226,103	59,703	178,000

Climate risks - Integration of ESG Factors in Risk Management

In its risk classification, Millennium BCP recognises the ESG category which includes factors associated with the climate and environmental components, and also with social and governance aspects.

These factors are not considered separately; in fact, they are seen as elements likely to affect positively or negatively the financial performance and solvency of the Bank's customer's and counterparties. This way, the materialisation of their impacts occurs by means of the "traditional" categories: credit risk, market risk, operational & reputation risk, liquidity and financing risks.

Within this context, and with the purpose of promoting the integration of ESG factors in risk management, the Bank implemented a set of processes and methodologies to identify, assess, manage and monitor the impact of the ESG category in overall risk, in accordance with the framework and policies already established for the remaining financial and non-financial risks.

Governance Model

The governance model for risks arising from ESG factors follows a structure based on three lines of defence which, under the leadership of the Board of Directors (and respective delegations on the Executive Committee), ensure its adequate assessment and management.

The first-line functions comprise all the departments and business areas that interact with the Bank's customers, counterparties and suppliers, collect the information and data that support the assessment of their risk profiles (and of their respective operations) and structure the commercial solutions with characteristics associated with the ESG or with the promotion of control of their impacts on the Bank's risk profile.

The Sustainability Function fits in the first line of defence and its responsibilities include:

- the overall management of the sustainability strategy and plans of Millennium BCP and of its financial group;
- the development of policies, methodologies, analyses and reports that address ESG issues;
- the management of commitments and external communications by the Bank and the Group in this area; and
- the direct orientation and operational support to the first and second lines of defence in the performance of their main responsibilities in this scope.

In the second line of defence, the responsibility for risk control, is assumed by the Risk Office and by the Compliance Office. These functions ensure the procedures for the design, implementation of the policies/methodologies/ risk management models, which are paramount in keeping the risk profile of the Group in appropriate levels.

Among other, these responsibilities, include:

- Integrate the ESG dimension in risk appetite (Risk Appetite Framework - RAF);
- Syndicating with the Sustainability Function the proposal of ESG metrics to be included in the Risk Appetite Statement (RAS);
- Carry out stress tests focused on climate and environmental risk factors;
- Introduce the ESG dimension in capital and liquidity adequacy exercises.

Specifically in terms of compliance, we emphasise the following controls:

- Reporting, disclosure and prudential obligations;
- Design and approval of new products, especially in the cases of ESG product design and labelling;
- Incorporation of ESG-related conditions and requirements into the forms and contracts;
- Ensuring the timely application of the legal and regulatory dispositions related to ESG;
- Potential for conflicting interest or litigation in the provision of ESG-related services and products.

Within the scope of the Committees of the Board of Directors, the Committee for Corporate Governance, Ethics and Sustainability is the body responsible for recommending the adoption by the Board of Directors of policies in line with ethical principles and social responsibility and best practices in matters of corporate governance and sustainability, but also for monitoring the evolution of the Sustainability Master Plan and the Corporate Social Responsibility Plan and issuing an opinion on the annual corporate governance and sustainability reports. The Committee for Risk Assessment, among its competences and attributions, is also responsible for monitoring ESG risks, including climate risks and advise the Board of Directors in terms of the identification, management and control of ESG risk factors, while monitoring the Group's risk appetite and underlying performance, as well as supervising the adequacy of the ESG internal control system, with special focus on a) the effectiveness of the risk management system to deal with the ESG risk drivers; and b) dealing with any instance of reputational risk related to ESG to which the Group may be associated to (directly or indirectly).

The third line of defence assumes responsibility for the independent review of all ESG aspects through the annual work plans of the Audit Division.

Identification of ESG risks

Climate changes and environmental degradation factors are elements that potentially affect economic activity, through factors related with issues such as climate changes (mitigation, and adaptation), sustainable use and protection of hybrid and marine resources, transition towards a circular economy, prevention and control of pollution, protection and restoration of biodiversity (cf. EU Taxonomy).

The materialisation of these risks fundamentally stems from the exposure of Millennium BCP's banking portfolio to customers, counterparties and invested assets whose performance may be affected or contribute to the negative impacts of climate change and other environmental factors.

These factors may generate negative financial impacts which are identified and assessed by means of two main dimensions:

- Physical risk factors: arising from the physical effects of climate change and environmental degradation. They should be categorized as a) severe risks, if they arise from extreme weather events such as wildfires or floods; b) chronic risks, if they arise from progressive changes in weather and climate patterns or from a gradual loss of natural ecosystems.
- Transition risk factors: are the risks of any negative financial impact arising from the effort, in progress or to happen in the future, of transition into a low-carbon and environmentally sustainable economy. These may result, for example, from technological changes, the impact of public policies or behavioural changes in terms of demand for goods or services (including banking services).
- The biodiversity or nature-related risks: The depreciation of natural capital, which in this context encapsulates the environmental-driven risks, is another key component of a holistic approach to C&E concerns. Natural capital refers to the world's stocks of natural assets which include geology, soil, air, water and all living things as well as the organization and distribution of ecosystems. The depreciation of natural capital undermines the ability of nature to provide ecosystem services (provisioning services, such as food, raw materials and fresh water; maintenance and regulating services, such as climate, water and air quality regulation, pollination, and pest and disease control; and cultural services, supporting recreation, mental and physical health, and spiritual and religious values) on which the Human society, economies and other species rely. Natural capital degradation can have chronic as well as acute economic effects.

The materialisation of social risks is also assessed, considering the issues related with rights, well-being and interests of persons and communities and include factors such as (in)equality, health, diversity, inclusion, labour relations, workplace health and safety, human capital and communities.

In addition, the governance risk factors are also identified by Millennium BCP, through issues relating to leadership, executive remuneration, shareholder rights, corruption and bribery, management and prevention of conflicts of interest, quality of internal control and independent reviews/auditing, transparency and good tax practices, for example.

A methodology for assessing the materiality of ESG risks was developed in order to determine the potential impact of those risks on the Bank's profile.

Management and monitoring principles

ESG risks management and respective strategy follows a different logic compared to 'traditional' risks, which are based on short-term timeframes. In contrast, the materialization of ESG risks is expected to occur over extended timeframes, which is why the establishment of strategy and risk appetite follows different timeframes. For example, if the assessment of physical (severe) risks can determine an action strategy more focused on the short term (e.g., considering the establishment of additional mitigation measures, at the level of policies for granting credit and insurance policy), the transition risks justify a more structural approach, based on collecting information, evaluating customers and monitoring their performance over time.

From this perspective, Millennium BCP's management of ESG impacts follows the following principles:

- Establishment of a responsible corporate financing policy, which excludes or conditions the Group's operations in sectors and/or activities with greater environmental and social impact.
- Integration of the strategy for managing risks arising from ESG factors into the Bank's global sustainability plan, which steers the integration of the ESG dimension into business processes, establishing goals, timelines and a model for controlling proper observance.
- Communication Transparency: The Bank publicly discloses its sustainability objectives and key practices, as well as its management of ESG (Environmental, Social, and Governance) impact factors. This allows all stakeholders to assess the robustness of its approach, including its exposure to risks arising from ESG factors.
- Regular Monitoring of Exposure to Risks Arising from ESG Factors: This is done through established management information routines for each risk category.
- Internal Standardization of ESG References: This involves implementing a corporate taxonomy that enables the identification and classification of exposures demonstrating characteristics that actively support the transition of the Portuguese and European economies.
- Focus on Credit Risk Management: This is achieved through models that facilitate the integration of the ESG dimension in the risk assessment of the bank's key companies/clients. This ensures that business decisions incorporate an evaluation of the primary impacts of ESG factors.
- Collection and Structuring of Information: Utilizing public sources and information provided directly by clients, this approach aims to enhance understanding of clients' environmental performance and potential financial impacts associated with any limitations in that performance.

The operationalization of these principles is facilitated through an internal policy for managing risks arising from ESG factors, which establishes the following key risk tools:

- Regular assessment of the materiality of risks arising from ESG factors to confirm alignment with risk appetite and the need for implementing mitigation actions.
- Methodologies for assessing risks arising from ESG factors integrated into credit risk assessment models.
- Risk classification methodologies at the portfolio level, allowing the identification of sectors, companies, and exposures most susceptible to transition and/or physical risks and/or nature-related.
- Models for quantifying financed greenhouse gas emissions, fostering strategic discussions regarding the management of these emissions and their alignment (in the long term) with the goals of the Paris Agreement.
- Sensitivity analyses and stress tests focusing on climate risks.

Climate risk stress tests

The Bank uses sensitivity analysis methodologies and stress tests on the risks arising from ESG factors (with a focus on the climate risk component).

Considering the horizons of materialization of ESG risks, this is an important risk management technique, which allows the assessment of the impacts of climate change (and respective scenarios) on the financial variables that affect the value of Millennium bcp's banking portfolio.

Based on their results, new exposures at risk may be identified that require the Bank to take additional management measures to mitigate the impacts of climate risks.

55. 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. The Court decided that these lawsuits would be judged trough a unitary trial. Trial sessions aimed at producing evidence took place between October and December 2023 and we expect that the Judgment will occur during the second half of the current year.

As at 31 December 2023, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 356,514,000 (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 152,108,000 (31 December 2022: negative amount of Euros 139,373,000). BIM's contribution to consolidated net income for 2023, attributable to the shareholders of the Bank, amounts to Euros 67,787,000 (2022: Euros 70,707,000).

As at 31 December 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 40,995,115,000 corresponding to Euros 580,914,000 (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 6,989,511,000 corresponding to Euros 99,044,000 (31 December 2022: MZN 7,090,486,000 corresponding to Euros 103,989,000).

Additionally, the Group has also registered as at 31 December 2023, in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 18,228,666,000 corresponding to Euros 258,306,000 (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 1,035,157,000 corresponding to Euros 14,663,000 (31 December 2022: MZN 4,818,871,000 corresponding to Euros 70,704,000).

56. 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.

The Oral Hearing took place on 22 June 2023 at the CJEU, and the parties' lawyers made their respective presentations and answered the questions that the Judge and the Advocate General intended to raise. The reading of the Opinion by the Advocate General was scheduled to take place on 5 October 2023.

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 TCRS in case no. 225/15.4YUSTR-W.

On 11 March 2024, BCP, along with 8 banking institutions, was served in order to, once willing, contest a "popular declaratory action of condemnation in the form of a common process aimed at protecting competition, the rights of consumers, and diffuse and/or collective interests associated with the consumption of goods and services", an action brought by the Ius Omnibus Association, under the terms n.º 2/24.1YQSRT at the TCRS, entirely based on the alleged infringement of competition in mortgage and consumer credit transactions declared in the AdC Decision of 9 September 2019 (PRC/2012/09), a decision that was subject to judicial opposition by BCP, an opposition that has not yet been definitively judged.

The Bank is analysing that class action in order to present its response in a timely manner.

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.

Nothing relevant to the judgment on the merit of the case happened. The lawsuit is suspended until the motions submitted by FJB in the execution filed by the Banks (8489/19.8T8LSB) have been definitively judged.

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 4.8 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 2.8 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 2.4 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 court proceedings brought by PKN Orlen SA, in which the subject of the dispute is the amount of the interchange fee and the plaintiff demands payment of PLN 635.7 million (Euros 146.3 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. 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 120.2 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 31 December 2023, the total value of the subjects of the other litigations in which the Bank Millennium Group's companies appeared as defendant, stood at PLN 5,547.3 million (Euros 1,277.1 million) (excluding the class actions described below and in note 57). In this group the most important category are cases related with FX loans mortgage portfolio.

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 1.2 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 1,696,986).

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 31 December 2023, there were also 138 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 31 December 2023, Bank Millennium recorded the receipt of 63 lawsuits by borrowers of mortgage loans in PLN for reimbursement of benefits provided under the loan agreement. One final judgment was issued dismissing the borrowers' claim. 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.

On 29 June 2023, 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. By 31 December 2023, Bank Millennium received 419 lawsuits in which the plaintiffs (both clients and companies purchasing claims), alleging violation of the information obligations provided in Art. 30 of the Consumer Credit Act, demand reimbursement of interest and other costs incurred in connection with taking out a loan (free loan sanction within the meaning of Article 45). As of 31 December 2023, 16 cases have been legally concluded, and in all these cases the Bank won the dispute. The Bank believes that the prognosis regarding the litigation chances of winning the remaining disputes are positive and therefore it has not created provisions in this respect.

10. On 22 December 2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against bank Millennium S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated.

11. 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.

12. 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, twelve (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 an Investor Presentation dated January 2024, 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);

In a statement dated 2 February 2024, the Resolution Fund clarifies that it has been informed of the Supreme Court's ruling on the appeal filed by Novo Banco, following the decision of the Lisbon Court of Appeal, which rejected the petition for annulment of the decision of the Court of Arbitration, issued in October 2021, relating to the first arbitration between the Resolution Fund and Novo Banco, which began in 2020.

This ruling definitively confirms the validity and correctness of the position taken by the Resolution Fund in 2019, when it opposed being charged, through the CCM, for the impact of Novo Banco's intention to waive the transitional regime related to the implementation of IFRS 9. The Resolution Fund's action in this process resulted in a saving of its resources of Euros 169 million.

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 has an arbitration proceeding underway, 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 in the 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, 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 2023 annual report (note 28), Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August (REAID), 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 REAID.

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 REAID. 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 April 2023, a capital increase of Euros 263,183 thousand was carried out through a rights conversion related to 2018 and 2019, which gave the State an additional stake of 6.27% in Novo Banco. With reference to the 2020 financial year, conversion rights representing 3.64% of the capital were issued which will only dilute, in accordance with the sale contract, the Resolution Fund's participation if the shareholders do not exercise their potestative right to acquire the conversion rights.

According to Novo Banco's 2023 annual report, Lone Star owns 75% of Novo Banco, the Resolution Fund 13%, and the Portuguese State 12%.

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.

According to the Resolution Fund (press release dated 29 December 2023), Oitante has already paid a total of Euros 78.8 million to the Resolution Fund, of which Euros 63.8 million will be paid in 2023. The amounts received and to be received by the Resolution Fund, given its 100% participation in Oitante's capital, will contribute to reducing the losses of Euro 489 million incurred by this Fund in the resolution of BANIF and will be used to repay the debts of the Resolution Fund, namely to the State.

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. 28/2023, published on 15 December 2023, set the base rate for 2024 for the determination of periodic contributions to the Resolution Fund at 0.032% (0.029% in 2023).

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 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.

13. 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).

14. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented in 2014 a salary adjustment process for employees, with a temporary effect. 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.

15. 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.

57. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Court claims and current provisions for legal risk

On 31 December 2023, Bank Millennium had 20,914 loan agreements and additionally 1,780 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 (64% loans agreements before the courts of first instance and 36% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,130.6 million (Euros 950.9 million) and CHF 281.5 million (Euros 302.8 million) [(Bank Millennium portfolio: PLN 3,780.2 million (Euros 870.3 million) and CHF 272.6 million (Euros 293.2 million) and former Euro Bank portfolio: PLN 350.4 million (Euros 80.7 million) and CHF 8.8 million (Euros 9.5 million)]. Out of 20,914 Bank Millennium's loan agreements in ongoing individual cases 240 are also part of class action. From the total number of individual litigations against the Bank approximately 2,260 or 11% 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 730 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 240 are also part of ongoing individual cases, 858 concluded settlements and 7 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. On 20 November 2023 the claimant requested granting interim measures to secure the claims against the Bank. In a decision of 27 December 2023, the request for granting interim measures was dismissed.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,985 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,159 (423), in 2022 the number increased by 5,755 (408), while in 2023 the number increased by 6,871 (647).

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 (including the former Euro Bank portfolio) is concerned, from 2015 until the end of 2023, 3,341 cases were finally resolved (3,263 in claims submitted by clients against Bank Millennium and 78 in claims submitted by Bank Millennium against clients i.e. debt collection cases) out of which 925 were settlements, 56 were remissions, 64 rulings were favourable for Bank Millennium and 2,296 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 31 December 2023 was PLN 6,264 million (Euros 1,442.1 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 763 million (Euros 175.7 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 6,955 million (Euros 1,601.2 million), excluding potential amounts connected with interest. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the 12 months of 2023, Bank Millennium created PLN 2,828.1 million (Euros 623 million) provisions for Bank Millennium originated portfolio and PLN 237.3 million (Euros 52.2 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for Bank Millennium's portfolio at the end of December 2023 was at the level of PLN 7,268.8 million (Euros 1,673.4 million), and PLN 603 million (Euros 138.8 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 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 covered by methodology in this group of clients to 83% of the total number of currently active loans compared to 77% at the end of 3rd quarter of 2023. 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 circa 16% sued or will decide to sue the Bank 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) Bank Millennium does not include in the methodology of calculating an element related to the potential claim for remuneration for the client in connection with the repayments made by him or her;

(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 been contacted by or 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 21,428: 1,363 in 2020; 8,450 in 2021; 7,943 in 2022 and 3,672 in 2023. As of the end of 2023, the Bank had 32,425 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,340.1 million (Euros 295.2 million): PLN 44.5 million (Euros 9.8 million) in 2020; PLN 364.6 million (Euros 80.3 million) in 2021; PLN 515.2 million (Euros 113.5 million) in 2022 and PLN 415.8 million (Euros 91.6 million) in 2023 and is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement.

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Société Générale.

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 the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 167 million (Euros 36.8 million)
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p	PLN 75 million (Euros 16.5 million)
Change in probability of success in negotiations with court client	Change of probability by 1 p.p	PLN 18 million (Euros 4 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. 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 the proposal of above system solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU which excludes demanding by the Bank amounts exceeding the return of disbursed capital, 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 31 December 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 1.47 p.p. (1.46 p.p. at the Group level), part of which is allocated to operational/legal risk.

Taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, the Bank will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the polish 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.

The Court of Justice of the European Union and the Polish Supreme Court rulings relevant to risk assessment

Jurisprudence of the 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., the 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 consumer'.

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 Noble 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:

a. 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,

b. 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 Noble 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 Noble 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 mBank. 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.

On 7 December 2023, the CJEU issued the judgement in the case C-140/22 in connection with the preliminary questions formulated by the District Court in Warsaw in the case against of mBank S.A. The Court stated that provisions of the Directive 93/13 must be interpreted as meaning that, in the context of the cancellation, in its entirety, of a mortgage loan agreement concluded with a consumer by a banking institution on the ground that that agreement contains an unfair term without which it cannot continue in existence:

(i) they preclude the judicial interpretation of national law according to which the exercise of the rights which that consumer draws from that directive is conditional on the lodging, by that consumer, before a court, of a declaration by which he or she states, first, not to consent to that unfair term remaining effective, secondly, to be aware of the fact that the nullity of that term entails the cancellation of that agreement and, moreover, of the consequences of that cancellation and, thirdly, to consent to the cancellation of that agreement;

(ii) they preclude the compensation sought by the consumer concerned in respect of the restitution of the sums paid by him or her in the performance of the agreement at issue being reduced by the equivalent of the interest which that banking institution would have received if that agreement had remained in force.

The Court of Justice of European Union by an order of 11 December 2023, closed the case registered under case number C-756/22 initiated by the District Court in Warsaw in the case brought by Bank Millennium and ruled that the provisions of Directive 93/13 must be interpreted as meaning that, in the context of declaring a mortgage loan agreement concluded with a consumer by a banking institution to be invalid in its entirety on the grounds that, that the contract contains unfair terms without which it cannot be continued, they preclude a judicial interpretation of the law of a Member State according to which that institution is entitled to recover from that consumer amounts other than the capital paid in performance of that contract and statutory interest for delay from the time of the demand for payment.

On 14 December 2023, the CJEU issued the judgement in the case C-28/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) provisions of Directive 93/13 read in the light of the principle of effectiveness must be interpreted as precluding a judicial interpretation of national law according to which, following the cancellation of a mortgage loan agreement concluded with a consumer by a seller or supplier, on account of unfair terms contained in that agreement, the limitation period for the claims of that seller or supplier stemming from the nullity of that agreement starts to run only as from the date on which the agreement becomes definitively unenforceable, whereas the limitation period for the claims of that consumer stemming from the nullity of that agreement begins to run as from the day on which the consumer became aware, or should reasonably have become aware, of the unfair nature of the term entailing such nullity;

(ii) provisions of the Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law according to which it is not for a seller or supplier who has concluded a mortgage loan agreement with a consumer to ascertain whether the consumer is aware of the consequences of the removal of the unfair terms contained in that agreement or of that agreement being no longer capable of continuing in existence if those terms were removed;

(iii) provisions of the Directive 93/13, read in the light of the principle of effectiveness, must be interpreted as precluding a judicial interpretation of national law according to which, where a mortgage loan agreement concluded with a consumer by a seller or supplier is no longer capable of continuing in existence after the unfair terms in that agreement have been removed, that seller or supplier may rely on a right of retention which allows him or her to make the restitution of the sums which it has received from that consumer conditional on that consumer making an offer to repay the sums which he or she has himself or herself received from that seller or supplier or to provide a security for the repayment of those sums, where the exercise by that seller or supplier of that right of retention entails the loss, for that consumer, of the right to obtain default interest as from the expiry of the time limit set for performance by the seller or supplier concerned, following receipt by that seller or supplier of a request to repay the sums he or she had been paid in performance of that agreement.

The Court of Justice of the European Union by an order of January 15, 2024, closed the case registered under case number C-488/23 following a question from the District Court of Warsaw, indicating that the right of a financial institution to demand the valorization of the disbursed capital after a loan agreement has been declared invalid was excluded in the judgment of June 15, 2023 issued in case C-520/21.

On January 18, 2024, the CJEU issued the judgement in the case C-531/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) the provisions of Directive 93/13 preclude national legislation which provides that a national court may not examine of its own motion the potentially unfair nature of the terms contained in a contract and draw the consequences thereof, where it is supervising enforcement proceedings carried out on the basis of a final decision to issue an order for payment which is subject to res judicata:

a. if the regulations do not provide for such an examination at the stage of issuing a payment order, or

b. if such examination is provided for only at the stage of opposition to the order for payment in question, provided that there is a significant risk that the consumer in question will not file the required opposition either because the time limit specified for this purpose is very short, or because of the cost of the proceedings before the court in relation to the amount of the disputed debt, or because the national legislation does not provide for the obligation to provide that consumer with all the information necessary for him to establish the extent of his rights;

(ii) the provisions of Directive 93/13 do not preclude national case law according to which the entry of a term of a contract in a national register of prohibited clauses has the effect of declaring that term unfair in any proceedings involving a consumer, including against a trader other than the one against whom proceedings for the entry of the said term in that national register were pending, and where that term does not have the same wording as the term entered in the said register, but has the same meaning and has the same effect with respect to the consumer in question.

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. By 31 December 2023 the Bank filed about 8.1 thousand lawsuits against the borrowers.

Due to the CJEU jurisprudence interpreting the causes and effects of invalidity of foreign currency mortgage loan agreements, the area of interpretation of regulations by Polish courts in this respect appears to be limited. However, further jurisprudential practice of the Polish courts will play an important role in fulfilling the content of the CJEU's guidance and, moreover, this practice will be of significant importance as regards issues that, given the scope of the CJEU's competence, are subject to national jurisprudence.

2. Events that may impact foreign currency-indexed mortgage loans legal risk and related provision

The issues related to the statute of limitations for the Bank's and the customer's restitutionary claims following the invalidation of a loan agreement remain an area that may be subject to further analysis in the jurisprudence of Polish courts. Legal interpretations in this subject 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, the extent of the consumer's and the bank's entitlement to statutory interest for delay on restitution claims may be an important legal issue.

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.

58. Recently issued accounting standards

1 - Recently issued accounting standards and interpretations that came into force in the current financial year

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union (EU) with mandatory application for the financial year of the Group started on 1 January 2023:

IFRS 17 — Insurance contracts

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaced IFRS 4 – Insurance contracts.

The impacts resulting from the adoption of this standard are disclosed in note 59 - Adoption of IFRS 17 - Insurance Contracts and IFRS 9 – Financial instruments by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A..

Amendment to IAS 8: Definition of accounting estimates

This amendment emphasizes how companies should distinguish changes in accounting policies from changes in accounting estimates, which is relevant since changes in accounting estimates are applied prospectively, only to future transactions and other events, while changes in accounting policies are generally applied retrospectively to past transactions and other events. The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”, used to achieve the objective(s) of an accounting policy.

There were no material impacts on the application of this amendment in the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies

Amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies, further explaining how an entity can identify a material accounting policy. On the other hand, Amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

There were no material impacts on the application of this amendment in the Group's financial statements.

Amendment to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

This amendment requires companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendment will mostly apply to transactions such as leases and decommissioning obligations.

There were no material impacts on the application of this amendment in the Group's financial statements.

Amendment to IFRS 17: Initial application of IFRS 17 and IFRS 9 — Comparative information

This amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities by providing insurers with an option for the presentation of comparative information about financial assets, thus improving the usefulness of comparative information for users of financial statements.

There were no material impacts on the application of this amendment in the Group's financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pilar Two Model Rules

The amendments introduce a temporary exception to the recognition of disclosures of information on deferred tax assets and liabilities related to the application of the OECD Pillar 2 model rules and new additional disclosure requirements for affected entities (entities belonging to multinational groups with consolidated revenues of Euros 750 million in at least two of the last four years).

The amendments are mandatory for annual reporting periods beginning on or after 1 January 2023.

There were no material impacts on the application of this amendment in the Group’s financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future financial years

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

Amendment to IAS 1: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current — Deferral of effective date (applicable for years beginning on or after 1 January 2024)

On 23 January 2020, Amendment to IAS 1: Classification of liabilities as current or non-current was issued, which aims to clarify that the classification of liabilities as current or non-current should be made based on the existing rights at the end of the financial reporting period, not being affected by expectations related to the exercise of the right to defer the settlement of a liability and, additionally, that the settlement corresponds to the extinction of a liability by transferring cash, equity instruments, other assets or services to a counterparty.

On 15 July 2020, it was decided to postpone by a year the effective date of the referred amendment.

This amendment, although endorsed by the European Union, was not adopted by the Group in 2023 as its application is not mandatory yet.

Amendment to IFRS 16: Lease liability in a sale and leaseback (applicable for years beginning on or after 1 January 2024)

This amendment was issued on 22 September 2022 and it provides changes that specify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in sale and leaseback operations.

This amendment, although endorsed by the European Union, was not adopted by the Group in 2023 as its application is not mandatory yet.

3 - Standards, interpretations, amendments and revisions not adopted by the European Union yet

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and, therefore, have not been applied by the Group:

Amendment to IAS 7: Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (applicable for years beginning on or after 1 January 2024)

This amendment was issued on 25 May 2023 and it which address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are often referred to as supply chain finance, trade payables finance or reverse factoring arrangements.

Amendment to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (applicable for years beginning on or after 1 January 2025)

This amendment was issued on 15 August 2023 and it provides changes in specify when a currency is exchangeable into another currency and when it is not, specify how an entity determines the exchange rate to apply when a currency is not exchangeable and require the disclosure of additional information when a currency is not exchangeable.

59. Adoption of IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. dedicates to the management of life insurance and pension funds. On 1 January 2023 Millenniumbcp Ageas made the simultaneous adoption of IFRS 9 - Financial Instruments and IFRS 17 - Insurance Contracts. It opted for the possibility given to Insurance Companies to defer the application of IFRS9, since the combined implementation with IFRS 17 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 9 / 17 on that date on the Equity of Millenniumbcp Ageas Grupo Segurador represent a reduction of approximately Euros 206.6 million, changing from Euros 827.3 million in IFRS 4/IAS 39, for Euros 620.7 million. Euros 206.6 million incorporate the negative value of Euros 250.6 million of impact from the adoption of IFRS 17, offset by a positive value of Euros 44 million resulting from the adoption of IFRS 9.

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%).

In terms of accounting policies that present the greatest changes compared to the past, they are those relating to Insurance Contracts (IFRS 17) and Financial Investments (IFRS 9) and also the issue of costs, which are now divided into those attributable to the insurance contract and those not attributable.

IFRS 17 – Insurance Contracts

Ocidental adopted IFRS 17 – Insurance Contracts from 1 January 2023. This change resulted in significant changes in the accounting of insurance and reinsurance contracts.

Transition

At the time of transition, the regulations require the Company to apply the retrospective approach to recognize and measure both insurance and reinsurance contracts ceded. In light of this approach, IFRS 17 would have to be applied as if it had always been in force.

However, if this is impracticable, the regulations provide for two possible alternatives: the modified retrospective approach and the fair value approach.

The Company can only apply the retrospective approach if there is complete necessary historical data for all accounting movements in question. Given some limitations in some available historical data, the Company decided to apply, in addition to the total retrospective approach, the two alternative approaches according to the availability of information and data.

On the transition date, Ocidental Vida identified, evaluated and recognized each group of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features retrospectively, as if the requirements of IFRS 17 applied to these groups of contracts from the date of its initial recognition (i.e. the 'Retrospective Approach') unless it is impracticable. This included the identification, measurement and recognition of any insurance acquisition cash flows (assets). On the transition date, an assessment of the recoverability of cash flows from the acquisition of insurance (assets) was carried out. No recoverability assessment was performed prior to this date.

In some situations, Ocidental was unable to measure a group of contracts retrospectively on the transition date. This is what happened when:

- The information in Ocidental's existing reporting systems about historical cash flows was based on assumptions that were developed based on retrospective;
- Some reasonable and sustainable information about historical cash flows was not available in Occidental's existing reporting systems, or was only available at levels of aggregation higher than or different from the contract grouping requirements under IFRS 17;
- The information in Ocidental's existing reporting systems did not allow to adequately estimate the movement of CSM before the transition date.

In these cases, Ocidental measured these groups of contracts at the transition date applying the “Modified Retrospective Approach” or applying the “Fair Value Approach” (see below). The aim of these alternative measurement approaches in the transition was to achieve the closest possible result to the retrospective approach, using reasonable and sustainable information that was available without undue cost or effort at the transition date.

The approaches used by Ocidental Vida can be summarized as:

Liabilities for future services / Liabilities for incurred claims	IFRS 17 measurement models	Year	Transition Approach
Liabilities for future services	General Measurement Model	2018-2021	Retrospective approach
		Before 2018	Fair Value Approach
	Premium Allocation Approach	All	Retrospective approach
Liabilities for claims incurred	General Measurement Model	2016-2021	Retrospective approach
		Before 2016	Modified retrospective approach

Modified retrospective approach

The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. However, this approach introduces some simplifications to the retrospective approach, namely with regard to:

- the assessments of insurance contracts or groups of insurance contracts that would have been made at the date of inception or initial recognition;;
- the amounts related to the contractual service margin or the loss component for insurance contracts without direct participation features;
- the amounts related to the contractual service margin or the loss component for insurance contracts with direct participation features;
- the insurance finance income or expenses.

Fair value approach

The application of the fair value approach only requires the measurement of contracts at the transition date, so it is not necessary to use historical information about them.

Considering this approach, the contractual service margin or the loss component of the remaining coverage liability, at transition, corresponds to the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

To determine the previously mentioned fair value, the Company applied, when necessary, IFRS 13 – Fair value measurement.

Financial Instruments (IFRS 9)

The classification of financial assets depends on the business model followed by the Company in managing financial assets (receipt of cash flows or appropriation of changes in fair value) and the contractual terms of the cash flows receivable. Changes to the classification of financial assets can only be made when the business model is changed, except for financial assets at fair value through other comprehensive income, which constitute equity instruments, which can never be reclassified to another category.

Financial assets can be classified into the following measurement categories::

- Financial assets at amortized cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVPL)

Impacts on the consolidated financial statements of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as at 1 January 2022

IAS39/IFRS9 transition

With the adoption of IFRS 9, investments that were at amortized cost are now recorded at fair value through comprehensive income, with a positive impact of Euros 51.6 million on financial investments and Euros 10.8 million on loans.

In gross terms, the impact on retained earnings was Euros 118.4 million gross: a positive amount of Euros 24.4 million from the reclassification of ETFs from Financial assets available for sale (AFS) to Financial assets at fair value through profit or loss (FVPL), a positive impact of Euros 50.6 million from the reclassification of investment funds from AFS to FVPL, a positive impact of impairment of shares of Euros 44.2 million and a negative impact of Euros 0.8 million related to expected credit losses (ECL). The net tax value was a positive impact of Euros 83.5 million.

At the level of the remaining equity items of Millenniumbcp Ageas, the gross impact was negative at Euros 55.9 million: a positive impact on the measurement of securities at amortized cost for Financial assets at fair value through other comprehensive income (FVOCI) of Euros 51.6 million, a positive impact on the fair value of loans of Euros 10.8 million, a negative impact of Euros 24.4 million from reclassification of ETFs from AFS to FVPL, a negative impact of Euros 50.6 million from reclassification of investment funds from AFS to FVPL, a negative impact on impairment of shares of Euros 44.2 million and positive impact of Euros 0.8 million on ECL. The net tax value was a negative impact of Euros 39.4 million.

Thus, the net tax value was a positive impact of Euros 44.075 million related to the adoption of IFRS 9, considering the financial statements of Millenniumbcp Ageas that were part of the consolidation.

IFRS 4/IFRS 17 transition

With regard to the liabilities for remaining coverage, the contractual service margin for insurance contracts issued before 2018 and measured according to the General Measurement Model was determined by applying the fair value approach (according to IFRS 13). To determine the OCI, a retrospective "replicating portfolio" technique was used. For insurance contracts issued during and after 2018, the Full Retrospective Approach was used.

Liabilities with Insurance Contracts registered an increase of Euros 322.7 thousand compared to the previous regulations (excluding Euros 1.2 million related to reclassified debtors and creditors). It should be noted that, in addition to the recalculation of provisions according to the new standard, the liabilities for remaining coverage include the contractual service margin (CSM) of Euros 112 thousand (of which, Euros 96.5 thousand relate to the CSM of contracts for which the fair value approach was used in the Transition, according to IFRS 13).

A negative impact was also recorded resulting from the cancellation of the VOBA of Euros 32.840 million relating to the Value of Business Acquired (“VOBA”) which was recorded as intangible assets under IFRS 4, this impact had no effect BCP Group's consolidated accounts.

Considering others effects related to the adoption of IFRS 17, the net tax value was a negative impact of Euros 250.611 million, considering the financial statements of Millenniumbcp Ageas that were part of the consolidation.

Impacts on the BCP Group´s consolidated financial statements

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.

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 adjustments	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 year attributable to Bank's Shareholders	138,082	—	138,082
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 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)
IFRS 9 transition	44,075
IFRS 17 transition	(250,611)
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)

(*) The VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition under IFRS 4. On 31 December 2021, the gross value of VOBA was reflected in the caption Other intangible assets of Millenniumbcp Ageas in accordance with IFRS 4, and with the implementation of IFRS 17 this concept was cancelled in the consolidated accounts of Millenniumbcp Ageas. Considering that the VOBA recorded in the accounts of Millenniumbcp Ageas was not included in the value of this investment in the accounts of the BCP Group (note 26), the derecognition of the VOBA in the accounts of Millenniumbcp Ageas had no impact on the BCP Group's consolidated accounts (note 26).

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)	**31 December 2022 (restated)**
Investment held in Millennium Ageas (IAS 39 and IFRS 4)	261,446	59,766
Transition to IFRS 9 and IFRS 17	(89,858)	(89,858)
Other comprehensive income	—	116,152
Other reserves	—	19
Net income	—	(10,111)
Investment held in Millennium Ageas (IFRS 9 and IFRS 17)	171,588	75,968

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 year attributable to Bank's Shareholders	207,497	(10,111)	197,386
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 31 December 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)

	31 December 2022 (reported)	Impact of the adoption of IFRS 17 and IFRS 9	31 December 2022 (restated)
Interest and similar income	2,737,235	—	2,737,235
Interest expense and similar charges	(587,463)	—	(587,463)
NET INTEREST INCOME	2,149,772	—	2,149,772
Dividends from equity instruments	10,086	—	10,086
Net fees and commissions income	771,908	—	771,908
Gains/(losses) on financial operations at fair value through profit or loss	27,306	—	27,306
Foreign exchange gains/(losses)	19,390	—	19,390
Gains/(losses) on hedge accounting	(2,233)	—	(2,233)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	5,497	—	5,497
Other operating income/(losses)	(193,112)	—	(193,112)
TOTAL OPERATING INCOME	2,788,614	—	2,788,614
Staff costs	580,807	—	580,807
Other administrative costs	352,961	—	352,961
Amortisations and depreciations	139,250	—	139,250
TOTAL OPERATING EXPENSES	1,073,018	—	1,073,018
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,715,596	—	1,715,596
Impairment of financial assets at amortised cost	(300,829)	—	(300,829)
Impairment of financial assets at fair value through other comprehensive income	5,023	—	5,023
Impairment of other assets	(192,059)	—	(192,059)
Other provisions	(568,297)	—	(568,297)
NET OPERATING INCOME	349,569	—	349,569
Share of profit of associates accounted for using the equity method	68,722	(10,111)	58,611
Gains/(losses) on disposal of subsidiaries and other assets	10,167	—	10,167
NET INCOME BEFORE INCOME TAXES	428,458	(10,111)	418,347
Income taxes			
Current	(109,632)	—	(109,632)
Deferred	(194,688)	—	(194,688)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	124,138	(10,111)	114,027
Net income from discontinued or discontinuing operations	5,537	—	5,537
NET INCOME AFTER INCOME TAXES	129,675	(10,111)	119,564
Net income for the year attributable to:			
Bank's Shareholders	207,497	(10,111)	197,386
Non-controlling interests	(77,822)	—	(77,822)
NET INCOME FOR THE YEAR	129,675	(10,111)	119,564

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

As at 31 December 2023, the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Sector of activity	Group % economic interests	Group % effective held	Bank % 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	214,223,800	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	77,780,760	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	Real estate 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 %	—
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 (em liquidação)	Tychy	100,000	PLN	Marketing services	100 %	50.1 %	—
Millennium Telecommunication Services Sp. z o.o.	Warsaw	100,000	PLN	Brokerage services	100 %	50.1 %	—
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100 %	50.1 %	—
BCPBT CI Liquidation Company I	George Town	1	USD	Liquidation trust	100 %	100 %	—
BCPBT CI Liquidation Company II	George Town	1	USD	Liquidation trust	100 %	100 %	—

As at 31 December 2023, the investment 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 % economic interests	Group % effective held	Bank % 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	85,156,715	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 %
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 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.

During 2023, the Group proceeded with the liquidation of the funds Oceânico II – Fundo de Investimento Imobiliário Fechado and Funsita - Fundo de Investimento Imobiliário Fechado.

The Group holds a securitization transaction regarding mortgage loans which was set through specifically created SPE. As referred in accounting policy 1 B, when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE is fully consolidated, following the application of IFRS 10.

As at 31 December 2023, the Special Purpose Entity included in the consolidated accounts under the full consolidation method is as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %	82.4 %	82.4 %

During the 3rd quarter of 2023, the Group settled the Magellan Mortgages No.1 securitization operation.

As at 31 December 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. (em liquidação)	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 48, the Group sold 80% of shares of Millennium Financial Services sp. z o.o. so now holds a minority stake of 20%.

As at 31 December 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)

	2023			2022		
Subsidiaries and associated companies	Total Assets	Total Equity	Net income for the year	Total Assets	Total Equity	Net income for the year
Banco Comercial Português, S.A.	61,519,392	6,127,916	680,276	62,649,975	5,266,068	478,408
Banco ActivoBank, S.A.	3,501,901	254,201	39,400	3,271,355	213,017	19,142
Bank Millennium, S.A. (1)	28,897,024	1,587,332	126,821	23,697,447	1,173,617	(216,683)
BIM - Banco Internacional de Moçambique, S.A. (1)	2,711,174	534,619	105,099	2,824,409	521,192	106,030
BCP International B.V.	523,962	523,935	(691)	524,966	524,627	87,434
BCP Finance Bank, Ltd.	519,337	519,331	(647)	520,294	519,976	4,996
BCP África, S.G.P.S., Lda.	280,742	279,680	2,338	561,713	560,269	60,975
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	175,824	174,679	7,788	179,441	178,297	11,406
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	9,301	7,625	1,724	9,731	8,113	2,084
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1) (3)	8,295,959	497,686	82,494	8,876,759	401,717	74,425
Banco Millennium Atlântico, S.A. (2)	2,224,997	196,853	13,097	2,910,070	292,893	10,693
Banque BCP, S.A.S.	5,732,286	279,722	14,477	4,944,774	268,097	23,499

1) Consolidated accounts.

2) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.
3) The 2023 amounts refer to the estimated financial statements.

61. 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:

S&P Global Ratings upgraded BCP's Outlook

On 12 March 2024, S&P Global Ratings upgraded BCP's Outlook from Stable to Positive.

Bank Millennium Poland - Credit holidays

The Bank Millennium is aware of risks connected with a potential extension of the so-called credit holidays for 2024. A legislative proposal was made public and approved by the Government on 5 March 2024 and submitted to the Polish Parliament for appreciation. At the time of publication of these financial statements, the proposal has not yet been approved by Parliament. If such risk would materialize, it could imply upfront provision for such cost that would decrease the net interest income and the net result of the Bank/Group.

EIB signed an agreement with Millennium bcp

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

Banco Comercial Português, S.A. informed about the issuance of perpetual subordinated notes (Additional Tier 1)

As at 11 January 2024, Banco Comercial Português, S.A. (“Millennium bcp”) informed it has set the conditions for a new issue of Additional Tier 1, in the amount of Euros 400 million, with the option of early repayment by Millennium bcp from the end of 5th year onwards with a coupon of 8.125% per year for the first 5.5 years, which will be refixed from that date every 5 years, with reference to the then prevailing 5-year mid-swap rate plus a spread of 5.78%.

Banco Comercial Português, S.A. informed about the resignation of a member of the Board of Directors

As at 5 January 2024, Banco Comercial Português, S.A. ("Bank") informed, under the terms and for the purposes of article 6 of CMVM Regulation No. 1/2023, that the Non-Executive Director Xiaoxu Gu (also known as Julia Gu) presented today its resignation to the position of non-executive member of the Board of Directors, effective from February 29, 2024.

The Bank informs that it will begin the process of identifying and selecting a new non-executive member to join its Board of Directors in accordance with the applicable Bank's regulations. The conclusion of this process will be announced in due course and will not affect the regular functioning of the Board of Directors.

Banco Comercial Português S.A. informed about decision to call the currently outstanding Additional Tier 1 instrument ("AT1") in the amount of Euros 400 million

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

Accounts and Notes to the Individual Accounts

SEPARATE INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	Notes	2023	2022
Interest and similar income	2	2,171,317	1,064,034
Interest expense and similar charges	2	(760,141)	(147,703)
NET INTEREST INCOME		1,411,176	916,331
Dividends from equity instruments	3	76,122	158,365
Net fees and commissions income	4	537,334	534,048
Gains/(losses) on financial operations at fair value through profit or loss	5	(32,378)	10,420
Foreign exchange gains/(losses)	5	21,245	43,430
Gains/(losses) on hedge accounting	5	19,716	970
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	(7,165)	(26,997)
Other operating income / (losses)	6	(44,451)	(62,869)
TOTAL OPERATING INCOME		1,981,599	1,573,698
Staff costs	7	341,963	326,905
Other administrative costs	8	192,661	189,719
Amortisations and depreciations	9	74,177	80,051
TOTAL OPERATING EXPENSES		608,801	596,675
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,372,798	977,023
Impairment of financial assets at amortised cost	10	(204,714)	(213,836)
Impairment of financial assets at fair value through other comprehensive income	11	(1,098)	5,273
Impairment of other assets	12	(61,448)	(12,542)
Other provisions	13	(111,410)	(103,901)
NET OPERATING INCOME		994,128	652,017
Gains/(losses) on disposal of subsidiaries and other assets	14	2,872	12,826
NET INCOME BEFORE INCOME TAXES		997,000	664,843
Income taxes			
Current	27	6,818	2,343
Deferred	27	(323,542)	(188,778)
NET INCOME FOR THE YEAR		680,276	478,408
Earnings per share (in Euros)			
Basic	15	0.043	0.029
Diluted	15	0.043	0.029

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	Notes	2023	2022
NET INCOME FOR THE YEAR		680,276	478,408
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT	39		
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the year		56,032	(225,728)
Reclassification of (gains) / losses to profit or loss (note 5)		9,928	45,411
Cash flows hedging			
Gains / (losses) for the year		432,839	(1,642,293)
Fiscal impact		(156,123)	570,476
		342,676	(1,252,134)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT	39		
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the year		4,164	(13,261)
Changes in credit risk of financial liabilities at fair value through profit or loss	39	(2,801)	(63)
Actuarial gains / (losses) for the year	45	(220,483)	367,323
Fiscal impact		95,002	(133,892)
		(124,118)	220,107
Other comprehensive income / (loss) for the year		218,558	(1,032,027)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		898,834	(553,619)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	Notes	2023	2022
ASSETS			
Cash and deposits at Central Banks	16	1,709,232	2,956,492
Loans and advances to credit institutions repayable on demand	17	155,794	131,400
Financial assets at amortised cost			
Loans and advances to credit institutions	18	370,409	384,164
Loans and advances to customers	19	35,310,145	37,334,829
Debt securities	20	11,584,291	10,255,688
Financial assets at fair value through profit or loss			
Financial assets held for trading	21	685,971	692,796
Financial assets not held for trading mandatorily at fair value through profit or loss	21	647,871	789,153
Financial assets designated at fair value through profit or loss	21	32,004	—
Financial assets at fair value through other comprehensive income	21	4,714,386	2,914,514
Hedging derivatives	22	22,335	28,426
Investments in subsidiaries and associated companies	23	2,207,974	2,481,732
Non-current assets held for sale	24	97,213	257,616
Other tangible assets	25	323,354	300,169
Intangible assets	26	99,696	77,923
Current tax assets	27	14,044	10,926
Deferred tax assets	27	2,439,081	2,750,881
Other assets	28	1,105,592	1,283,266
TOTAL ASSETS		61,519,392	62,649,975
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	29	1,522,945	2,244,784
Resources from customers	30	45,786,768	49,625,808
Non subordinated debt securities issued	31	1,835,210	1,297,551
Subordinated debt	32	1,037,079	998,066
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	33	107,415	187,438
Financial liabilities at fair value through profit or loss	34	3,602,285	1,817,679
Hedging derivatives	22	22,536	59,548
Provisions	35	465,961	363,699
Current tax liabilities	27	65,291	2,027
Other liabilities	36	945,986	787,307
TOTAL LIABILITIES		55,391,476	57,383,907
EQUITY			
Share capital	37	3,000,000	3,000,000
Share premium	37	16,471	16,471
Other equity instruments	37	400,000	400,000
Legal and statutory reserves	38	316,375	268,534
Reserves and retained earnings	39	1,714,794	1,102,655
Net income for the year		680,276	478,408
TOTAL EQUITY		6,127,916	5,266,068
TOTAL LIABILITIES AND EQUITY		61,519,392	62,649,975

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Thousands of euros)

	2023	2022
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,858,296	963,703
Commissions received	702,118	721,513
Fees received from services rendered	56,060	60,889
Interests paid	(661,012)	(13,268)
Commissions paid	(109,756)	(121,771)
Recoveries on loans previously written off	10,532	6,217
Payments (cash) to suppliers and employees (*)	(612,933)	(636,594)
Income taxes (paid) / received	(2,346)	1,769
	1,240,959	982,458
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	17,383	(332,692)
Loans and advances to customers receivable / (granted)	1,859,280	(847,592)
Short term trading securities	11,916	122,529
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	28,271	453,017
Deposits from credit institutions with agreed maturity date	(756,766)	(9,335,071)
Loans and advances to customers repayable on demand	(5,306,932)	1,330,581
Deposits from customers with agreed maturity date	3,240,324	3,249,209
	334,435	(4,377,561)
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of investments held in associated companies	225,000	542,524
Acquisition of shares in subsidiaries and associated companies	(1,429)	(1,208)
Dividends received	72,351	154,482
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	211,696	103,295
Sale of financial assets at fair value through other comprehensive income and at amortised cost	2,045,634	7,372,586
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(16,963,014)	(15,406,563)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	11,703,534	9,526,056
Acquisition of tangible and intangible assets	(61,614)	(67,780)
Sale of tangible and intangible assets	746	983
Decrease / (increase) in other sundry assets	575,176	(296,144)
	(2,191,920)	1,928,231
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	–	133,700
Reimbursement of subordinated debt	–	(133,700)
Issuance of debt securities	499,998	350,465
Reimbursement of debt securities	(208,181)	(1,838,664)
Issuance of commercial paper and other securities	32,137	34,505
Reimbursement of commercial paper and other securities	(33,623)	(12,374)
Dividends paid to shareholders of the Bank (note 43)	–	(13,603)
Dividends paid of perpetual subordinated bonds (Additional Tier 1)	(37,000)	(37,000)
Increase / (decrease) in other sundry liabilities (**)	381,288	87,865
	634,619	(1,428,806)
Net changes in cash and equivalents	(1,222,866)	(3,878,136)
Cash (note 16)	326,291	340,871
Deposits at Central Banks (note 16)	2,630,201	6,428,190
Loans and advances to credit institutions repayable on demand (note 17)	131,400	196,967
CASH AND EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,087,892	6,966,028
Cash (note 16)	415,873	326,291
Deposits at Central Banks (note 16)	1,293,359	2,630,201
Loans and advances to credit institutions repayable on demand (note 17)	155,794	131,400
CASH AND EQUIVALENTS AT THE END OF THE YEAR	1,865,026	3,087,892

(*) In 2023, this balance includes the amount of Euros 34,000 (31 December 2022: Euros 30,000) related to short-term lease contracts and the amount of Euros 1,808,000 (31 December 2022: Euros 1,742,000) related to lease contracts of low value assets.
(**) In 2023, this balance includes the amount of Euros 33,202,000 (31 December 2022: Euros 19,592,000) corresponding to payments of lease liabilities' shares of capital.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 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 year	Total equity
BALANCE AS AT 31 DECEMBER 2021	4,725,000	16,471	400,000	259,528	379,231	90,060	5,870,290
Net income for the year	–	–	–	–	–	478,408	478,408
Other comprehensive income	–	–	–	–	(1,032,027)	–	(1,032,027)
TOTAL COMPREHENSIVE INCOME	–	–	–	–	(1,032,027)	478,408	(553,619)
Results applications:							
Legal reserve (note 38)	–	–	–	9,006	(9,006)	–	–
Transfers for Reserves and retained earnings	–	–	–	–	90,060	(90,060)	–
Dividends paid	–	–	–	–	(13,603)	–	(13,603)
Interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	(37,000)	–	(37,000)
Reduction of the share capital	(1,725,000)	–	–	–	1,725,000	–	–
BALANCE AS AT 31 DECEMBER 2022	3,000,000	16,471	400,000	268,534	1,102,655	478,408	5,266,068
Net income for the year	–	–	–	–	–	680,276	680,276
Other comprehensive income	–	–	–	–	218,558	–	218,558
TOTAL COMPREHENSIVE INCOME	–	–	–	–	218,558	680,276	898,834
Results applications:							
Legal reserve (note 38)	–	–	–	47,841	(47,841)	–	–
Transfers for Reserves and retained earnings	–	–	–	–	478,408	(478,408)	–
Interests of the perpetual subordinated bonds (Additional Tier 1)	–	–	–	–	(37,000)	–	(37,000)
Other reserves	–	–	–	–	14	–	14
BALANCE AS AT 31 DECEMBER 2023	3,000,000	16,471	400,000	316,375	1,714,794	680,276	6,127,916

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate 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 separate financial statements reflect the results of the operations of the Bank for the years ended on 31 December 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 Bank’s separate financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), since 2016. 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 separate financial statements and the accompanying notes were approved on 25 March 2024 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 separate financial statements for the year ended on 31 December 2023 were prepared for the purpose of recognition and measurement, in accordance with the IFRS approved by the EU that are effective on that date.

These separate 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 Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2023. The accounting policies are consistent with those used in the preparation of the financial statements of the previous period.

The Bank'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.X.

B. Financial instruments (IFRS 9)

B1. Financial assets

B1.1. 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 Bank'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 Bank 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 Bank'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 Bank establishes financial asset management objectives and how cash flows are obtained.

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

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

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

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Bank 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 Bank 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 Bank 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.

B1.1.1. 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 Bank 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 B1.5), 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 B3.

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".

B1.1.2. 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 Bank 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 B1.5). 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 B3.

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.

B1.1.3. 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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".

B1.2. 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.

B1.3. Modification and derecognition of financial assets

General principles

i) The Bank 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 Bank 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 Bank 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 Bank shall treat the transaction as a transfer of a financial asset if all the following three conditions are met:

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

- if the Bank 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 Bank 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 Bank 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 Bank'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 Bank 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).

Loans written-off

The Bank 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.

B1.4. 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 B1.3) 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).

B1.5. Impairment losses

B1.5.1. Financial instruments subject to impairment losses recognition

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

B1.5.1.1. 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).

B1.5.1.2. 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).

B1.5.1.3. 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).

B1.5.2. 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 Bank 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 B1.5.3) but are not impaired (note B1.5.4) 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.

B1.5.3. 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.

B1.5.4. 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.

B1.5.5. 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;
- are classified in stage 2 as a result of the last revision of the questionnaire analysing the indications of financial difficulties;
- 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. For the situations identified in the first paragraph of the previous point involving corporate clients, the analysis is the responsibility of the Rating Division, and the responsibility of the Credit Division for the remaining clients.

6. For the situations identified in the second paragraph of the previous point, the individual analysis to determine the loss is the responsibility of the client's management divisions and of the Credit Division, the latter with regard 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 Bank 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 Bank 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.

7. 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.
8. 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.
9. 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.
10. 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.

11. 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.
12. 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.
13. 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.
14. 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.

15. 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.
16. Customers that have objective signs of impairment, but an individual impairment amount is equal to zero, are included in the collective analysis, assuming a PD 12 months equivalent to the risk grade 12 of the Master Scale.
17. The individual impairment analysis must be carried out annually, and may be lower for clients who fall into certain situations of possible increased risk. 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.

B1.5.6. 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 Bank'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 Bank 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 Bank 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 Bank expects to receive;
- financial guarantees: the current value of the expected repayments less the amounts that the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank has the right to require payment or end the commitment or guarantee.

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

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

In December 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.

B2. Financial liabilities

B2.1. 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".

B2.1.1. 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 Bank 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 Bank 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.

B2.1.2. 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 B1.5;
- 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".

B2.1.3. 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.

B2.2. Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

B2.3. Derecognition of financial liabilities

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

B3. 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 Bank 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.

B4. Hedge accounting

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

The Bank 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 Bank. 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.

B4.1. 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.

B4.2. 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.

B4.3. Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness must be demonstrated. As such, the Bank 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.

B4.4. 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.

B5. 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 B1.1.3.

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.

C. Securitization operations

C1. Traditional securitizations

As at 31 December 2023, the Bank has 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 Bank 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 Titularization Fund, which has financed this purchase through the sale of titularization units to a SPE with office in Ireland. At the same time, this SPE issued and sold in capital markets a group of different portions of bonds.

C2. Synthetic securitizations

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

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

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

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

In any of these operations, the Bank contracted a Credit Default Swap (CDS) from a Special Purpose Entity (SPE), buying, this way, protection over the total referenced portfolio. As in all synthetic securitizations, under CDS, the risk of the respective portfolios was divided in 3 tranches: senior, mezzanine and equity. In the case of both Caravela no. 3 and no. 4, the mezzanine and part of the equity (20%) were placed in the market through the issuance of Credit Linked Notes (CLNs) by the above mentioned SPE which were subscribed by investors, while the Group retained the senior risk and the remaining part of the equity (80%). In the case of Caravela SME no. 5, only the full amount of the mezzanine was placed in the market, while the Group retained the risk of the full amount of the senior and equity tranches.

Note that in all of 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.

D. Equity instruments

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

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

Transaction costs directly attributable to an equity 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 Bank are considered as an equity instrument when redemption of the shares is solely at the discretion of the Bank and dividends are paid at the discretion of the Bank.

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

E. Securities borrowing and repurchase agreement transactions

E1. 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).

E2. Repurchase agreements

The Bank 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.

F. Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in the Bank's financial statements at their historical cost less any impairment losses.

Subsidiaries are entities controlled by the Bank (including investment funds and securitization vehicles). The Bank controls an entity when it holds the power to designate the relevant activities of the entity, and when it is exposed or has rights to variable returns from its involvement with the entity and is able to take possession of those results through the power it holds over the relevant activities of that entity (*de facto* control).

Investments in associates

Associates are those entities in which the Bank has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Bank has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Bank holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Bank does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Bank 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 Bank and the investee;
- interchange of the management team; or
- provision of essential technical information.

Impairment

The recoverable amount of the investments in subsidiaries and associates is assessed annually, with reference to the end of the year or whenever exists any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associates and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Merger of companies

The process of merging companies by incorporation corresponds to the incorporation of the assets and liabilities of a company (merged) into another company (acquirer). In the event that the Bank is the acquirer company and the merged company is controlled by the Bank, the merger is classified as a transaction between companies under common control, and the Bank uses the denominated ‘predecessor approach’ as a criterion for recording in its individual accounts, which consists of recording the assets and liabilities of the merged company at their book value as presented in the Bank's consolidated accounts. This criterion provides for intra-group balances and historical transactions between the two companies to be eliminated and the amounts regarding assets and liabilities to be adjusted accordingly. The net difference between the amount recorded by the Bank and the amounts of the assets and liabilities incorporated is recorded as a “Merger reserve”.

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 Bank 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 Bank 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". In 2023, a group of properties was reclassified, as described in notes 24 and 28.

The Bank 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.

G1. Non-operating real estate (INAE)

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

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).

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 Bank'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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank's financial statements, namely:

- in the income statement:
  (i) recording in "Interest Income" the interest expenses related to lease liabilities;
  (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.
- in the balance sheet:
  (i) recording in "Other tangible assets" the recognition of right-to-use assets; and,
  (ii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the 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 separate 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 B.3).

J. Gains/(losses) on financial operations at fair value through profit or loss, Foreign exchange gains/(losses), Gains/(losses) on hedge accounting, 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 Bank's 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 Bank. 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 Bank 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 Bank does not capitalise any research and development costs. All expenses are recognised as costs in the period in which they occur.

N2. Software

The Bank 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 Bank 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 Bank has a legal right to offset the amounts recognised and transactions can be settled at their net value; and, ii) the Bank intends to settle on a net basis or realize the asset and settle the liability simultaneously. Considering the current operations of the Bank, 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 Bank 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 Bank 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 Bank had assumed the responsibility, if certain conditions of profitability were verified in each year, of assigning retirement supplements to the Bank's employees hired up to 21 September 2006 (Complementary Plan). The Bank, 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 Bank's benefit plan, effective from 1 January 2012. The plan was cut, and employees were given individual acquired rights. On that date, the Bank 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 Bank 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 Bank's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimation. The responsibilities with past service are calculated using the Projected Unit Credit method and actuarial assumptions considered adequate.

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

The Bank's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high quality corporate bonds that have maturity dates approximating the terms of the Bank'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 Bank, 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 Bank 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 Bank'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 that subscribed the Group's Collective Labour Agreements, for the review of the Salary Tables and remaining pecuniary clauses relating to the year 2023, having been agreed on 9 and 17 October with all the Unions subscribing to the Group's Collective Labour Agreements, the update of the Salary Tables in 2023 with differentiated increases by contractual level between 4.00% and 7.80%. An increase of 4.50% was agreed for the Bank's Contributions to SAMS and other pecuniary clauses, such as study subsidies, diuturnities, among others, and an increase of 21.43% was agreed for the lunch subsidy, whose daily value increased to Euros 12.75. The agreed updates took effect on January 1, 2023, with the exception of remuneration related to subsistence and travel allowances, which were updated after the agreed updates were operationalized.

Regarding the unions SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários e SIB – Sindicato Independente da Banca, an agreement was also reached regarding the revision of the Salary Tables and other pecuniary clauses relating to the year 2022, as already agreed in 2022 with the remaining unions.

R3. Defined contribution plan

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

As at 31 December 2023, the Bank has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Bank'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. As in the year 2023, the indicated requirements were also fulfilled, a provision for the annual contribution to be made during 2024 was recorded in the 2023 costs.

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 Bank 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

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

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

R5. Share-based compensation plan

As at 31 December 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. As provided for in the Remuneration Policy for Employees, if the amount of the annual variable remuneration awarded to a Key Function Holder is less than Euros 50,000 and does not represent more than one third of the total annual remuneration of the Key Function Holder the payment of the annual variable remuneration will be 100% in cash and there will be no deferral.

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

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

In 2016, the Bank adhered to the Special Tax Regime for Groups of Companies (RETGS) for the purposes of corporate income (IRC) taxation, with BCP being the dominant entity. In the financial years of 2023 and 2022, RETGS application was maintained. The bank'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 Bank adopted IFRS 8 – Operating Segments for the purpose of disclosing financial information by operating and geographic segments. A business segment is a Bank'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.

Since the separate financial statements are presented with the Group's report, in accordance with paragraph 4 of IFRS 8, the Bank is exempt of presenting information on an individual basis regarding segmental reporting.

U. Provisions, Contingent liabilities and Contingent assets

U1. Provisions

Provisions are recognised when (i) the Bank 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 Bank 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 Bank; 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 Bank by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

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

W. Insurance or reinsurance intermediation services

Banco Comercial Português is an entity authorized by the Insurance and Pension Funds Supervisory Authority (ASF - Autoridade de Supervisão de Seguros e Fundos de Pensões) for the practice of the activity of insurance mediation, in the category of tied Insurance Intermediary, in accordance with article 8(a)(i) of Decree-Law no. 144/2006, of 31 July, developing the activity of insurance intermediation in the life and non-life branches.

Within the scope of insurance mediation services, the Bank sell insurance contracts. As remuneration for the services provided of insurance mediation, they receive commissions for the mediation of insurance contracts and investment contracts, which are defined in agreements/protocols established with the Insurers.

Commissions received by insurance mediation services are recognized in accordance with the accrual principle, so that 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.

X. 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 Bank’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 Bank’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 Bank’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.

X1. Income taxes

Interpretations and estimations were required to determine the total amount of income taxes on profits. 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 Bank 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.

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 Bank exercised the option to apply the new regime, under the terms of which the impairment losses for credit risk relating to exposures analysed on an individual 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 31 December 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 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.

X2. Valuation of real estate recorded in Non-current assets held for sale and in Others assets

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.

X3. 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).

X4. Financial instruments – IFRS 9

X4.1. 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 Bank 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 Bank 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 Bank 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.

X4.2. 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 Bank 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 Bank 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 Bank 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.

X4.3. 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.

X5. Impairment of investments in subsidiary and associated companies

The Bank assesses annually the recoverable amount of investments in subsidiary and associated companies, regardless of the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiary and associated companies and their book value. Impairment losses identified are recognised against profit and loss, being subsequently reversed by profit and loss if there is a reduction in the estimated impairment loss in a subsequent period.

The recoverable amount is determined based on the highest between the value in use of the assets and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, which require the use of assumptions or judgments in establishing fair value estimates.

The use of alternative methodologies and different assumptions and estimates could result in a different level of impairment losses recognized, with the consequent impact on the Bank’s consolidated income statement.

Y. Subsequent events

The Bank 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 financial statements.

2. Net interest income

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	51,563	19,598
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	20,295	9,633
Loans and advances to customers	1,651,364	859,008
Debt instruments	229,246	91,540
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	30,884	1,718
Financial assets not held for trading mandatorily at fair value through profit or loss	2,462	1,641
Financial assets designated at fair value through profit or loss	452	—
Interest on financial assets at fair value through other comprehensive income	63,784	47,361
Interest on hedging derivatives	104,523	26,410
Interest on other assets	16,744	7,125
	2,171,317	1,064,034
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(55,524)	24,472
Resources from customers	(159,872)	(18,693)
Non subordinated debt securities issued	(52,643)	(39,561)
Subordinated debt	(52,796)	(44,582)
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	(32,522)	(1,013)
Financial liabilities at fair value through profit or loss		
Resources from customers	(8,582)	—
Non subordinated debt securities issued	(631)	(3,565)
Interest on hedging derivatives	(388,260)	(60,127)
Interest on leasing	(8,520)	(2,658)
Interest on other liabilities	(791)	(1,976)
	(760,141)	(147,703)
	1,411,176	916,331

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 11,884,000 (2022: negative interest Euros 6,572,000) associated with demand deposits with the Bank of Portugal (do not include overnight operations).

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: negative interest of Euros 32,558,000 (2022: positive interest Euros 58,153,000), Interest on financial assets at amortized cost - Debt securities: positive interest of Euros 63,964,000 (2022: positive interest Euros 30,752,000), Interest on financial assets at fair value through other comprehensive income: positive interest of Euros 10,837,000 (2022: positive interest Euros 12,004,000), no hedge breaks were recorded for customer's deposits.

The balance Interest and similar income - Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 50,653,000 (2022: Euros 40,659,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1.B3.

This balance also includes the amount of Euros 41,263,000 (2022: Euros 38,379,000) related to interest income arising from customers classified in stage 3.

In 2022, the balance Interest expense and similar charges - Interest on financial liabilities at amortised cost - Resources from credit institutions had recorded a negative cost of Euros 41,555,000 associated with the TLTRO III operation described in note 29.

The balances Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 979,000 and Euros 712,000, respectively (2022: Euros 608,000 and Euros 970,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1.B3.

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)

	2023	2022
Dividends from financial assets through other comprehensive income	1,136	9,370
Dividends from subsidiaries and associated companies	74,986	148,995
	76,122	158,365

The balance Dividends from financial assets through other comprehensive income includes dividends from shares of Tiicc, Sarl and Octal Group, Ltd. in the amount of Euros 615,000 and 412,000, respectively (2022: Euros 7,950,000 and Euros 1,325,000 of Octal Group, Ltd. and Tiicc, Sarl, respectively). This balance also includes income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes in 2023 the amounts of Euros 57,926,000, Euros 11,406,000 and Euros 1,876,000 related to the distribution of dividends from "BCP África,S.G.P.S., Lda.", "Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda." and "Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.", respectively. This balance included in 2022, the amounts of Euros 132,251,000, Euros 10,353,000 and Euros 2,500,000 related to the distribution of dividends from "Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.", "Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda." and "Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.", respectively.

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Fees and commissions received		
From guarantees granted	43,693	40,424
From commitments to third parties	5,245	5,195
Banking services provided	282,041	298,343
Bancassurance	83,174	83,458
Management and intervention commissions	23,381	23,597
Securities operations	62,149	65,853
Management and maintenance of accounts	141,974	140,284
Other commissions	3,829	4,504
	645,486	661,658
Fees and commissions paid		
From guarantees received	(8,919)	(9,132)
Banking services provided by third parties	(82,355)	(96,042)
Securities operations	(7,015)	(8,119)
Other commissions	(9,863)	(14,317)
	(108,152)	(127,610)
	537,334	534,048

5. Gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Gains/(losses) on financial operations at fair value through profit or loss		
Gains/(losses) on financial assets held for trading	161,944	(154,627)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss	(18,246)	(5,212)
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	(176,076)	170,259
	(32,378)	10,420
Foreign exchange gains/(losses)	21,245	43,430
Gains/(losses) on hedge accounting	19,716	970
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(7,165)	(26,997)
	1,418	27,823

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

(Thousands of euros)

	2023	2022
Gains /(losses) on financial assets held for trading		
Gains		
Debt securities portfolio	7,772	4,422
Equity instruments	4,166	189
Derivative financial instruments	297,410	196,734
Other operations	1,375	1,963
	310,723	203,308
Losses		
Debt securities portfolio	(4,694)	(9,834)
Equity instruments	(371)	(8,051)
Derivative financial instruments	(143,305)	(339,426)
Other operations	(409)	(624)
	(148,779)	(357,935)
	161,944	(154,627)
Gains /(losses) on financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Debt securities portfolio	47,352	39,670
Equity instruments	9,346	8,016
	56,698	47,686
Losses		
Debt securities portfolio	(56,237)	(41,027)
Equity instruments	(18,707)	(11,871)
	(74,944)	(52,898)
	(18,246)	(5,212)

(continues)

(continuation) (Thousands of euros)

	2023	2022
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss		
Gains		
Debt securities portfolio	207	—
Resources from customers	6,193	3,936
Debt securities issued		
Certificates and structured securities issued	66,658	142,982
Other debt securities issued	188	25,993
	73,246	172,911
Losses		
Resources from customers	(11,464)	—
Debt securities issued		
Certificates and structured securities issued	(224,547)	—
Other debt securities issued	(13,311)	(2,652)
	(249,322)	(2,652)
	(176,076)	170,259
	(32,378)	10,420

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 Bank. These liabilities are covered by futures, which valuation and devaluation are recorded in Gains / (losses) on financial assets held for trading - Profit/(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)

	2023	2022
Foreign exchange gains/(losses)		
Gains	65,857	57,312
Losses	(44,612)	(13,882)
	21,245	43,430
Gains/(losses) on hedge accounting		
Gains		
Hedging derivatives	191,470	1,279,578
Hedged items	196,888	199,895
	388,358	1,479,473
Losses		
Hedging derivatives	(215,194)	(361,702)
Hedged items	(153,448)	(1,116,801)
	(368,642)	(1,478,503)
	19,716	970
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss		
Gains		
Credit sales	9,827	12,928
Debt securities portfolio at amortized cost	1,070	10,466
Debt securities portfolio at fair value through other comprehensive income	1,795	39,620
Others	6,495	647
	19,187	63,661
Losses		
Credit sales	(14,608)	(4,637)
Debt securities portfolio at fair value through other comprehensive income	(11,723)	(85,031)
Others	(21)	(990)
	(26,352)	(90,658)
	(7,165)	(26,997)

In 2023, the main contributions to the balance Gains/(losses) on hedge accounting were the gains of Euros 10,889,000 and Euros 8,713,000 relating to the deposits portfolio hedge and subordinated issues portfolio hedge, respectively.

Regarding the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, 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, includes a net gain of Euros 853,000 (2022: net gain of Euros 156,969,000), which is offset in the balance Gains/(losses) on hedge accounting.

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

6. Other operating income / (losses)

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Operating income		
Income from services	24,377	25,239
Cheques and others	6,590	7,702
Gains on leasing operations	3,783	3,266
Rents	1,312	1,187
Other operating income	19,278	18,276
	55,340	55,670
Operating costs		
Taxes	(7,579)	(11,209)
Donations and contributions	(3,405)	(3,638)
Contribution to the banking sector	(44,387)	(43,186)
Contribution to the Resolution Fund	(9,402)	(18,540)
Contribution to the Single Resolution Fund	(17,679)	(25,797)
Contributions to the Deposit Guarantee Fund	(513)	(492)
Losses on financial leasing operations	(25)	(37)
Other operating costs	(16,801)	(15,640)
	(99,791)	(118,539)
	(44,451)	(62,869)

The contribution to the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Portuguese Fund, as stipulated in Decree-Law Nº 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile on the basis of the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) Nº 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) 2015/63 and European Parliament and of the Council Regulation (EU) 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67 (4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

In 2023, the total value of the contribution to the Single Resolution Fund attributable to the Bank amounted to Euros Euros 22,811,000 (2022: Euros 30,350,000). The Bank delivered the amount of Euros 17,679,000 to the Single Resolution Fund (2022: Euros 25,797,000) and chose to constitute an irrevocable commitment in the amount of Euros 5,132,000 (2022: Euros 4,552,000),under the terms set out in Decree-Law no. 24/2013, of 19 February. As a guarantee of the assumption of the irrevocable payment commitment made in the year with the Single Resolution Fund, a deposit was set up for this purpose, in the amount of Euros 5,132,000 (2022: Euros 4,552,000), which is fully secured and accounted for in Other assets - Deposit account applications (note 28). The accumulated irrevocable payment commitments constituted in the amount of Euros 30,638,000 (2022: Euros 25,506,000), are accounted for in off-balance sheet items (note 40), and are fully collateralized by assets registered in Other assets - Deposit account applications (note 28).

In 2023, the total value of the contribution to the Deposit Guarantee Fund attributable to the Bank amounted to Euros 494,000 (2022: Euros 469,000), with the Group delivering the entire contribution to the Deposit Guarantee Fund. Until 2011, inclusive, under the terms set out in Banco de Portugal Notice No. 11/94, the Bank could choose to deliver part of the contribution to the Deposit Guarantee Fund and the other part to constitute an irrevocable payment commitment. As a guarantee of the assumption of irrevocable payment commitments assumed until 2012 with the Deposit Guarantee Fund, a security pledge has been created for this purpose, in the amount of Euros 98,875,000 (2022: Euros 98,813,000). The accumulated irrevocable payment commitments constituted amount to Euros 94,390,000, and are accounted for in off-balance sheet items (note 40).

Regarding the irrevocable commitments of the Single Resolution Fund and the Deposit Guarantee Fund, the Bank considered that they qualify as contingent liabilities under IAS 37, meaning that no liabilities or provisions were recorded for this purpose.

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Remunerations	277,783	259,917
Mandatory social security charges		
Post-employment benefits (note 45)		
Service cost	(9,376)	(11,441)
Net interest cost / (income) in the liability coverage balance	(16,628)	(5,782)
Cost with early retirement programs	7,043	2,223
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(9)	(7)
	(18,970)	(15,007)
Other mandatory social security charges	72,380	69,510
	53,410	54,503
Voluntary social security charges	11,174	8,371
Other staff costs	(404)	4,114
	341,963	326,905

The balance Remunerations includes the amount of Euros 9,450,000 (2022: Euros 5,478,000) related to the distribution of profits to Bank's employees.

In 2023, the Bank paid severance payments in the amount of 3,683,000 (2022: Euros 1,254,000), of which the highest amounted to Euros 565,000 (2022: Euros 200,000). Of the total severance payments, Euros 3,113,000 had already been recorded as staff costs in the 2022 financial year, given that these were agreements concluded in that year, but whose effective departures only occurred in 2023, as described in note 35.

The average number of employees by professional category, at service in the Bank, is analysed as follows by category:

	2023	2022
Top Management	852	824
Intermediary Management	1,396	1,384
Specific/Technical functions	2,803	2,756
Other functions	975	1,063
	6,026	6,027

Remunerations

In compliance with the provisions of Article 47 of Banco de Portugal Notice no. 3/2020, quantitative information is disclosed regarding the remuneration paid to different categories of members of governing bodies and categories of employees provided for in Article 115 C no. 2 of the RGICS, as well as the information provided for in Article 450 g) to i) of Regulation (EU) 2019/876 of the European Parliament and of the Council.

A. BCP Board of Directors

The fixed remuneration and social charges paid to members of the Board of Directors and key management members are analysed as follows:

(Thousands of euros)

	Board of Directors			
	Executive Committee		Non-executive directors	
	2023	2022	2023	2022
Fixed remuneration	3,064	2,954	2,057	1,831
Variable remuneration				
Pecuniary	461	370	–	–
Shares	460	1,322	–	–
Deferred	534	1,024	–	–
Supplementary retirement pension	635	611	144	138
Post-employment benefits	(14)	(42)	–	–
Other mandatory social security charges	763	734	491	443
	5,903	6,973	2,692	2,412
Number of beneficiaries	6	6	11	11

Considering that the remuneration of members of the Executive Committee and Directors, with an exclusivity contract, intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received will be deducted from the fixed annual remuneration attributed by the Bank, ensuring that the amount actually paid corresponds to the amount approved by the Remuneration and Welfare Board.

In 2023, it was assigned variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2022, as described in accounting policies 1 R4 and 1 R5.

In 2023, the variable remuneration attributed was Euros 923,000 in cash, of which Euros 463,000 are deferred for 5 years, and 4,136,539 shares corresponding to Euros 1,846,000, of which 2,068,268 shares are deferred for 5 years.

In 2023, the deferred variable remuneration paid refers to the years 2021, 2020, 2019 and 2018, of which Euros 131,000 in cash and 1,811,526 BCP shares in the amount of Euros 403,000.

In 2022, the variable remuneration attributed was Euros 616,000 in cash, of which Euros 246,000 are deferred for 5 years, and 12,416,223 shares corresponding to Euros 2,567,000, of which 1,568,846 shares are deferred for 5 years, and 3,397,643 shares are deferred for 3 years.

In 2022 the deferred variable remuneration attributed to the Executive Committee is related to 2020, 2019 and 2018 years, and amounts to Euros 590,000 in cash and 2,443,549 BCP shares in the amount of Euros 434,000.

During 2023 and 2022, no severance payments were paid to members of the Board of Directors.

B. *Key Function Holders (KFH)*

In 2023, the remunerations and social security charges supported with the Bank's Key Function Holders are, by segment, as follows:

(Thousands of euros)

	2023				
	Key Function Holder (KFH)				
	Retail	Corporate	Control Functions	Others	Total
Fixed remuneration	1,391	2,387	2,838	5,098	11,714
Variable remuneration					
Pecuniary	287	335	475	1,028	2,125
Shares	98	119	166	369	752
Deferred	42	36	19	125	222
Post-employment benefits	(72)	(39)	(146)	(234)	(491)
Other mandatory social security charges	368	504	708	1,283	2,863
	2,114	3,342	4,060	7,669	17,185
Number of beneficiaries	10	13	31	38	92

Arising from the application of the Remuneration Policies for Employees, approved for the financial year 2022, as described in accounting policies 1 R4 and 1 R5, in 2023, the 92 Key Function Holders were awarded with variable remuneration, in the amount of Euros 337,000 in cash and 1,494,050 shares deferred for 5 years, as well as 229 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

In 2023, deferred variable remunerations were paid to KFH deferred from 2022, 2021 and 2020 years, corresponding in cash to Euros 102,000 and shares in the amount of Euros 120,000.

In 2023, severance payments were paid to 5 KFH in the amount of Euros 267,000, of which the highest payment was Euros 110.000 and end-of-career bonuses in the amount of Euros 35,000.

In 2022, the remunerations and social security charges supported with the Bank's Key Function Holders are, by segment, as follows:

(Thousands of euros)

	2022				
	Key Function Holder (KFH)				
	Retail	Corporate	Control Functions	Others	Total
Fixed remuneration	1,317	2,657	2,474	5,494	11,942
Variable remuneration					
Pecuniary	129	176	224	491	1,020
Shares	80	105	139	280	604
Deferred	48	42	20	129	239
Post-employment benefits	(112)	(108)	(191)	(373)	(784)
Other mandatory social security charges	331	547	649	1,320	2,847
	1,793	3,419	3,315	7,341	15,868
Number of beneficiaries	9	15	26	40	90

Arising from the application of the Remuneration Policies for Employees, approved for the financial year 2021, as described in accounting policies 1 R4 and 1 R5, in 2022, the 90 Key Function Holders were awarded with variable remuneration, in the amount of Euros 236,000 in cash and 1,534,941 shares deferred for 5 years, as well as 174 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

In 2022, deferred variable remunerations were paid to KFH deferred from 2021, 2020 and 2019 years, corresponding in cash to Euros 57,000 and shares in the amount of Euros 182,000.

In 2022, severance payments were paid to 3 Bank's Key Function Holders in the amount of Euros 255,000 of which the highest amounts to Euros 200,000 and end-of-career bonuses in the amount of Euros 65,000.

Remunerations paid and social charges supported with the Bank's KFH, broken down by key management elements and staff members whose professional activities have a significant impact on the Bank's risk profile, are the following:

(Thousands of euros)

	Key Function Holder (KFH)					
	Key management members		Other KFH		Total	
	2023	2022	2023	2022	2023	2022
Fixed remuneration	7,785	7,865	3,929	4,077	11,714	11,942
Variable remuneration						
Pecuniary	1,497	705	628	315	2,125	1,020
Shares	538	417	214	187	752	604
Deferred	217	230	5	9	222	239
Post-employment benefits	(265)	(453)	(226)	(331)	(491)	(784)
Other mandatory social security charges	1,944	1,934	919	913	2,863	2,847
	11,716	10,698	5,469	5,170	17,185	15,868
Number of beneficiaries	54	53	38	37	92	90

In 2023, the Key management members were awarded with deferred variable remuneration in the amount of Euros 337,000 and 1,494,050 shares deferred for 5 years, as well as 229 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

In 2023 deferred variable remunerations from 2022, 2021 and 2020 years were paid in cash to Key management members, in the amount of Euros 99,000, as well as BCP shares and participation units from AF Portfólio Imobiliário Fund corresponding to Euros 118,000. Relatedly to the other KFH, were paid Euros 2,000 in cash deferred from 2020, BCP shares and participation units from AF Portfólio Imobiliário Fund, from the years 2020, corresponding to Euros 3,000.

During 2022, deferred variable remunerations from 2021 and 2020 years were paid Euros 55,000 in cash to Key management members, BCP shares and participation units from AF Portfólio Imobiliário Fund from the years 2021, 2020 and 2019 corresponding to Euros 175,000. Relatedly to the other KFH, were paid Euros 3,000 in cash deferred from 2020 and BCP shares and participation units from AF Portfólio Imobiliário Fund, from the years 2020 and 2019, corresponding to Euros 7,000.

During 2022, with reference to the financial year of 2021, the Key management members were awarded with deferred variable remuneration in the amount of Euros 236,000 and 1,534.941 shares deferred for 5 years, as well as 174 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

In accordance with regulation (EU) 11º 575/2013, Article 450 point 1.i), in the year 2023 the Bank has 1 employee on the board of directors with remuneration between Euros 1 and Euros 1.5 million. In 2022, the Bank had no employees earning more than Euros 1 million.

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Outsourcing and independent labour	79,536	74,034
Rents and leases	9,054	8,241
Other specialised services	18,289	18,873
Communications	7,598	7,631
Information technology services	19,055	18,228
Maintenance and related services	9,360	8,621
Water, electricity and fuel	5,748	10,438
Advertising	6,774	6,486
Advisory services	9,576	11,519
Transportation	7,809	7,195
Legal expenses	3,736	3,340
Travel, hotel and representation costs	2,673	2,254
Insurance	2,428	2,601
Consumables	1,881	1,977
Credit cards and mortgage	1,093	1,163
Training costs	1,294	1,044
Other supplies and services	6,757	6,074
	192,661	189,719

The balance Rents and leases includes, the amount of Euros 34,000 (2022: Euros 30,000) related to short-term lease contracts and the amount of Euros 1,808,000 (2022: Euros 1,742,000) related to lease contracts of low value assets, as described in the accounting policy 1.H.

The balance Other specialised services includes fees for services rendered by the Statutory Auditor of the Bank, currently in functions, and by companies in its network as part of its statutory audit functions, as well as other services, are as follows:

(Thousands of euros)

	2023	2022
Auditing services		
Legal certification	2,398	2,243
Other assurance services	832	1,085
Other services	698	300
	3,928	3,628

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Intangible assets amortisations (note 26):		
Software	22,970	25,717
Other tangible assets depreciations (note 25):		
Real estate	7,091	7,517
Equipment		
Computers	6,911	7,151
Security equipment	651	655
Installations	2,140	2,040
Machinery	429	430
Furniture	1,286	1,452
Motor vehicles	1,660	1,451
Other equipment	8	8
Right-of-use		
Real estate	31,031	33,626
Vehicles and equipment	—	4
	51,207	54,334
	74,177	80,051

10. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Loans and advances to credit institutions (note 18):		
Charge for the year	11	221
Reversals for the year	(653)	(554)
	(642)	(333)
Loans and advances to customers (note 19):		
Charge for the year	210,668	229,531
Reversals for the year	(2,742)	(6,901)
Recoveries of loans and interest charged-off	(10,532)	(6,217)
	197,394	216,413
Debt securities (note 20)		
Associated to credit operations		
Charge for the year	3,991	8
Reversals for the year	—	(2,393)
	3,991	(2,385)
Not associated to credit operations		
Charge for the year	3,971	1,473
Reversals for the year	—	(1,332)
	3,971	141
	7,962	(2,244)
	204,714	213,836

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

The detail of these balances is comprised of:

(Thousands of euros)

	2023	2022
Impairment of financial assets at fair value through other comprehensive income (note 21)		
Charge for the year	2,417	61
Reversals for the year	(1,319)	(5,334)
	1,098	(5,273)

12. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Impairment of investments in associated companies (note 23)		
Charge for the year	58,933	18,077
Reversals for the year	(25,993)	(67,374)
	32,940	(49,297)
Impairment of non-current assets held for sale (note 24)		
Charge for the year	8,227	51,931
Reversals for the year	(69)	–
	8,158	51,931
Impairment of other assets (note 28)		
Charge for the year	12,002	10,083
Reversals for the year	(677)	(175)
	11,325	9,908
Impairment of real estate and other assets arising from recovered loans (note 28) (*)		
Charge for the year	9,025	–
	9,025	–
	61,448	12,542

(*) The 2023 values regard to impairment associated with real estate and assets arising from recovered loans.

13. Other provisions

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Provision for guarantees and other commitments (note 35)		
Charge for the year	12,364	2,042
Reversals for the year	(1,236)	(448)
	11,128	1,594
Other provisions for liabilities and charges (note 35)		
Charge for the year	100,289	102,328
Reversals for the year	(7)	(21)
	100,282	102,307
	111,410	103,901

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

The amount of this account is comprised of:

(Thousands of euros)

	2023	2022
Gains / (losses) on disposal of subsidiaries	(2,852)	1,712
Gains / (losses) on disposal of other assets	5,724	11,114
	2,872	12,826

The balance Gains /(Losses) on disposal of other assets includes essentially gains on disposal of assets held by the Bank and classified as non-current assets held for sale and as other assets, which corresponds to a gain of Euros 7,232,000 (2022: gain of Euros 15,066,000).

15. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	2023	2022
Net income / (loss) for the year	680,276	478,408
Interests of the perpetual subordinated bonds (Additional Tier 1)	(37,000)	(37,000)
Adjusted net income	643,276	441,408
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros)	0.043	0.029
Diluted earnings per share (Euros)	0.043	0.029

The Bank's share capital, as at 31 December 2023, amounts to Euros 3,000,000,000 (2022: 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.

There were not identified another dilution effects of the earnings per share as at 31 December 2023 e 2022.

16. Cash and deposits at Central banks

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Cash	415,873	326,291
Central Banks	1,293,359	2,630,201
	1,709,232	2,956,492

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

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

17. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Credit institutions in Portugal	642	1,280
Credit institutions abroad	82,537	36,254
Amounts due for collection	72,615	93,866
	155,794	131,400

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

18. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Loans and advances to credit institutions in Portugal		
Loans	(23)	4,222
Term applications to collateralise CIRS and IRS operations (*)	33,330	26,890
Other	13,717	1,067
	47,024	32,179
Loans and advances to credit institutions abroad		
Term deposits	278,044	288,238
Term deposits to collateralise CIRS and IRS operations (*)	21,580	38,480
Other	23,921	26,069
	323,545	352,787
	370,569	384,966
Impairment for loans and advances to credit institutions	(160)	(802)
	370,409	384,164

(*) 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 Bank.

This balance analysed by the period to maturity, before impairment, is as follows:

(Thousands of euros)

	2023	2022
Up to 3 months	164,988	176,546
3 to 6 months	—	72,839
6 to 12 months	200,501	130,000
1 to 5 years	5,080	5,581
	370,569	384,966

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

(Thousands of euros)

	2023	2022
Balance on 1 January	802	1,135
Charge for the year (note 10)	11	221
Reversals for the year (note 10)	(653)	(554)
Balance at the end of the year	160	802

19. Loans and advances to customers

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

(Thousands of euros)

	2023	2022
Discounted bills	144,894	188,801
Current account credits	818,909	790,383
Overdrafts	205,389	228,760
Loans	10,612,383	12,401,631
Mortgage loans	19,474,531	19,614,754
Factoring operations	2,334,416	2,387,785
Finance leases	2,466,302	2,451,407
	36,056,824	38,063,521
Overdue loans - less than 90 days	20,194	20,720
Overdue loans - Over 90 days	205,264	176,113
	36,282,282	38,260,354
Loans impairment	(972,137)	(925,525)
	35,310,145	37,334,829

The balance Loans and advances to customers, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	2023				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	524,585	–	524,585	(1,118)	523,467
Asset-backed loans	21,679,146	51,331	21,730,477	(381,275)	21,349,202
Other guaranteed loans	4,357,649	54,325	4,411,974	(162,103)	4,249,871
Unsecured loans	2,623,402	74,746	2,698,148	(248,536)	2,449,612
Foreign loans	2,071,324	13,767	2,085,091	(51,812)	2,033,279
Factoring operations	2,334,416	13,281	2,347,697	(52,187)	2,295,510
Finance leases	2,466,302	18,008	2,484,310	(75,106)	2,409,204
	36,056,824	225,458	36,282,282	(972,137)	35,310,145

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

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

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

(Thousands of euros)

	2022				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	569,854	—	569,854	(810)	569,044
Asset-backed loans	22,094,392	63,098	22,157,490	(378,664)	21,778,826
Other guaranteed loans	5,307,938	52,050	5,359,988	(172,959)	5,187,029
Unsecured loans	2,815,039	51,203	2,866,242	(165,187)	2,701,055
Foreign loans	2,437,106	2,451	2,439,557	(34,025)	2,405,532
Factoring operations	2,387,785	13,162	2,400,947	(42,484)	2,358,463
Finance leases	2,451,407	14,869	2,466,276	(131,396)	2,334,880
	38,063,521	196,833	38,260,354	(925,525)	37,334,829

The balance Loans and advances to customers includes the amount of Euros 10,875,965,000 (31 December 2022: Euros 10,613,589,000) regarding mortgage loans assigned to the cover pool backing the Bank's covered bond programme issuances.

The Bank, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank , which include loans and advances to customers.

As referred in note 46, the Bank provides loans to qualifying shareholders holding individually or together with their affiliates, 5% or more of the share capital identified in note 37.

The Bank granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 112,006,000 (31 December 2022: Euros 98,654,000), as referred in note 46 A). The amount of impairment recognised for these contracts amounts to Euros 1,481,000 (31 December 2022: Euros 914,000).

The conclusion of business between the Company and holders of qualifying holdings or individuals or legal entities related to them in accordance with the provisions of article 33.°, n.° 3 of Notice 3/2020 of Bank of Portugal, regardless of the amount, is always subject of consideration and deliberation by the Board of Directors, after obtaining a prior opinion from the Audit Committee, and by proposal of the Executive Committee, which in turn deliberates under proposal from the Credit Committee, after obtaining an analysis and opinion from the Compliance Office, which pronounces regarding the compliance of the proposed operations with internal regulations, legal and regulatory provisions and other conditions that may apply to them, and the Risk Office, which evaluates and issues an opinion on the risks inherent to the operation.

The analysis of the maturing component of financial lease contracts, by type of client, is presented as follows:

(Thousands of euros)

	2023	2022
Individuals		
Home	36,528	43,190
Consumption	24,344	25,384
Others	71,583	75,666
	132,455	144,240
Companies		
Equipment	497,728	459,708
Real estate	1,836,119	1,847,460
	2,333,847	2,307,168
	2,466,302	2,451,408

The analysis of loans and advances to customers, as at 31 December 2023, by sector of activity, is as follows:

(Thousands of euros)

	2023					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	408,075	3,191	411,266	(11,390)	399,876	1.13%
Fisheries	15,939	3,237	19,176	(3,624)	15,552	0.05%
Mining	43,911	1,100	45,011	(5,745)	39,266	0.12%
Food, beverage and tobacco	564,609	4,730	569,339	(25,199)	544,140	1.57%
Textiles	395,444	10,867	406,311	(54,570)	351,741	1.12%
Wood and cork	151,513	1,987	153,500	(4,170)	149,330	0.42%
Paper, printing and publishing	98,473	568	99,041	(3,677)	95,364	0.27%
Chemicals	501,373	14,951	516,324	(28,841)	487,483	1.42%
Machinery, equipment and basic metallurgical	882,744	20,881	903,625	(52,850)	850,775	2.49%
Electricity and gas	218,099	11	218,110	(7,234)	210,876	0.60%
Water	159,088	361	159,449	(7,882)	151,567	0.44%
Construction	1,219,149	16,454	1,235,603	(71,572)	1,164,031	3.41%
Retail business	1,160,733	12,450	1,173,183	(29,659)	1,143,524	3.23%
Wholesale business	1,287,765	13,850	1,301,615	(59,796)	1,241,819	3.59%
Restaurants and hotels	1,307,213	9,789	1,317,002	(68,119)	1,248,883	3.63%
Transports	667,980	4,226	672,206	(14,778)	657,428	1.85%
Post offices	16,986	108	17,094	(298)	16,796	0.05%
Telecommunications	185,925	3,945	189,870	(5,214)	184,656	0.52%
Services						
Financial intermediation	1,415,796	59	1,415,855	(40,098)	1,375,757	3.90%
Real estate activities	1,790,512	13,072	1,803,584	(47,690)	1,755,894	4.97%
Consulting, scientific and technical activities	896,885	27,830	924,715	(153,414)	771,301	2.55%
Administrative and support services activities	366,831	2,882	369,713	(19,262)	350,451	1.02%
Public sector	389,599	—	389,599	(1,118)	388,481	1.07%
Education	87,302	630	87,932	(1,870)	86,062	0.24%
Health and collective service activities	310,949	1,245	312,194	(8,511)	303,683	0.86%
Artistic, sports and recreational activities	209,944	546	210,490	(31,906)	178,584	0.58%
Other services	105,602	1,003	106,605	(67,631)	38,974	0.29%
Consumer loans	2,035,291	35,984	2,071,275	(72,096)	1,999,179	5.71%
Mortgage credit	18,594,668	8,229	18,602,897	(52,180)	18,550,717	51.31%
Other domestic activities	1,254	197	1,451	(151)	1,300	0.00%
Other international activities	567,172	11,075	578,247	(21,592)	556,655	1.59%
	36,056,824	225,458	36,282,282	(972,137)	35,310,145	100.00%

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

(Thousands of euros)

	2022					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	435,208	5,605	440,813	(12,324)	428,489	1.15%
Fisheries	16,543	3,226	19,769	(2,448)	17,321	0.05%
Mining	54,273	1,247	55,520	(4,720)	50,800	0.15%
Food, beverage and tobacco	632,730	7,735	640,465	(15,189)	625,276	1.67%
Textiles	480,006	8,913	488,919	(16,718)	472,201	1.28%
Wood and cork	162,257	3,404	165,661	(3,892)	161,769	0.43%
Paper, printing and publishing	127,735	455	128,190	(3,284)	124,906	0.34%
Chemicals	646,610	12,508	659,118	(33,780)	625,338	1.72%
Machinery, equipment and basic metallurgical	1,039,284	15,897	1,055,181	(46,882)	1,008,299	2.76%
Electricity and gas	204,345	396	204,741	(935)	203,806	0.54%
Water	170,523	160	170,683	(7,641)	163,042	0.45%
Construction	1,241,016	14,036	1,255,052	(130,800)	1,124,252	3.28%
Retail business	1,206,601	11,894	1,218,495	(27,512)	1,190,983	3.18%
Wholesale business	1,463,879	16,588	1,480,467	(53,646)	1,426,821	3.87%
Restaurants and hotels	1,457,643	13,426	1,471,069	(61,449)	1,409,620	3.84%
Transports	722,477	3,218	725,695	(10,763)	714,932	1.90%
Post offices	15,554	101	15,655	(211)	15,444	0.04%
Telecommunications	214,278	1,418	215,696	(7,728)	207,968	0.56%
Services						
Financial intermediation	1,995,786	1,536	1,997,322	(43,973)	1,953,349	5.22%
Real estate activities	1,788,113	10,556	1,798,669	(33,270)	1,765,399	4.70%
Consulting, scientific and technical activities	886,687	6,492	893,179	(83,357)	809,822	2.33%
Administrative and support services activities	405,475	2,405	407,880	(54,090)	353,790	1.07%
Public sector	575,166	–	575,166	(810)	574,356	1.50%
Education	123,773	614	124,387	(14,202)	110,185	0.33%
Health and collective service activities	349,399	792	350,191	(6,403)	343,788	0.92%
Artistic, sports and recreational activities	227,772	1,727	229,499	(35,283)	194,216	0.60%
Other services	107,747	852	108,599	(97,599)	11,000	0.28%
Consumer loans	1,958,181	36,235	1,994,416	(65,214)	1,929,202	5.21%
Mortgage credit	18,810,972	15,002	18,825,974	(42,188)	18,783,786	49.21%
Other domestic activities	1,231	200	1,431	(37)	1,394	0.00%
Other international activities	542,257	195	542,452	(9,177)	533,275	1.42%
	38,063,521	196,833	38,260,354	(925,525)	37,334,829	100.00%

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December 2023 is as follows:

(Thousands of euros)

	2023						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	89,946	170,984	147,145	408,075	3,191	411,266	1.13%
Fisheries	4,365	6,904	4,670	15,939	3,237	19,176	0.05%
Mining	8,064	30,004	5,843	43,911	1,100	45,011	0.12%
Food, beverage and tobacco	280,972	204,580	79,057	564,609	4,730	569,339	1.57%
Textiles	146,961	194,616	53,867	395,444	10,867	406,311	1.12%
Wood and cork	55,619	61,621	34,274	151,514	1,986	153,500	0.42%
Paper, printing and publishing	21,126	53,595	23,752	98,473	568	99,041	0.27%
Chemicals	176,866	235,780	88,727	501,373	14,951	516,324	1.42%
Machinery, equipment and basic metallurgical	284,397	442,327	156,020	882,744	20,881	903,625	2.49%
Electricity and gas	11,938	73,435	132,726	218,099	11	218,110	0.60%
Water	14,242	58,627	86,219	159,088	361	159,449	0.44%
Construction	451,679	452,847	314,622	1,219,148	16,455	1,235,603	3.41%
Retail business	465,665	447,377	247,691	1,160,733	12,450	1,173,183	3.23%
Wholesale business	591,788	508,804	187,173	1,287,765	13,850	1,301,615	3.59%
Restaurants and hotels	84,773	369,005	853,435	1,307,213	9,789	1,317,002	3.63%
Transports	138,213	436,206	93,561	667,980	4,226	672,206	1.85%
Post offices	11,249	4,474	1,263	16,986	108	17,094	0.05%
Telecommunications	57,333	101,760	26,832	185,925	3,945	189,870	0.52%
Services							
Financial intermediation	224,630	373,021	818,145	1,415,796	59	1,415,855	3.90%
Real estate activities	302,920	704,676	782,916	1,790,512	13,072	1,803,584	4.97%
Consulting, scientific and technical activities	153,454	313,058	430,373	896,885	27,830	924,715	2.55%
Administrative and support services activities	106,583	182,080	78,168	366,831	2,882	369,713	1.02%
Public sector	47,034	323,957	18,608	389,599	—	389,599	1.07%
Education	21,919	27,948	37,435	87,302	630	87,932	0.24%
Health and collective service activities	59,510	121,104	130,335	310,949	1,245	312,194	0.86%
Artistic, sports and recreational activities	9,199	51,550	149,195	209,944	546	210,490	0.58%
Other services	35,799	38,050	31,753	105,602	1,003	106,605	0.29%
Consumer credit	637,598	713,927	683,766	2,035,291	35,984	2,071,275	5.71%
Mortgage credit	10,278	226,062	18,358,328	18,594,668	8,229	18,602,897	51.31%
Other domestic activities	262	397	595	1,254	197	1,451	0.00%
Other international activities	365,823	49,870	151,479	567,172	11,075	578,247	1.59%
	4,870,205	6,978,646	24,207,973	36,056,824	225,458	36,282,282	100.00%

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

(Thousands of euros)

	2022						
	Outstanding loans						
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total	%
Agriculture and forestry	92,676	167,590	174,942	435,208	5,605	440,813	1.15%
Fisheries	3,246	8,950	4,347	16,543	3,226	19,769	0.05%
Mining	10,747	31,782	11,744	54,273	1,247	55,520	0.15%
Food, beverage and tobacco	310,259	229,443	93,028	632,730	7,735	640,465	1.67%
Textiles	145,424	257,024	77,558	480,006	8,913	488,919	1.28%
Wood and cork	49,465	82,635	30,157	162,257	3,404	165,661	0.43%
Paper, printing and publishing	31,643	66,711	29,381	127,735	455	128,190	0.34%
Chemicals	234,562	286,623	125,425	646,610	12,508	659,118	1.72%
Machinery, equipment and basic metallurgical	290,909	539,606	208,769	1,039,284	15,897	1,055,181	2.76%
Electricity and gas	36,902	60,164	107,279	204,345	396	204,741	0.54%
Water	16,814	66,734	86,975	170,523	160	170,683	0.45%
Construction	393,858	518,527	328,631	1,241,016	14,036	1,255,052	3.28%
Retail business	359,820	547,579	299,202	1,206,601	11,894	1,218,495	3.18%
Wholesale business	622,056	582,942	258,881	1,463,879	16,588	1,480,467	3.87%
Restaurants and hotels	56,970	502,954	897,719	1,457,643	13,426	1,471,069	3.84%
Transports	129,637	486,858	105,982	722,477	3,218	725,695	1.90%
Post offices	10,886	3,840	828	15,554	101	15,655	0.04%
Telecommunications	61,411	116,560	36,307	214,278	1,418	215,696	0.56%
Services							
Financial intermediation intermediation	163,353	763,145	1,069,288	1,995,786	1,536	1,997,322	5.22%
Real estate activities	271,098	727,418	789,597	1,788,113	10,556	1,798,669	4.70%
Consulting, scientific and technical activities	184,913	335,019	366,755	886,687	6,492	893,179	2.33%
Administrative and support services activities	70,664	204,228	130,583	405,475	2,405	407,880	1.07%
Public sector	83,363	279,833	211,970	575,166	—	575,166	1.50%
Education	21,846	35,943	65,984	123,773	614	124,387	0.33%
Health and collective service activities	61,683	148,141	139,575	349,399	792	350,191	0.92%
Artistic, sports and recreational activities	6,733	61,061	159,978	227,772	1,727	229,499	0.60%
Other services	22,704	46,840	38,203	107,747	852	108,599	0.28%
Consumer credit	607,515	649,136	701,530	1,958,181	36,235	1,994,416	5.21%
Mortgage credit	12,341	207,492	18,591,139	18,810,972	15,002	18,825,974	49.21%
Other domestic activities	219	394	618	1,231	200	1,431	0.00%
Other international activities	344,088	39,544	158,625	542,257	195	542,452	1.42%
	4,707,805	8,054,716	25,301,000	38,063,521	196,833	38,260,354	100.00%

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2023, is as follows:

(Thousands of euros)

	2023					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	7,504	178,811	338,270	524,585	—	524,585
Asset-backed loans	785,172	1,742,201	19,151,773	21,679,146	51,331	21,730,477
Other guaranteed loans	788,307	2,947,446	621,896	4,357,649	54,325	4,411,974
Unsecured loans	825,245	983,785	814,372	2,623,402	74,746	2,698,148
Foreign loans	228,155	385,506	1,457,663	2,071,324	13,767	2,085,091
Factoring operations	2,189,572	144,844	—	2,334,416	13,281	2,347,697
Finance leases	46,250	596,053	1,823,999	2,466,302	18,008	2,484,310
	4,870,205	6,978,646	24,207,973	36,056,824	225,458	36,282,282

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2022, is as follows:

(Thousands of euros)

	2022					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	15,278	16,067	538,509	569,854	—	569,854
Asset-backed loans	725,448	1,776,186	19,592,758	22,094,392	63,098	22,157,490
Other guaranteed loans	734,757	3,659,205	913,976	5,307,938	52,050	5,359,988
Unsecured loans	887,716	1,012,260	915,063	2,815,039	51,203	2,866,242
Foreign loans	170,888	766,297	1,499,921	2,437,106	2,451	2,439,557
Factoring operations	2,123,040	264,745	—	2,387,785	13,162	2,400,947
Finance leases	50,678	559,956	1,840,773	2,451,407	14,869	2,466,276
	4,707,805	8,054,716	25,301,000	38,063,521	196,833	38,260,354

The balance credit portfolio split by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	2023	2022
Stage 1		
Gross amount	29,688,753	31,148,965
Impairment	(164,574)	(132,051)
	29,524,179	31,016,914
Stage 2		
Gross amount	5,505,178	5,760,503
Impairment	(207,636)	(204,176)
	5,297,542	5,556,327
Stage 3		
Gross amount	1,088,351	1,350,886
Impairment	(599,927)	(589,298)
	488,424	761,588
Net amount	35,310,145	37,334,829

The exposure and impairment of the above table also includes the operations classified as POCI, as detailed in note 48.

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, by stage, according with IFRS 9, considering the fair value of collaterals, is as follows:

(Thousands of euros)

	2023	2022
Stage 1		
Securities and other financial assets	1,290,855	1,163,428
Residential real estate	17,333,817	17,265,901
Other real estate	2,704,773	3,022,511
Other guarantees	6,525,012	7,129,292
	27,854,457	28,581,132
Stage 2		
Securities and other financial assets	175,580	188,536
Residential real estate	2,371,000	2,295,424
Other real estate	1,127,321	1,131,611
Other guarantees	1,419,675	1,705,234
	5,093,576	5,320,805
Stage 3		
Securities and other financial assets	20,023	28,430
Residential real estate	265,617	269,387
Other real estate	318,318	492,394
Other guarantees	200,762	232,377
	804,720	1,022,588
	33,752,753	34,924,525

The balance Other guarantees refers to first-demand guarantees issued by banks or other entities with an internal risk level of “7” or better; personal guarantees, when the guarantors are classified as having an internal risk level of “7” or better.

This balance also includes pledges, assets subject to financial leasing operations and personal guarantees, among others. Considering the policy of risk management of the Bank (note 48), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Bank is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. To reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Bank continued to negotiate additional physical and financial collaterals with its customers.

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)

	2023			2022		
	Restructured loans	Impairment (*)	Net amount	Restructured loans	Impairment (*)	Net amount
Agriculture and forestry	19,158	(1,797)	17,361	12,743	(2,115)	10,628
Fisheries	3,347	(2,698)	649	2,772	(1,762)	1,010
Mining	5,886	(3,207)	2,679	1,279	(163)	1,116
Food, beverage and tobacco	8,431	(1,438)	6,993	14,829	(2,360)	12,469
Textiles	7,731	(1,934)	5,797	14,089	(4,965)	9,124
Wood and cork	3,525	(401)	3,124	5,807	(752)	5,055
Paper, printing and publishing	6,556	(1,863)	4,693	8,676	(1,697)	6,979
Chemicals	22,661	(6,587)	16,074	27,527	(11,643)	15,884
Machinery, equipment and basic metallurgical	32,938	(13,926)	19,012	59,357	(19,883)	39,474
Electricity and gas	367	(6)	361	1,123	(248)	875
Water	1,748	(934)	814	1,765	(734)	1,031
Construction	139,502	(26,883)	112,619	147,205	(91,391)	55,814
Retail business	16,618	(4,230)	12,388	30,375	(7,262)	23,113
Wholesale business	22,467	(5,118)	17,349	61,239	(9,147)	52,092
Restaurants and hotels	49,970	(14,353)	35,617	79,708	(7,845)	71,863
Transports	2,745	(857)	1,888	4,031	(873)	3,158
Post offices	63	(17)	46	58	(21)	37
Telecommunications	1,828	(385)	1,443	6,782	(3,997)	2,785
Services						
Financial intermediation	24,973	(2,410)	22,563	54,644	(19,796)	34,848
Real estate activities	62,058	(11,015)	51,043	44,600	(9,920)	34,680
Consulting, scientific and technical activities	191,360	(129,967)	61,393	189,861	(63,279)	126,582
Administrative and support services activities	28,470	(10,765)	17,705	66,951	(46,372)	20,579
Education	1,998	(187)	1,811	16,771	(11,313)	5,458
Health and collective service activities	9,108	(1,313)	7,795	7,971	(1,178)	6,793
Artistic, sports and recreational activities	38,702	(27,769)	10,933	19,710	(8,851)	10,859
Other services	7,419	(1,119)	6,300	10,586	(987)	9,599
Consumer credit	46,775	(13,618)	33,157	76,540	(16,304)	60,236
Mortgage credit	425,796	(18,914)	406,882	369,236	(15,930)	353,306
Other domestic activities	3	–	3	–	–	–
Other international activities	8	(4)	4	–	–	–
	1,182,211	(303,715)	878,496	1,336,235	(360,788)	975,447

(*) The impairment presented in the table does not include the amounts of impairment calculated using the overlays methodology described in point ii. of the section "Additional measures with impact on the Impairment level" of note 48.

The breakdown of the restructured loans as at 31 December 2023, by restructuring measure, is as follows:

(Thousands of euros)

	2023					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment (*)	Net amount
Extension of the repayment term	2,130	125,959	5,149	131,108	(24,894)	106,214
Introduction of the grace period for capital and / or interest	1,593	185,352	3,443	188,795	(44,220)	144,575
Interest rate reduction	1,341	98,922	1,825	100,747	(7,289)	93,458
Payment plan change	2,074	272,307	565	272,872	(118,366)	154,506
Debt relief	82	22,151	1,301	23,452	(21,623)	1,829
Debt-asset swaps	2	—	17	17	(1)	16
Other restructured loans	5,826	400,260	64,960	465,220	(87,322)	377,898
	13,048	1,104,951	77,260	1,182,211	(303,715)	878,496

The breakdown of the restructured loans as at 31 December 2022, by restructuring measure, is as follows:

(Thousands of euros)

	2022					
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment (*)	Net amount
Extension of the repayment term	3,099	182,244	8,399	190,643	(34,387)	156,256
Introduction of the grace period for capital and / or interest	2,157	279,774	6,895	286,669	(80,954)	205,715
Interest rate reduction	2,041	137,546	2,567	140,113	(99,666)	40,447
Payment plan change	3,071	161,214	1,301	162,515	(8,313)	154,202
Debt relief	101	884	1,644	2,528	(1,346)	1,182
Debt-asset swaps	4	368	21	389	(31)	358
Other restructured loans	6,637	505,890	47,488	553,378	(136,091)	417,287
	17,110	1,267,920	68,315	1,336,235	(360,788)	975,447

(*) The impairment presented in the tables does not include the amounts of impairment calculated using the overlays methodology described in point ii. of the section "Additional measures with impact on the Impairment level" of note 48.

The restructured loans are also subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

The Bank has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Bank's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);

- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, being a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined.

The demarcation of an operation marked as restructured due to financial difficulties, can only take place at least 2-years periods after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client. In the case of credits marked as Non-Performing Exposure (NPE), this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non-Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due plus outstanding) associated with past due operations for more than 90 days. The amount calculated is Euros 349,813,000 (31 December 2022: Euros 326,157,000).

All customers who check at least one of the following conditions are marked in default and therefore in Non-Performing Exposure (NPE):

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent:

a) More than 100 euros (retail) or more than 500 euros (non-retail); and

b) More than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value; b) Delay after restructuring due to financial difficulties; c) Recurrence of restructuring due to financial difficulties; d) Credit with signs of impairment (or Stage 3 of IFRS 9); e) Insolvency or equivalent process; f) Litigation; g) Guarantees of operations in default; h) Loss of credit sales; i) Credit fraud; j) Unpaid credit status; k) Breach of covenants in a credit agreement; l) Contagion of default in an economic group; m) Cross default in the BCP Group.

The NPE amounts to Euros 1,088,351,000 (31 December 2022: Euros 1,350,886,000).

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	2023	2022
Balance on 1 January	925,525	1,274,364
Charge for the year in net income interest (note 2)	23,751	13,285
Transfers	(309)	(53,286)
Impairment charge for the year (note 10)	210,668	229,531
Reversals for the year (note 10)	(2,742)	(6,901)
Loans charged-off		
Write-offs	(105,481)	(378,279)
Credit assignments	(78,969)	(153,724)
Exchange rate differences	(306)	535
Balance at the end of the year	972,137	925,525

The balance 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.

The analysis of Write-offs, by sector of activity, is as follows:

(Thousands of euros)

	2023	2022
Agriculture and forestry	942	89
Fisheries	—	1
Mining	—	2
Food, beverage and tobacco	929	1,095
Textiles	1,105	1,314
Wood and cork	504	767
Paper, printing and publishing	4	99
Chemicals	820	1,319
Machinery, equipment and basic metallurgical	5,814	2,055
Electricity and gas	372	—
Water	10	16
Construction	2,639	6,702
Retail business	824	5,075
Wholesale business	2,651	9,433
Restaurants and hotels	791	3,096
Transports	259	2,592
Post offices	42	62
Telecommunications	229	49
Services		
Financial intermediation	20,169	71,940
Real estate activities	203	126
Consulting, scientific and technical activities	5,469	277
Administrative and support services activities	35,210	251
Education	4	22
Health and collective service activities	126	47
Artistic, sports and recreational activities	178	6,366
Other services	147	240,184
Consumer credit	24,991	24,176
Mortgage credit	106	285
Other domestic activities	761	839
Other international activities	182	—
	105,481	378,279

According with the accounting policy described in note 1.B1.3, the Bank 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 Write-offs, by type of credit, is as follows:

(Thousands of euros)

	2023	2022
Other guaranteed loans	—	299,670
Unsecured loans	105,143	77,751
Finance leases	338	858
	105,481	378,279

The analysis of recovered loans and interest, by sector of activity, is as follows:

(Thousands of euros)

	2023	2022
Agriculture and forestry	52	2
Food, beverage and tobacco	28	31
Textiles	22	41
Wood and cork	131	43
Chemicals	292	104
Machinery, equipment and basic metallurgical	8	145
Construction	424	2,716
Retail business	1,149	750
Wholesale business	1,558	109
Restaurants and hotels	22	62
Transports	9	25
Post offices	—	1
Telecommunications	—	2
Services		
Financial intermediation	2,491	619
Real estate activities	192	483
Consulting, scientific and technical activities	1,956	1
Administrative and support services activities	30	21
Education	1	5
Health and collective service activities	1	1
Artistic, sports and recreational activities	19	3
Other services	1,195	5
Consumer credit	935	1,020
Mortgage credit	—	28
Other domestic activities	17	—
	10,532	6,217

The analysis of recovered loans and interest, by type of credit, is as follows:

(Thousands of euros)

	2023	2022
Unsecured loans	8,672	6,136
Foreign loans	1,508	79
Finance leases	352	2
	10,532	6,217

The balance Loans and advances to customers includes the effect of synthetic securitization. The characterization of these operations is described in note 1.C.

Synthetic securitizations

BCP has three operations in progress which form structures of synthetic securitization with similar characteristics, with reference to credit portfolios granted by the Bank mainly to Small and Medium Enterprises (SMEs).

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 177,327,000 as at 31 December 2023 (31 December 2022: Euros 276,209,000). The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 172,994,000 (31 December 2022: Euros 179,713,000) and the respective gain registered in 2023 amounts to Euros 959,000 (31 December 2022: loss of Euros 4,824,000).

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing. The legal maturity date is 21 September of 2043 and as at 31 December 2023, the operation amounts to Euros 393,247,000 (31 December 2022: Euros 506,117,000). The fair value of the relative CDS is recorded as a positive amount of Euros 60,386,000 (31 December 2022: Euros 61,551,000) and the respective gain registered in 2023 amounts to Euros 648,000 (31 December 2022: loss of Euros 2,026,000).

Caravela SME No. 5

Caravela SME No.5, initiated on 20 December 2022, is supported by a portfolio of medium and long term loans, leasing contract and commercial paper programmes. The legal maturity date is 26 September of 2035 and, as at 31 December 2023, the operation amounts to Euros 1,697,747,000 (31 December 2022: Euros 1,918,408,000). The fair value of the relative CDS is recorded as a negative amount of Euros 46,362,000 (31 December 2022: positive amount 76,000) and the respective cost registered in 2023 amounts to Euros 18,010,000 (31 December 2022: Euros 1,424,000).

In any of these transactions, the Bank contracted a Credit Default Swap (CDS) with a Special Purpose Entity (SPE), purchasing from it form, credit risk protection on the referenced portfolio. In the case of synthetic structures, in the of this same CDS the risk of the respective portfolios was subdivided into 3 tranches: senior, mezzanine and equity. In this case of Caravela SME no.3 and no.4 operations, the mezzanine tranche and part of equity (20%) were placed on the market through the issuance, by the SPE, of Credit Linked Notes (CLN's) subscribed by investors, while in Caravela SME no.5 has been placed on the market for the entire mezzanine tranche. In turn, the Bank retained the risk of the tranche senior and the remaining part of the equity tranche (80%) in the case of Caravela operations no. 3 and no. 4, and the whole of the equity tranche in the case of Caravela SME no.5. The proceeds of the issuance of the CLNs were applied by the SPE in the constitution of a deposit which fully collateralises its liabilities to its creditors in connection with the transaction, including BCP.

These operations allowed the Bank to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but the Bank did not transfer to third parties most of the rights and obligations arising from the credits included in in the respective portfolios, thus not meeting the derecognition criteria in the accounting policy presented in note 1.B1.3.

20. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	2023	2022
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	115,629	183,260
Commercial paper	1,762,453	1,256,557
Foreign issuers		
Commercial paper	38,900	65,781
	1,916,982	1,505,598
Overdue securities - over 90 days	40	40
	1,917,022	1,505,638
Impairment	(8,668)	(4,676)
	1,908,354	1,500,962
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	3,552,807	3,517,560
Foreign issuers	5,672,975	4,967,920
Bonds issued by public companies and other entities		
Portuguese issuers	459,392	248,399
Foreign issuers	—	26,476
	9,685,174	8,760,355
Impairment	(9,237)	(5,629)
	9,675,937	8,754,726
	11,584,291	10,255,688

(*) Includes the negative amount of Euros 129,204,000 (31 December 2022: negative amount of Euros 149,538,000) related to adjustments resulting from the application of fair value hedge accounting.

Under the terms of IFRS 9, the balance Debt securities held not associated with credit operations - Bonds issued by public issuers, includes essentially a portfolio of securities to support Bank's ALM (Asset and Liability Management), whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 31 December 2023 amounts to Euros 8,814,215,000 (31 December 2022: Euros 8,160,779,000).

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2023 is as follows:

(Thousands of euros)

	2023					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	10,128	105,501	–	115,629
Commercial paper	1,382,628	379,825	–	–	40	1,762,493
Foreign issuers						
Commercial paper	19,407	19,493	–	–	–	38,900
	1,402,035	399,318	10,128	105,501	40	1,917,022
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	2,876,835	675,972	–	3,552,807
Foreign issuers	–	6,273	1,531,368	4,135,334	–	5,672,975
Public companies and other entities						
Portuguese issuers	–	50,030	133,699	275,663	–	459,392
	–	56,303	4,541,902	5,086,969	–	9,685,174
	1,402,035	455,621	4,552,030	5,192,470	40	11,602,196

The analysis of the balance Debt securities before impairment, by maturity, as at 31 December 2022 is as follows:

(Thousands of euros)

	2022					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
Debt securities held associated with credit operations						
Portuguese issuers						
Bonds	–	–	13,480	169,780	–	183,260
Commercial paper	860,395	396,162	–	–	40	1,256,597
Foreign issuers						
Commercial paper	31,362	34,419	–	–	–	65,781
	891,757	430,581	13,480	169,780	40	1,505,638
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	–	–	1,865,689	1,651,871	–	3,517,560
Foreign issuers	–	–	6,498	4,961,422	–	4,967,920
Public companies and other entities						
Portuguese issuers	–	–	153,548	94,851	–	248,399
Foreign issuers	–	–	–	26,476	–	26,476
	–	–	2,025,735	6,734,620	–	8,760,355
	891,757	430,581	2,039,215	6,904,400	40	10,265,993

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

(Thousands of euros)

	2023	2022
Debt securities held associated with credit operations		
Agriculture and forestry	2,479	2,497
Mining	85,939	46,403
Food, beverage and tobacco	102,720	79,447
Textiles	45,203	58,555
Wood and cork	23,720	19,630
Paper, printing and publishing	9,206	8,104
Chemicals	215,972	179,516
Machinery, equipment and basic metallurgical	42,787	65,972
Electricity and gas	211,183	165,676
Water	31,955	5,475
Construction	10,633	13,397
Retail business	28,973	20,507
Wholesale business	64,043	56,699
Restaurants and hotels	8,858	8,789
Transports	33,392	36,591
Telecommunications	4,018	9,706
Services		
Financial intermediation	114,284	107,372
Real estate activities	55,566	50,844
Consulting, scientific and technical activities	751,610	473,231
Administrative and support services activities	11,217	12,269
Health and collective service activities	4,974	–
Artistic, sports and recreational activities	7,058	10,406
Other services	3,664	4,095
Other international activities	38,900	65,781
	1,908,354	1,500,962
Debt securities held not associated with credit operations		
Machinery, equipment and basic metallurgical	11,977	–
Electricity and gas	99,846	88,873
Water	–	39,704
Services		
Financial intermediation	–	26,476
Consulting, scientific and technical activities	346,117	119,297
	457,940	274,350
Government and Public securities	9,217,997	8,480,376
	9,675,937	8,754,726
	11,584,291	10,255,688

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

(Thousands of euros)

	2023			2022		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Debt securities held associated with credit operations						
Food, beverage and tobacco	7,711	(126)	7,585	–	–	–
Chemicals	–	–	–	5,062	(101)	4,961
Services						
Administrative and support services activities	10,311	(90)	10,221	10,604	(132)	10,472
	18,022	(216)	17,806	15,666	(233)	15,433

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

(Thousands of euros)

	2023	2022
Debt securities held associated with credit operations		
Balance on 1 January	4,676	7,059
Charge for the year (note 10)	3,991	8
Reversals for the year (note 10)	–	(2,393)
Exchange rate differences	1	2
Balance at the end of the year	8,668	4,676
Debt securities held not associated with credit operations		
Balance on 1 January	5,629	5,473
Charge for the year (note 10)	3,971	1,473
Reversals for the year (note 10)	–	(1,332)
Amounts charged-off	(357)	–
Exchange rate differences	(6)	15
Balance at the end of the year	9,237	5,629

21. 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)

	2023	2022
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	332,999	337,037
Equity instruments	53,405	51,517
Trading derivatives	299,567	304,242
	685,971	692,796
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	480,964	596,357
Equity instruments	166,907	192,796
	647,871	789,153
Financial assets designated at fair value through profit or loss		
Debt instruments	32,004	—
Financial assets at fair value through other comprehensive income		
Debt instruments	4,678,371	2,872,391
Equity instruments	36,015	42,123
	4,714,386	2,914,514
	6,080,232	4,396,463

The portfolio of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	2023				
	Financial assets 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	20,313	—	32,004	958,773	1,011,090
Foreign issuers	—	—	—	701,058	701,058
Bonds issued by public companies and other entities					
Portuguese issuers	—	51	—	403,971	404,022
Foreign issuers	13,319	9,064	—	1,057,682	1,080,065
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	103,661	—	—	—	103,661
Foreign issuers	192,741	—	—	1,556,887	1,749,628
Investment fund units (a)	—	467,002	—	—	467,002
Shares of foreign companies (b)	—	4,847	—	—	4,847
Commercial paper	2,965	—	—	—	2,965
	332,999	480,964	32,004	4,678,371	5,524,338
Equity instruments					
Shares					
Portuguese companies	142	—	—	17,277	17,419
Foreign companies	—	—	—	790	790
Investment fund units (c) (d)	—	166,907	—	17,948	184,855
Other securities (e)	53,263	—	—	—	53,263
	53,405	166,907	—	36,015	256,327
Trading derivatives	299,567	—	—	—	299,567
	685,971	647,871	32,004	4,714,386	6,080,232
Level 1	380,107	—	32,004	4,484,734	4,896,845
Level 2	66,181	—	—	88,657	154,838
Level 3	239,683	647,871	—	140,995	1,028,549

(a) These Investment fund units are considered as debt instruments because they not fall within the definition of equity instruments provided by IAS 32. As at 31 December 2023 this balance includes Euros 213,072,000 related to units of real estate investment funds mainly owned by the Bank. Additionally, as of 31 December 2023, the Bank has recorded a provision for other risks and charges in the amount of Euros 64,663,000 in relation to the properties held by these real estate funds. As at 31 December 2023 this item also includes Euros 198,426,000 relating to investment fund units in restructuring funds, for which a provision for others risks and charges is recorded.

(b) These shares are considered as debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.

(c) The financial assets as at fair value through other comprehensive income item includes participation units in real estate investment funds mainly owned by the Bank. As at 31 December 2023, the Bank has recorded a provision for other risks and charges in the amount of Euros 3,232,000 in relation to the properties held by these real estate funds.

(d) These are investment fund units in restructuring funds that are considered equity instruments in accordance with the terms provided by IAS 32. As at 31 December 2023, there is a provision for others risks and charges recorded for these funds.

(e) Includes the amount of Euros 52,854,000 in Exchange Traded Funds (ETFs).

As at 31 December 2023, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2023, the balances Financial assets at fair value through other comprehensive income, Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets held for trading include the amount of Euros 39,654,000, Euros 9,064,000 and Euros 2,990,000, respectively, relating to bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 3 and No. 4, referred in note 1.C.

In accordance with the accounting policy B1.1.3 regarding the classification of financial assets, 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 34).

The portfolio of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income, net of impairment, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	2022			
	Financial assets 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	—	1,466,256	1,487,706
Foreign issuers	3,181	—	5,391	8,572
Bonds issued by public companies and other entities				
Portuguese issuers	—	51	542,766	542,817
Foreign issuers	3,470	9,476	857,978	870,924
Treasury bills (Public Issuers and Central Banks)				
Portuguese issuers	308,936	—	—	308,936
Investment fund units (a)	—	582,834	—	582,834
Shares of foreign companies (b)	—	3,996	—	3,996
	337,037	596,357	2,872,391	3,805,785
Equity instruments				
Shares				
Portuguese companies	—	—	19,751	19,751
Foreign companies	—	—	2,214	2,214
Investment fund units (c) (d)	—	192,796	20,158	212,954
Other securities (e)	51,517	—	—	51,517
	51,517	192,796	42,123	286,436
Trading derivatives	304,242	—	—	304,242
	692,796	789,153	2,914,514	4,396,463
Level 1	384,759	—	2,525,539	2,910,298
Level 2	63,052	—	234,052	297,104
Level 3	244,985	789,153	154,923	1,189,061

(a) These Investment fund units held by the Bank on the transaction date are considered as debt instruments because they not fall within the definition of equity instruments provided by IAS 32. As at 31 December 2022 this balance includes Euros 294,268,000 related to units of real estate investment funds mainly owned by the Bank. Additionally, as of 31 December 2022, the Bank has recorded a provision for other risks and charges in the amount of Euros 37,037,000 in relation to the properties held by these real estate funds. As at 31 December 2022 this item also includes Euros 194,778,000 relating to investment fund units in restructuring funds, for which a provision for others risks and charges is recorded.

(b) These shares are considered as debt instruments because they do not fall within the definition of equity instruments provided by IAS 32.

(c) The financial assets as at fair value through other comprehensive income item includes participation units in real estate investment funds mainly owned by the Bank. As at 31 December 2022, the Bank has recorded a provision for other risks and charges in the amount of Euros 3,232,000 in relation to the properties held by these real estate funds.

(d) These are investment fund units in restructuring funds that are considered equity instruments in accordance with the terms provided by IAS 32. As at 31 December 2022, there is a provision for others risks and charges recorded for these funds.

(e) Includes the amount of Euros 51,191,000 in Exchange Traded Funds (ETFs).

As at 31 December 2022, portfolios are recorded at fair value in accordance with the accounting policy described in note 1B. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2022, the balances Financial assets at fair value through other comprehensive income, Financial assets not held for trading mandatorily at fair value through profit or loss and Financial assets held for trading include the amount of Euros 46,023,000, Euros 9,476,000 and Euros 3,470,000, respectively, relating to bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No. 3 and No. 4, referred in note 1.C.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	2023			
	Amortised cost (a)	Fair value hedge adjustments (note 39)	Fair value adjustments (note 39)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	1,056,979	(77,353)	(20,853)	958,773
Foreign issuers	694,527	6,501	30	701,058
Bonds issued by public companies and other entities				
Portuguese issuers	412,309	(9,040)	702	403,971
Foreign issuers	1,083,016	(49,114)	23,780	1,057,682
Treasury bills (Public Issuers and Central Banks)				
Foreign issuers	1,553,354	—	3,533	1,556,887
	4,800,185	(129,006)	7,192	4,678,371
Equity instruments				
Shares				
Portuguese companies	23,548	—	(6,271)	17,277
Foreign companies	336	—	454	790
Investment fund units	31,763	—	(13,815)	17,948
	55,647	—	(19,632)	36,015
	4,855,832	(129,006)	(12,440)	4,714,386

(a) Includes 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 in accordance with the requirements defined in note 1.B1.5.1.2.

The portfolio of financial assets at fair value through other comprehensive income, as at 31 December 2022, is analysed as follows:

(Thousands of euros)

	2022			
	Amortised cost (a)	Fair value hedge adjustments (note 39)	Fair value adjustments (note 39)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	1,689,429	(169,699)	(53,474)	1,466,256
Foreign issuers	5,388	—	3	5,391
Bonds issued by public companies and other entities				
Portuguese issuers	566,480	(19,099)	(4,615)	542,766
Foreign issuers	942,291	(83,632)	(681)	857,978
	3,203,588	(272,430)	(58,767)	2,872,391
Equity instruments				
Shares				
Portuguese companies	33,744	—	(13,993)	19,751
Foreign companies	15,733	—	(13,519)	2,214
Investment fund units	31,760	—	(11,602)	20,158
	81,237	—	(39,114)	42,123
	3,284,825	(272,430)	(97,881)	2,914,514

(a) Includes 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 in accordance with the requirements defined in note 1.B1.5.1.2.

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2023 is as follows:

(Thousands of euros)

	2023			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	981,497	29,593	–	1,011,090
Foreign issuers	701,058	–	–	701,058
Bonds issued by public companies and other entities				
Portuguese issuers	279,580	59,064	65,378	404,022
Foreign issuers	1,028,424	–	51,641	1,080,065
Treasury bills and other Government bonds				
Portuguese issuers	103,661	–	–	103,661
Foreign issuers	1,749,628	–	–	1,749,628
Investment fund units	–	–	467,002	467,002
Shares of foreign companies	–	–	4,847	4,847
Commercial paper	–	–	2,965	2,965
	4,843,848	88,657	591,833	5,524,338
Equity instruments				
Shares				
Portuguese companies	142	–	17,277	17,419
Foreign companies	–	–	790	790
Investment fund units	–	–	184,855	184,855
Other securities	52,855	–	408	53,263
	52,997	–	203,330	256,327
Trading derivatives	–	66,181	233,386	299,567
	4,896,845	154,838	1,028,549	6,080,232

The analysis of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive, net of impairment, by valuation levels, as at 31 December 2022 is as follows:

(Thousands of euros)

	2022			
	Level 1	Level 2	Level 3	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	1,354,407	133,299	–	1,487,706
Foreign issuers	8,572	–	–	8,572
Bonds issued by public companies and other entities				
Portuguese issuers	416,376	57,212	69,229	542,817
Foreign issuers	768,414	43,615	58,895	870,924
Treasury bills and other Government bonds				
Portuguese issuers	308,936	–	–	308,936
Investment fund units	–	–	582,834	582,834
Shares of foreign companies	–	–	3,996	3,996
	2,856,705	234,126	714,954	3,805,785
Equity instruments				
Shares				
Portuguese companies	2,402	–	17,349	19,751
foreign companies	–	–	2,214	2,214
Investment fund units	–	–	212,954	212,954
Other securities	51,191	–	326	51,517
	53,593	–	232,843	286,436
Trading derivatives	–	62,978	241,264	304,242
	2,910,298	297,104	1,189,061	4,396,463

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 42.

The balance Debt instruments - Investment fund units classified as level 3, includes units in restructuring funds (described in note 42) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the Management Company, which, corresponds to the NAV with reference to that date, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company.

As at 31 December 2023, the Bank holds mainly investment fund units in Securities and Real Estate Investment Funds that are classified in level 3. The amount recorded under the balance Financial assets at fair value through other comprehensive income, amounts to Euros 17,948,000 (31 December 2022: Euros 20,159,000), with unrealised net losses in the amount of Euros 13,814,000 (31 December 2022: net losses of Euros 11,602,000), and in the balance Financial assets not held for trading mandatorily at fair value through profit or loss, amounts to Euros 213,072,000 (31 December 2022: Euros 294,268,000).

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 2023 is as follows:

(Thousands of euros)

	2023					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	324	30,653	608,544	371,569	—	1,011,090
Foreign issuers	—	—	531,533	169,525	—	701,058
Bonds issued by public companies and other entities						
Portuguese issuers	—	56,316	319,418	28,288	—	404,022
Foreign issuers	26,778	140,832	547,005	365,450	—	1,080,065
Treasury bills and other						
Government bonds						
Portuguese issuers	49,648	54,013	—	—	—	103,661
Foreign issuers	95,043	1,654,585	—	—	—	1,749,628
Investment fund units	6,404	5	205,191	37,142	218,260	467,002
Shares of foreign companies	—	—	—	—	4,847	4,847
Commercial paper	2,965	—	—	—	—	2,965
	181,162	1,936,404	2,211,691	971,974	223,107	5,524,338
Equity instruments						
Shares						
Portuguese companies					17,419	17,419
Foreign companies					790	790
Investment fund units					184,855	184,855
Other securities					53,263	53,263
					256,327	256,327
	181,162	1,936,404	2,211,691	971,974	479,434	5,780,665

The analysis of financial assets at fair value through profit or loss (excluding trading derivatives) and Financial assets at fair value through other comprehensive income, by residual maturity, as at 31 December 2022 is as follows:

(Thousands of euros)

	2022					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Debt instruments						
Bonds issued by public entities						
Portuguese issuers	—	8,267	1,190,243	289,196	—	1,487,706
Foreign issuers	4,984	407	—	3,181	—	8,572
Bonds issued by public companies and other entities						
Portuguese issuers	163,229	58,246	300,964	20,378	—	542,817
Foreign issuers	4,414	13,732	371,962	480,816	—	870,924
Treasury bills and other						
Government bonds						
Portuguese issuers	127,356	181,580	—	—	—	308,936
Investment fund units	5,943	38,534	198,766	39,863	299,728	582,834
Shares of foreign companies	—	—	—	—	3,996	3,996
	305,926	300,766	2,061,935	833,434	303,724	3,805,785
Equity instruments						
Shares						
Portuguese companies					19,751	19,751
Foreign companies					2,214	2,214
Investment fund units					212,954	212,954
Other securities					51,517	51,517
					286,436	286,436
	305,926	300,766	2,061,935	833,434	590,160	4,092,221

The changes occurred in Impairment of financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	2023	2022
Balance on 1 January	—	—
Transfers	(1,098)	5,273
Reversals	(1,319)	(5,334)
Impairment against profit and loss	2,417	61
Balance at the end of the year	—	—

The accumulated impairment associated with the financial assets at fair value through other comprehensive income amounts to Euros 5,562,000 (31 December 2022: Euros 4,784,000) and is recorded against Fair value reserves.

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 2023 is as follows:

(Thousands of euros)

	2023			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Paper, printing and publishing	47,416	—	—	47,416
Chemicals	7,952	—	—	7,952
Machinery, equipment and basic metallurgical	2,477	—	—	2,477
Electricity and gas	70,806	—	—	70,806
Water	5,025	—	—	5,025
Construction	—	142	17,948	18,090
Wholesale business	7,067	238	—	7,305
Transports	43,767	—	—	43,767
Telecommunications	39,126	4,553	—	43,679
Services				
Financial intermediation	1,117,030	11,821	686,764	1,815,615
Consulting, scientific and technical activities	111,525	131	—	111,656
Administrative and support services activities	24,216	6,149	—	30,365
Public sector	10,645	—	408	11,053
Other services	—	22	—	22
	1,487,052	23,056	705,120	2,215,228
Government and Public securities	3,565,437	—	—	3,565,437
	5,052,489	23,056	705,120	5,780,665

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)

	2022			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Paper, printing and publishing	45,562	—	—	45,562
Machinery, equipment and basic metallurgical	2,302	—	—	2,302
Electricity and gas	44,627	—	—	44,627
Water	9,460	—	—	9,460
Construction	4,934	—	20,159	25,093
Retail business	20,503	—	—	20,503
Wholesale business	6,456	260	—	6,716
Restaurants and hotels	—	1,401	—	1,401
Transports	29,491	—	—	29,491
Telecommunications	38,869	4,334	—	43,203
Services				
Financial intermediation	878,343	11,211	826,822	1,716,376
Consulting, scientific and technical activities	303,036	103	—	303,139
Administrative and support services activities	26,691	8,629	—	35,320
Public sector	—	—	324	324
Other services	3,467	23	—	3,490
	1,413,741	25,961	847,305	2,287,007
Government and Public securities	1,805,214	—	—	1,805,214
	3,218,955	25,961	847,305	4,092,221

The analysis of trading derivatives by maturity as at 31 December 2023, is as follows:

(Thousands of euros)

	2023					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	379,434	83,205	5,050,273	5,512,912	55,116	80,916
Interest rate options (purchase)	–	2,981	217,292	220,273	172	–
Interest rate options (sale)	–	2,981	217,293	220,274	–	126
	379,434	89,167	5,484,858	5,953,459	55,288	81,042
Stock Exchange transactions:						
Interest rate futures	–	–	28,351	28,351	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	98,159	37,212	–	135,371	2,611	562
Currency swaps	670,918	129,741	–	800,659	3,264	5,684
Other currency contracts	97,838	–	–	97,838	–	–
	866,915	166,953	–	1,033,868	5,875	6,246
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	815,184	1,577,827	228,857	2,621,868	5,024	19,904
	815,184	1,577,827	228,857	2,621,868	5,024	19,904
Stock exchange transactions:						
Shares futures	–	–	891,352	891,352	–	–
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	358,107	358,107	233,380	223
	–	–	358,107	358,107	233,380	223
Total derivatives traded in:						
OTC Market	2,061,533	1,833,947	6,071,822	9,967,302	299,567	107,415
Stock Exchange	–	–	919,704	919,704	–	–
	2,061,533	1,833,947	6,991,526	10,887,006	299,567	107,415

The analysis of trading derivatives by maturity as at 31 December 2022, is as follows:

(Thousands of euros)

	2022					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	44,922	224,438	5,187,709	5,457,069	52,773	141,277
Interest rate options (purchase)	–	118,954	4,930	123,884	700	–
Interest rate options (sale)	–	118,954	4,930	123,884	–	694
	44,922	462,346	5,197,569	5,704,837	53,473	141,971
Stock Exchange transactions:						
Interest rate futures	–	–	66,888	66,888	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	63,117	158,443	634	222,194	4,879	4,263
Currency swaps	603,136	131,872	–	735,008	4,541	14,011
	666,253	290,315	634	957,202	9,420	18,274
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	–	523,118	459,431	982,549	–	27,193
Shares/indexes options (sale)	–	–	20,971	20,971	–	–
	–	523,118	480,402	1,003,520	–	27,193
Stock exchange transactions:						
Shares futures	–	–	835,835	835,835	–	–
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	2,000	–	395,831	397,831	241,349	–
Other credit derivatives (sale)	–	–	4,351	4,351	–	–
	2,000	–	400,182	402,182	241,349	–
Total derivatives traded in:						
OTC Market	713,175	1,275,779	6,078,787	8,067,741	304,242	187,438
of which: Embedded derivatives	2,000	–	–	2,000	–	8
Stock Exchange	–	–	902,724	902,724	–	–
	713,175	1,275,779	6,981,511	8,970,465	304,242	187,438

22. Hedging derivatives

This balance is analysed as follows:

(Thousands of euros)

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Swaps	22,335	22,536	28,426	59,548

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Bank by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2. The Bank resources to derivatives to hedge interest, exchange rate exposure risks and credit portfolio risk. The accounting method depends on the nature of the hedged risk, namely if the Bank is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Bank opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 7,862,000 (31 December 2022: negative amount of Euros 16,984,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

Reclassifications of amounts recorded in results for fair reserves were carried out related to cash flow hedge relationships, in a positive amount of Euros 45,947,000 (31 December 2022: positive amount of Euros 54,861,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows (note 48).

The analysis of hedging derivatives portfolio by maturity as at 31 December 2023 is as follows:

(Thousands of euros)

	2023					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	7,750	508,735	9,022,264	9,538,749	19,892	7,856
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap (CIRS)	140,291	208,173	–	348,464	2,279	6,272
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	1,600,000	8,050,000	9,650,000	164	8,408
Total derivatives traded by:						
OTC Market	148,041	2,316,908	17,072,264	19,537,213	22,335	22,536

The analysis of hedging derivatives portfolio by maturity as at 31 December 2022 is as follows:

(Thousands of euros)

	2022					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 33)
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	113,400	60,000	8,408,750	8,582,150	25,427	7,030
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap (CIRS)	98,439	332,818	–	431,257	2,999	18,432
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	13,475,000	13,475,000	–	34,086
Total derivatives traded by:						
OTC Market	211,839	392,818	21,883,750	22,488,407	28,426	59,548

23. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Portuguese credit institutions	191,305	191,305
Foreign credit institutions	653,607	649,836
Other Portuguese companies	1,329,040	1,575,073
Other foreign companies	590,590	589,161
	2,764,542	3,005,375
Impairment of investments in:		
Subsidiary companies	(556,568)	(523,643)
	(556,568)	(523,643)
	2,207,974	2,481,732

The balance Investments in subsidiaries and associated companies is analysed as follows:

(Thousands of euros)

	2023	2022
Banco ActivoBank, S.A.	191,305	191,305
Bank Millennium S.A.	608,564	608,564
Banque BCP, S.A.S.	45,043	41,272
BCP África, S.G.P.S., Lda. (a)	458,032	683,032
BCP International B.V.	567,371	567,371
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	1,500	1,500
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	355,475	355,475
M Representações Ltda. (*)	23,219	21,790
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	493,940	493,940
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	885	885
Millennium bcp - Prestação de Serviços, A.C.E.	18,000	18,000
Imoserit, S.A. (**)	1,208	22,241
	2,764,542	3,005,375
Impairment of investments in subsidiary and associated companies		
Bank Millennium S.A.	—	(19,928)
BCP África, S.G.P.S., Lda.	(178,351)	(122,763)
BCP International B.V.	(43,435)	(42,744)
M Representações Ltda. (*)	(23,219)	(21,790)
Millennium bcp Participacöes, S.G.P.S., Sociedade Unipessoal, Lda.	(309,578)	(315,643)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	(777)	(775)
Imoserit, S.A. (**)	(1,208)	—
	(556,568)	(523,643)
	2,207,974	2,481,732

(a) Capital reduction in October 2023 in the amount of Euros: 225,000,000.
(*) previous Millennium bcp - Escritório de representações e Serviços, S/C Lda.
(**) previous FLITPTREL Tires, S.A.

The movements for Impairment of investments in subsidiary and associated companies are analysed as follows:

(Thousands of euros)

	2023	2022
Balance on 1 January	523,643	696,158
Impairment charge for the year (note 12)	58,933	18,077
Write-back for the year (note 12)	(25,993)	(67,374)
Loans charged-off	—	(123,087)
Exchange rate differences	(15)	(131)
Balance at the end of the year	556,568	523,643

The Bank analysed the impairment related to the investments made in subsidiaries and associated as described in note 1 F). The Bank's subsidiaries and associated companies are presented in note 52.

Regarding holding companies, namely, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. and Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., the impairment analysis was performed considering the recoverable amount of the business controlled by each one of those companies.

The recoverable amounts, as described in note 1.F., was determined based on the higher between the fair value amount less costs to sell and the value in use.

The value in use was determined based on: (i) the business plan approved by each company board for the year 2023 and following years (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

	2023			2022		
	Discount rate		Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	14.325%	14.325%	0.000%	14.223%	14.223%	0.000%
Poland	14.699%	14.699%	0.000%	15.713%	15.713%	0.000%
Angola	25.598%	n.a.	n.a.	26.300%	n.a.	n.a.
Mozambique	28.348 %	28.348 %	5.500 %	29.800 %	29.800 %	5.500 %

Regarding Bank Millennium, S.A. in Poland, there were factors identified during 2022 that indicated the deterioration in the value in use of this participation which led, at the end of 2022, to a value in use lower than the fair value amount net of costs to sell of Euros 588.6 million (resulting from the quotation and exchange rate as at 31 December 2022, of 4.58 PLN and 4.6816 PLN/EUR, respectively, to the number of shares held 607,771,505, net of an estimated 1% for costs to sell). The resulting recoverable value of Euros 588.6 million compared to a net accounting value of Euros 608.6 million, which led to an impairment charge of Euros 19.9 million as at 31 December 2022.

During the 2023 financial year, both the value in use and the fair value amount net of costs to sell were above the net accounting value of the participation (Euros 608.6 million) which resulted in the reversal in 2023 of the impairment of Euros 19,9 million registered at the end of 2022.

Based on the analysis made, the Bank recognized impairment in the financial year 2023, as follows:

(Thousands of euros)

	Balance on 1 January	Impairment charges / (Reversals) (note 12)	Exchange rate differences	Balance on 31 December
Bank Millennium S.A.	19,928	(19,928)	—	—
BCP África, S.G.P.S., Lda.	122,763	55,588	—	178,351
BCP International B.V.	42,744	691	—	43,435
M Representações Ltda.	21,790	1,444	(15)	23,219
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	315,643	(6,065)	—	309,578
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	775	2	—	777
Imoserit, S.A.	—	1,208	—	1,208
	523,643	32,940	(15)	556,568

24. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	2023			2022		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Imóveis						
Assets arising from recovered loans (note 48)	77,926	(37,776)	40,150	261,730	(78,412)	183,318
Assets for own use (closed branches)	482	(293)	189	3,575	(531)	3,044
Equipment and other	974	(696)	278	2,871	(1,307)	1,564
Subsidiaries acquired exclusively with the purpose of short-term sale	78,381	(21,785)	56,596	79,294	(22,410)	56,884
Other assets (*)	—	—	—	12,806	—	12,806
	157,763	(60,550)	97,213	360,276	(102,660)	257,616

(*) includes Price Deposit and Property Adjudication Proposals

In 2023, a set of assets with a balance sheet value of 76,981,000 euros (of which 63,054,000 euros in Assets arising from recovered loans) and respective impairment of 11,989,000 euros (of which 11,048,000 euros in Assets arising from recovered loans), were transferred to "Other assets” (note 28) following the analysis of the requirements provided in IFRS 5.

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 recovered loans or judicial being accounted for at the time the Bank assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 48.

The Bank has a strategy for sale these assets, consistent with the characteristic of each asset as well as with the breakdown of underlying valuations. However, taking into account the actual market conditions, 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 Bank having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The Bank requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The referred balance includes real estate for which the Bank has already established contracts for the sale in the gross amount of Euros 53,014,000 (31 December 2022: Euros 27,806,000), which impairment associated is Euros 24,127,000 (31 December 2022: Euros 5,237,000), which was calculated taking into account the value of the respective contracts.

The changes occurred in Impairment of non-current assets held for sale are analysed as follows:

(Thousands of euros)

	2023	2022
Balance on 1 January	102,660	140,654
Transfer to other assets	(11,989)	—
Other transfers	(10,428)	—
Impairment for the year (note 12)	8,158	51,931
Loans charged-off	(27,226)	(91,047)
Exchange rate differences	(625)	1,122
Balance at the end of the year	60,550	102,660

25. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Land and buildings	402,796	413,082
Equipment		
Computer equipment	191,297	186,475
Security equipment	58,407	58,652
Interior installations	106,059	104,728
Machinery	18,715	18,690
Furniture	73,051	73,399
Motor vehicles	14,577	13,431
Other equipment	2,596	2,628
Right of use		
Real estate	269,787	257,014
Work in progress	633	2,288
Other tangible assets	29	30
	1,137,947	1,130,417
Accumulated depreciation		
Relative to the year (note 9)	(51,207)	(54,334)
Relative to the previous years	(763,386)	(775,914)
	(814,593)	(830,248)
	323,354	300,169

The balance Right-of-use essentially corresponds to lease agreements on real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the term of each lease agreement, as described in the accounting policy 1.H.

The changes occurred in Other tangible assets, during 2023, are analysed as follows:

(Thousands of euros)

	Initial Balance	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	413,082	—	(8,449)	(1,815)	(22)	402,796
Equipment:						
Computer equipment	186,475	10,628	(5,798)	—	(8)	191,297
Security equipment	58,652	331	(547)	(27)	(2)	58,407
Interior installations	104,728	251	(1,343)	2,427	(4)	106,059
Machinery	18,690	29	(18)	16	(2)	18,715
Furniture	73,399	214	(600)	42	(4)	73,051
Motor vehicles	13,431	2,610	(1,839)	378	(3)	14,577
Other equipment	2,628	4	(36)	—	—	2,596
Right of use:						
Real estate	257,014	116,673	(103,750)	—	(150)	269,787
Work in progress	2,288	1,436	(137)	(2,954)	—	633
Other tangible assets	30	—	—	—	(1)	29
	1,130,417	132,176	(122,517)	(1,933)	(196)	1,137,947
Accumulated depreciation:						
Real estate	(298,291)	(7,091)	8,257	807	20	(296,298)
Equipment:						
Computer equipment	(164,112)	(6,911)	5,768	—	5	(165,250)
Security equipment	(55,688)	(651)	537	27	1	(55,774)
Interior installations	(93,273)	(2,140)	1,330	37	1	(94,045)
Machinery	(17,064)	(429)	17	—	2	(17,474)
Furniture	(69,435)	(1,286)	600	2	3	(70,116)
Motor vehicles	(6,623)	(1,660)	1,394	—	2	(6,887)
Other equipment	(2,606)	(8)	36	—	—	(2,578)
Right of use:						
Real estate	(123,126)	(31,031)	47,984	—	32	(106,141)
Vehicles and equipment	(1)	—	—	—	—	(1)
Other tangible assets	(29)	—	—	—	—	(29)
	(830,248)	(51,207)	65,923	873	66	(814,593)
	300,169	80,969	(56,594)	(1,060)	(130)	323,354

The changes occurred in Other tangible assets, during 2022, are analysed as follows:

(Thousands of euros)

	Initial Balance	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Real estate	450,443	380	(25,820)	(11,960)	39	413,082
Equipment:						
Computer equipment	193,150	12,568	(19,251)	(3)	11	186,475
Security equipment	59,701	371	(1,355)	(67)	2	58,652
Interior installations	105,991	567	(1,728)	(108)	6	104,728
Machinery	18,411	306	(32)	—	5	18,690
Furniture	74,357	367	(1,161)	(171)	7	73,399
Motor vehicles	13,360	1,663	(1,598)	—	6	13,431
Other equipment	2,703	1	(76)	—	—	2,628
Right of use:						
Real estate	254,115	9,512	(6,872)	(8)	267	257,014
Vehicles and equipment	65	—	(65)	—	—	—
Work in progress	868	2,930	(492)	(1,018)	—	2,288
Other tangible assets	30	—	—	—	—	30
	1,173,194	28,665	(58,450)	(13,335)	343	1,130,417
Accumulated depreciation:						
Real estate	(321,129)	(7,517)	24,820	5,565	(30)	(298,291)
Equipment:						
Computer equipment	(176,184)	(7,151)	19,227	3	(7)	(164,112)
Security equipment	(56,507)	(655)	1,323	152	(1)	(55,688)
Interior installations	(93,379)	(2,040)	1,701	446	(1)	(93,273)
Machinery	(16,659)	(430)	29	—	(4)	(17,064)
Furniture	(69,309)	(1,452)	1,161	171	(6)	(69,435)
Motor vehicles	(6,442)	(1,451)	1,275	—	(5)	(6,623)
Other equipment	(2,674)	(8)	76	—	—	(2,606)
Right of use:						
Real estate	(96,321)	(33,625)	6,851	1	(32)	(123,126)
Vehicles and equipment	(62)	(4)	65	—	—	(1)
Other tangible assets	(28)	(1)	—	—	—	(29)
	(838,694)	(54,334)	56,528	6,338	(86)	(830,248)
	334,500	(25,669)	(1,922)	(6,997)	257	300,169

26. Intangible assets

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Intangible assets		
Software	156,316	155,419
Other intangible assets	164	1,308
	156,480	156,727
Accumulated amortisation		
Relative to the year (note 9)	(22,970)	(25,717)
Relative to the previous years	(33,814)	(53,087)
	(56,784)	(78,804)
	99,696	77,923

The changes occurred in Intangible assets balance, during 2023, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Exchange differences	Balance on 31 December
Intangible assets					
Software	155,419	46,097	(45,183)	(16)	156,316
Other intangible assets	1,308	14	(1,154)	(4)	164
	156,727	46,111	(46,337)	(20)	156,480
Accumulated amortisation					
Software	(78,712)	(22,970)	44,974	12	(56,695)
Other intangible assets	(92)	–	–	3	(89)
	(78,804)	(22,970)	44,974	15	(56,784)
	77,923	23,141	(1,363)	(5)	99,696

The changes occurred in Intangible assets balance, during 2022, are analysed as follows:

(Thousands of euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Exchange differences	Balance on 31 December
Intangible assets					
Software	107,935	47,467	(11)	28	155,419
Other intangible assets	152	1,160	(10)	6	1,308
	108,087	48,627	(21)	34	156,727
Accumulated amortisation					
Software	(52,978)	(25,717)	1	(18)	(78,712)
Other intangible assets	(86)	–	–	(6)	(92)
	(53,064)	(25,717)	1	(24)	(78,804)
	55,023	22,910	(20)	10	77,923

27. Income tax

Income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	862,261	–	862,261	982,465	–	982,465
Employee benefits	732,273	–	732,273	835,588	–	835,588
	1,594,534	–	1,594,534	1,818,053	–	1,818,053
Deferred taxes depending on the future profits						
Other tangible assets	834	(2,868)	(2,034)	680	(2,930)	(2,250)
Impairment losses (b)	260,047	–	260,047	310,286	(50,303)	259,983
Employee benefits	98,531	(139,712)	(41,181)	46,324	(133,898)	(87,574)
Financial assets at fair value						
through other comprehensive income (c)	477,725	(75,033)	402,692	680,516	(124,175)	556,341
Tax losses carried forward (d)	157,450	–	157,450	162,400	–	162,400
Others	91,046	(23,473)	67,573	89,087	(45,159)	43,928
	1,085,633	(241,086)	844,547	1,289,293	(356,465)	932,828
Total deferred taxes	2,680,167	(241,086)	2,439,081	3,107,346	(356,465)	2,750,881
Offset between deferred tax						
assets and deferred tax liabilities	(241,086)	241,086	–	(356,465)	356,465	–
Net deferred taxes	2,439,081	–	2,439,081	2,750,881	–	2,750,881
Current taxes (e)	14,044	(65,291)	–	10,926	(2,027)	–

(a) Special Regime applicable to deferred tax assets.

(b) The amounts of 2023 and 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.

(c) Includes a net amount of Euros 397,020,000 resulting from losses on cash flow hedging derivatives of interest rate risk recognized in other comprehensive income, whose average remaining term is 2.5 years.

(d) Respects tax losses carried forward recorded for the years 2016 and 2020.

(e) The amounts of current taxes assets and liabilities refer exclusively to income taxes on the Bank's income.

Special regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank which took place on 15 October 2014 approved the Bank's accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from not deduction of expenses and negative equity variations with impairment losses on credits and post-employment or long-term employee benefits.

The special regime is applicable to those expenses and negative equity variations recorded in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets recorded in the annual accounts for the last tax period prior to that date and to part of expenses and negative equity variations associated with them. Pursuant to Law No. 23/2016, of 19 August, this special regime is not applicable to expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits recorded in the period's taxation commencing on or after 1 January 2016, nor to deferred tax assets to these associates.

The special regime applicable to deferred tax assets provides for an optional framework and with the possibility of subsequent waiver, under which:

- Expenses and negative equity variations with impairment losses on credits and with post-employment or long-term employee benefits covered by it are deducted, under the terms and conditions set out in the IRC Code and in relevant separate tax legislation, until the competition taxable profit for the tax period determined before these deductions. Expenses and negative equity variations not deducted as a result of applying this limit are deducted in subsequent tax periods, with the same limit. In the BCP, deferred tax assets associated with expenses and negative equity variations under these conditions amount to Euros 1,387,878,000 (31 December 2022: Euros 1,599,168,000), of which Euros 848,120,000 relate to impairment losses on credits (31 December 2022: Euros 967,679,000) and Euros 539,758,000 relate to post-employment or long-term employee benefits (31 December 2022: Euros 631,489,000).

- In certain situations (those with negative net results in annual individual accounts or liquidation by voluntary dissolution, insolvency decreed by court or revocation of the respective authorization), deferred tax assets covered by the Special Regime are converted into tax credits, in part or in wholeness. In situations of negative net income, the conversion is made according to the proportion between the amount of the negative net income for the period and the total of equity capital, and a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights attributable to the State of equivalent value, rights that can be acquired by the shareholders upon payment to the State of the same value. Tax credits may be offset against tax debts of the beneficiaries (or an entity based in Portugal within the same prudential consolidation perimeter or included in the same group of entities for which are applied the Special Tax Regime for Groups of Companies) or reimbursed by the State. As the Bank did not record negative net results in the years 2015 to 2022, there was no conversion of deferred taxes assets into tax credits, under the terms provided for in the Special Regime.

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 described 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 favor of the State the amount of the price corresponding to all the rights issued, within 3 months beginning from the confirmation date of the conversion of the deferred tax asset into tax credit. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantially approved at the balance sheet date.

The deferred tax rate is analysed as follows:

Description	2023	2022
Income tax	21.0%	21.0%
Municipal surtax rate (on taxable net income)	1.5%	1.5%
State tax rate (on taxable net income)		
More than Euros 1,500,000 to Euros 7,500,000	3.0%	3.0%
From more than Euros 7,500,000 to Euros 35,000,000	5.0%	5.0%
More than Euros 35,000,000	9.0%	9.0%

The tax applicable to deferred taxes related to tax losses is 21% (31 December 2022: 21%).

The average deferred tax rate associated with temporary differences of the Bank is 31.3% (31 December 2022: 31.3%).

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 July 24th.

Banco Comercial Português, S.A. applies the Special Tax Regime for Groups of Companies (RETGS) since 2016 for taxation purposes under IRC, in which it's the dominant company. In 2023 and 2022, the application of the RETGS was maintained.

The group's taxable profit is calculated by the algebraic sum of the individual taxable profits and tax losses of the companies that comprise it.

Income tax is calculated and registered, on an individual basis, in each of the Companies that make up the RETGS as if the regime were not applicable. The effect of the offset between taxable income and tax losses in 2023 and 2022 was reflected in the companies that generated the losses.

The balance of Deferred tax assets not depending on the future profits (covered by the regime approved by Law no. 61/2014, of 26 August) includes the amounts of Euros 210,686,000 and Euros 4,020,000 recorded in 2015 and 2016, respectively, related to expenses and negative equity variations with post-employment or long-term employee benefits and to impairment losses in loans accounted until 31 December 2014.

The 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 Bank exercised the option to apply the new regime, under the terms of which the impairment losses for credit risk relating to exposures analysed on an individual 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 Bank 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.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 X1, and with the requirements of IAS 12, the deferred tax assets were recognised based on the Bank's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets is based on the projected results for the period from 2024 to 2030, as longer projection periods have higher underlying factors of uncertainty. The projected pre-tax results for the years 2024, 2025 and 2026 are consistent with the budget approved by the Bank's Board of Directors in November 2023, which incorporates the priorities stemming from the 2021-2024 Strategic Plan, in a framework where the financial targets set therein for 2024 have been achieved or exceeded in 2023, adjusted for the impact of a new issue of additional Tier 1 securities in the amount of Euros 400 million, with an option for early repayment from the end of the 5th year and with an annual interest rate of 8.125%. In the earnings projection for the years 2027, 2028, 2029 and 2030, a standard nominal growth rate of 2% was considered.

The projections incorporate the impact of the stabilization of interest rates at a lower level than the current one, preserving profitability levels in line with those targets and reflecting the commercial positioning and the desired capture of efficiency gains, enshrined in the 2021-2024 Strategic Plan approved by the governing bodies, highlighting:

- after reflecting the impacts of the normalization of interest rates, the net interest income benefits from the recovery of volumes in deposits and loans to customers, where the Bank continues to privilege priority segments associated with the relationship and knowledge of its customers and transactionality;

- increase in commission income based on an efficient and judicious management of commissions and price lists;

- cost of risk still showing improvement, although gradually less significant, as this indicator converges to levels in line with the Bank's current activity, with a lower impact on the historical portfolios of NPEs, foreclosed assets and FRE (Corporate Restructuring Funds), after the reduction of these exposures achieved over the last years;

- Preservation of high levels of efficiency based on continued cost discipline and increased use of technology.

To estimate taxable net income for the periods of 2024 to 2030, 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 2024-2025 submitted to the supervisory authority in March 2023, and also on the basis of the average percentage of reversal observed in the last years from 2016 to 2023;

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 2023. 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 2023, 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 31 December 2023 and 31 December 2022 are adequate under the IAS 12 requirements.

In accordance with these assessments, the amount of unrecognised deferred tax related to to temporary differences and to tax losses, is as follows:

(Thousands of euros)

	2023	2022
Temporary differences	40,976	54,015
Tax losses carried forward		
2014	161,906	161,895
2016	282,473	286,414
2018	104,966	104,966
2019 (*)	23,915	23,915
2020 (*)	—	1,670
2021	193,606	193,606
2022	6,590	3,794
Total	773,456	776,260

(*) Following the publication of the Circular n. 3/2024 issued by the Portuguese Tax Authorities on the Corporate Income tax treatment of leased assets under IFRS 16, the DTA related to 2019 and 2020 tax losses should increase by Euros 4,886 thousands and Euros 4,616 thousands, respectively.

The impact of income taxes in Net income and in other balances of Bank's equity is analysed as follows:

(Thousands of euros)

	2023		2022	
	Net income for the year	Reserves	Net income for the year	Reserves
Deferred taxes not depending on the future profits				
Impairment losses	(120,204)	–	(712)	–
Employee benefits	(89,567)	(13,748)	–	–
	(209,771)	(13,748)	(712)	–
Deferred taxes depending on the future profits				
Intangible assets	–	–	(49)	–
Other tangible assets	216	–	110	–
Impairment losses	(48,448)	(1,791)	(169,150)	–
Employee benefits	(57,536)	103,929	(6,295)	(125,386)
Financial assets at fair value through other comprehensive income	–	(153,649)	–	564,184
Tax losses carried forward (a)	(5,450)	500	2,236	(2,236)
Others	(2,553)	3,638	(14,918)	20
	(113,771)	(47,373)	(188,066)	436,582
	(323,542)	(61,121)	(188,778)	436,582
Current taxes				
Actual year	7,566	–	1,578	–
Correction of previous years	(748)	–	765	–
	6,818	–	2,343	–
	(316,724)	(61,121)	(186,435)	436,582

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity variations 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)

	2023	2022
Net income / (loss) before income taxes	997,000	664,843
Current tax rate (%)	31.3%	31.3%
Expected tax	(312,061)	(208,096)
Elimination of double economic taxation of dividends received	22,517	47,080
Non deductible impairment	(42,901)	(9,213)
Contribution to the banking sector	(13,893)	(13,517)
Interest from other capital instruments (a)	11,581	11,581
Fiscal gains and losses	(880)	6,777
Non-deductible expenses and other corrections	(1,543)	1,574
Effect of tax rate difference and international double taxation	(1,385)	(10,401)
Effect of recognition / derecognition net of deferred taxes (b)	21,705	(11,227)
Correction of previous years	881	247
Autonomous tax	(745)	(1,240)
Total	(316,724)	(186,435)
Effective rate (%)	31.8 %	28.0 %

(a) 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.
(b) In 2023, essentially concerns the recognition of deferred tax assets relating to temporary differences associated with potential losses in specialized credit recovery funds, following the completion of sales operations of such funds in the years 2022 and 2023.

28. Other assets

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Debtors	142,197	188,011
Capital supplies	195,449	178,725
Capital supplementary contributions	165	165
Other financial investments	309	309
Gold and other precious metals	3,560	3,638
Deposit account applications	57,746	51,250
Debtors for futures and options transactions	118,472	191,290
Artistic patrimony	28,794	28,794
Amounts due for collection	81,610	80,018
Other recoverable tax	7,752	8,967
Subsidies receivables	8,347	10,764
Associated companies	985	566
Interest and other amounts receivable	42,712	39,276
Prepaid expenses	19,409	18,722
Amounts receivable on trading activity	10,736	3,234
Real estate and other assets arising from recovered loans (a)	104,744	—
Amounts due from customers	76,047	51,229
Obligations with post-employment benefits (note 45)	379,899	581,412
Sundry assets	42,092	32,348
	1,321,025	1,468,718
Impairment of other assets	(215,433)	(185,452)
	1,105,592	1,283,266

(a) assets transferred from Non-current assets held for sale

As referred in note 42, the balances Capital supplies include the amount of Euros 165,837,000 (31 December 2022: Euros 171,397,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

As at 31 December 2023, the balance Deposit account applications includes the amount of Euros 30,638,000 (31 December 2022: Euros 25,506,000) relating to the collateral constituted in compliance with the assumption of irrevocable payment commitments to Single Resolution Fund, as referred in note 6.

The Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Bank's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The detail of the item Real estate and other assets arising from recovered loans is analysed as follows:

(Thousands of euros)

	2023		
	Gross value	Impairment	Net value
Real estate			
Assets arising from recovered loans	90,697	(30,373)	60,324
Assets for own use (closed branches)	798	(414)	384
Equipment and others	1,214	(594)	620
Other assets (*)	12,035	—	12,035
	104,744	(31,381)	73,363

(*) includes Price Deposit and Property Adjudication Proposals

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)

	2023	2022
Balance on 1 January	185,452	252,544
Transfers	4,187	513
Impairment for the year (note 12)	12,002	10,083
Write back for the year (note 12)	(677)	(175)
Amounts charged-off	(16,912)	(77,513)
Balance at the end of the year	184,052	185,452

The changes occurred in impairment for Real Estate and other assets arising from recovered loans, are analysed as follow:

(Thousands of euros)

	2023	2022
Balance on 1 January	—	—
Transfer of Non-current assets held for sale (note 24)	11,989	—
Other transfers	10,382	
Charge for the year (note 12)	9,025	—
Amounts charged-off	(15)	—
Balance at the end of the year	31,381	—

29. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	2023			2022		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	–	–	–	–	592,740	592,740
Central Banks abroad	–	109,301	109,301	–	12,562	12,562
	–	109,301	109,301	–	605,302	605,302
Resources from credit institutions in Portugal						
Repayable on demand	295,053	–	295,053	278,971	–	278,971
Term Deposits	–	79,198	79,198	–	151,244	151,244
	295,053	79,198	374,251	278,971	151,244	430,215
Resources from credit institutions abroad						
Repayable on demand	611,957	–	611,957	594,031	–	594,031
Term Deposits	–	139,548	139,548	–	314,726	314,726
Loans obtained	–	264,845	264,845	–	269,512	269,512
CIRS and IRS operations collateralised by deposits (*)	–	18,650	18,650	–	26,810	26,810
Other resources	–	4,393	4,393	–	4,188	4,188
	611,957	427,436	1,039,393	594,031	615,236	1,209,267
	907,010	615,935	1,522,945	873,002	1,371,782	2,244,784

(*) 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 Bank and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

This balance is analysed by remaining period, as follows:

(Thousands of euros)

	2023	2022
Up to 3 months	1,212,518	1,324,898
3 to 6 months	16,417	37,985
6 to 12 months	294,010	17,234
1 to 5 years	–	864,667
	1,522,945	2,244,784

As at 31 December 2022, the item Resources and others financing from Central Banks - Bank 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.

30. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	2023			2022		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	26,204,610	522,014	26,726,624	31,850,909	182,647	32,033,556
Term deposits	—	13,832,902	13,832,902	—	10,674,875	10,674,875
Saving accounts	—	4,387,534	4,387,534	—	6,301,697	6,301,697
Cheques and orders to pay	619,604	—	619,604	549,459	—	549,459
Other	—	60,000	60,000	—	60,000	60,000
	26,824,214	18,802,450	45,626,664	32,400,368	17,219,219	49,619,587
Corrections to the liabilities value subject to hedging operations			88,780			(1,846)
Deferred costs/ (income)			(621)			(716)
Interests to pay			71,945			8,783
			45,786,768			49,625,808

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 referred fund are defined in the Regulation No. 11/94 of the Bank of Portugal.

This balance is analysed by remaining period (maturity of the next renovation), as follows:

(Thousands of euros)

	2023	2022
Deposits repayable on demand	26,726,646	32,033,556
Term deposits and saving accounts		
Up to 3 months	8,112,821	8,611,315
3 to 6 months	6,141,281	5,563,162
6 to 12 months	3,938,536	2,774,755
1 to 5 years	186,775	33,199
	18,379,413	16,982,431
Cheques and orders to pay		
Up to 3 months	619,604	549,459
Other		
Up to 3 months	1,105	362
Over 5 years	60,000	60,000
	61,105	60,362
	45,786,768	49,625,808

31. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Debt securities at amortised cost		
Bonds	—	2,000
MTNs	1,847,667	1,347,668
	1,847,667	1,349,668
Corrections to the liabilities value subject to hedging operations	(34,224)	(66,860)
Deferred costs/ (income)	(2,173)	(2,234)
Accruals	23,940	16,977
	1,835,210	1,297,551

The characteristics of the bonds issued by the Bank, as at 31 December 2023 are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bcp 6NC5 Senior Preferred EUR 500MN NG - MTN 856	February, 2021	February, 2027	Fixed rate 1.125% year until Feb-26 /after Euribor 3M + Variable rate 1.55%	500,000	505,008
Bcp 1.75% Eur 500M 6.5Nc5.5 Social Senior Preferred Notes - Mtn 857	October, 2021	April, 2028	Fixed rate 1.75% year until Apr-27/after + Euribor 3M + 2%	500,000	459,867
BCP2022 MTN 859 BCP Senior Preferred Notes OCT 2025	October, 2022	October, 2025	Fixed rate 8.5% until October 2024; after 5.547% + Euribor 3M	350,000	347,534
BCP2023 MTN 861 BCP Senior Preferred Notes OCT 2026	October, 2023	October, 2026	Fixed rate 5.625% until October 2025; after 1.90% + Euribor 3M	500,000	498,561
BCP Fin.Bank - EUR 10 M (*)	March, 2004	March, 2024	Fixed rate 5.01%	300	300
					1,811,270
Accruals					23,940
					1,835,210

(*) In the last quarter of 2023, the issuer was replaced by Banco Comercial Português

This balance, as at 31 December 2023, is analysed by the remaining period, as follows:

(Thousands of euros)

	2023					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
MTNs	—	311	—	1,834,899	—	1,835,210
	—	311	—	1,834,899	—	1,835,210

This balance, as at 31 December 2022, is analysed by the remaining period, as follows:

(Thousands of euros)

	2022					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Debt securities at amortised cost						
Bonds	2,008	—	—	—	—	2,008
MTNs	—	—	—	852,395	443,148	1,295,543
	2,008	—	—	852,395	443,148	1,297,551

32. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Bonds		
MTNs	1,050,000	1,050,000
Corrections to the liabilities value subject to hedging operations	(41,831)	(72,040)
Deferred costs/ (income)	(1,956)	(2,436)
Accruals	30,866	22,542
	1,037,079	998,066

As at 31 December 2023, the subordinated debt issues are analysed as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Bcp Fix Rate Reset Sub Notes-EMTN 854	December, 2017	December, 2027	See ref. (i)	166,300	166,666	130,915
Bcp Subord Fix. Rate Note Proj. Tagus Mtn 855	September, 2019	March, 2030	See ref. (ii)	450,000	443,394	450,000
BCP Tier 2 Subordinated Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See ref. (iii)	300,000	285,050	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See ref. (iv)	133,700	141,969	133,700
					1,037,079	1,014,615

(*) 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 rates:

(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 swaps 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	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See ref. (i)	166,300	164,044	164,175
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See ref. (ii)	450,000	428,740	450,000
BCP Tier 2 Subordinated Callable Notes Due May 2032 Mtn 858	November, 2021	May, 2032	See ref. (iii)	300,000	274,350	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See ref. (iv)	133,700	130,932	133,700
					998,066	1,047,875

(*) 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 rates:

(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 swaps 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%.

The analysis of the subordinated debt by remaining period, is as follows:

(Thousands of euros)

	2023	2022
1 year to 5 years	166,666	164,044
Over 5 years	870,413	834,022
	1,037,079	998,066

33. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of euros)

	2023	2022
Trading derivatives (note 21)		
Swaps	106,727	182,481
of which: Embedded derivatives	—	8
Options	126	694
Forwards	562	4,263
	107,415	187,438
Level 2	107,343	187,430
Level 3	72	8

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 44.

As at 31 December 2022, the balance Financial liabilities held for trading included the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1.B5., in the amount of Euros 8,000. This note should be analysed together with note 21.

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

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Deposits from customers (*)	2,314,798	476,671
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	297,784	490,326
Certificates	989,703	850,682
	3,602,285	1,817,679

(*) Deposits from customers whose remuneration is indexed to a set of shares and/or indices

As at 31 December 2023, the analysis of Debt securities at fair value through profit and loss, is as follows:

(Thousands of euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bcp Cabaz 3 Acoes Fevereiro 2024 - Smtn Sr 31	February, 2019	February, 2024	Indexed to 3 shares portfolio	71,904	71,170
Bcp Tit Div Mill Cabaz 3 Acoes 8Abr24 Smtn Sr35	April, 2019	April, 2024	Indexed to 3 shares portfolio	64,634	63,405
Bcp Tit Div Mill Cabaz 5 Ac 26Julho2024 Smtn42	July, 2019	July, 2024	Indexed to 5 shares portfolio	75,600	73,025
Bcp Tit Div Millennium Cabaz 5 Ac 6Dez24 Smtn 44	December, 2019	December, 2024	Indexed to 5 shares portfolio	94,602	90,184
					297,784

As at 31 December 2023, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2023					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	749,241	277,406	1,054,097	234,054	—	2,314,798
Debt securities at fair value through profit and loss						
MTNs	71,170	63,405	163,209	—	—	297,784
Certificates	—	—	—	32,088	957,615	989,703
	820,411	340,811	1,217,306	266,142	957,615	3,602,285

As at 31 December 2022, the analysis of this balance, by remaining period, is as follows:

(Thousands of euros)

	2022					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Deposits from customers	—	—	315,692	160,979	—	476,671
Debt securities at fair value through profit and loss						
MTNs	—	80,858	116,899	292,569	—	490,326
Certificates	—	—	—	—	850,682	850,682
	—	80,858	432,591	453,548	850,682	1,817,679

35. Provisions

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Provision for guarantees and other commitments	109,616	100,480
Other provisions for liabilities and charges	356,345	263,219
	465,961	363,699

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

(Thousands of euros)

	2023	2022
Balance on 1 January	100,480	99,591
Transfers (note 19)	(1,990)	(708)
Charge for the year (note 13)	12,364	2,042
Reversals for the year (note 13)	(1,236)	(448)
Exchange rate differences	(2)	3
Balance at the end of the year	109,616	100,480

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

(Thousands of euros)

	2023	2022
Balance on 1 January	263,219	264,591
Transfers	(1,613)	(483)
Charge of the year for restructuring costs (note 7)	–	4,414
Charge for the year (note 13)	100,288	102,328
Reversals for the year (note 13)	(7)	(21)
Amounts charged-off	(5,542)	(107,610)
Balance at the end of the year	356,345	263,219

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for Real Estate Investment Funds in the amount of Euros 85,228,000 (31 December 2022: Euros 49,602,000) and for lawsuits, frauds and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 50,571,000 (31 December 2022: Euros 35,001,000).

At the end of December 2022, the balance of Other provisions for liabilities and charges was reinforced in the amount of Euros 4,414,000, referring to agreements already concluded with some employees whose effective departures will occur during the first half of 2023. At 31 December 2023, the Bank has written-off the amount of Euros 3,113,000, relating to compensations for termination of functions (note 7).

Additionally, there are provisions for liabilities and charges recorded for corporate restructuring funds and carved-out assets from the Crow project, completed in December 2022.

36. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Creditors:		
Suppliers	52,860	31,848
From factoring operations	47,987	41,618
Deposit account applications and others applications	154,587	86,950
Associated companies	963	—
For futures and options transactions	11,121	73,394
Liabilities not covered by the Group Pension Fund - amounts payable by the Bank	10,417	10,661
Rents to pay	158,173	121,042
Other creditors		
Residents	62,471	93,086
Non-residents	34,832	6,245
Public sector	39,255	34,753
Interests and other amounts payable	46,918	48,817
Deferred income	7,578	7,590
Holiday pay and subsidies	41,178	39,389
Transactions on securities to be settled	3,855	3,801
Operations to be settled - foreign, transfers and deposits	77,812	38,208
Other sundry liabilities	195,979	149,905
	945,986	787,307

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Bank includes the amount of Euros 6,426,000 (31 December 2022: Euros 6,609,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

The balance Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

The Bank has several operating leases for properties, being registered in the item Rents to pay the amount of lease liabilities recognised under IFRS 16, according to the accounting policy 1 H. The analysis of this balance, by maturity, is as follows:

(Thousands of euros)

	2023	2022
Until 1 year	2,094	2,168
1 to 5 years	62,727	113,667
Over 5 years	131,871	13,361
	196,692	129,196
Accrued costs recognised in Net interest income	(38,519)	(8,154)
	158,173	121,042

37. Share capital and Other equity instruments

As at 31 December 2023, the Bank's share capital amounts to Euros 3,000,000,000 and is represented by 15,113,989,952 nominative book-entry without nominal value, fully subscribed and paid up.

As at 31 December 2023, the Share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 December 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.D. 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.

As at 31 December 2023, the shareholders who hold, individually or jointly, 5% or more of the Bank's capital, are the following:

Shareholder	Number of shares	% share capital	% voting rights
Chiado (Luxembourg) S.à.r.l. (Fosun Group)	3,927,436,381	25.99%	25.99%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	2,946,353,914	19.49%	19.49%
Total Qualified Shareholdings	6,873,790,295	45.48%	45.48%

Chiado (Luxembourg) S.à.r.l. announced on 23 January 2024, that it held on to that date, 3,027,936,381 BCP shares, corresponding to 20.03% of the respective share capital and voting rights.

38. 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 31 December 2023 the Legal Reserves amount to Euros 316,375,000 (31 December 2022: Euros 268,534,000).

39. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 21)		
Debt instruments (*)	7,192	(58,768)
Equity instruments	(19,632)	(39,113)
Cash-flow hedge	(1,268,434)	(1,701,273)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(2,619)	182
	(1,283,493)	(1,798,972)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	(2,251)	18,394
Equity instruments	6,132	5,449
Cash-flow hedge	397,020	532,498
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	820	(57)
	401,721	556,284
	(881,772)	(1,242,688)
Other reserves and retained earnings	2,596,566	2,345,343
	1,714,794	1,102,655
Legal reserve (note 38)	316,375	268,534
	2,031,169	1,371,189

(*) 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.B.

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.

During 2023, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2023					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December
Financial assets at fair value through other comprehensive income (note 21)						
Debt instruments						
Portuguese public debt securities	(53,474)	120,949	(98,847)	81	10,438	(20,853)
Others	(5,294)	77,409	(44,577)	1,017	(510)	28,045
	(58,768)	198,358	(143,424)	1,098	9,928	7,192
Equity instruments	(39,113)	4,164	—	—	15,317	(19,632)
	(97,881)	202,522	(143,424)	1,098	25,245	(12,440)

During 2022, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2022					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December
Financial assets at fair value through other comprehensive income (note 21)						
Debt instruments						
Portuguese public debt securities	41,369	(277,405)	124,837	(2,890)	60,615	(53,474)
Others	80,180	(174,366)	106,479	(2,383)	(15,204)	(5,294)
	121,549	(451,771)	231,316	(5,273)	45,411	(58,768)
Equity instruments	(49,587)	(13,261)	—	—	23,735	(39,113)
	71,962	(465,032)	231,316	(5,273)	69,146	(97,881)

40. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	2023	2022
Guarantees granted		
Guarantees	3,443,472	3,378,214
Stand-by letter of credit	63,368	50,978
Open documentary credits	232,364	238,872
Bails and indemnities	135,256	135,718
Other liabilities	—	10,000
	3,874,460	3,813,782
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	850,000	750,000
Irrevocable credit lines	2,448,938	2,380,229
Securities subscription	22,145	41,285
Other irrevocable commitments	156,432	152,750
Revocable commitments		
Revocable credit lines	5,812,940	5,706,907
Bank overdraft facilities	863,585	943,963
Other revocable commitments	111,752	88,115
	10,265,792	10,063,249
Guarantees received	24,146,938	25,595,747
Commitments from third parties	12,120,190	12,975,120
Securities and other items held for safekeeping	68,361,351	64,909,866
Securities and other items held under custody by the Securities Depository Authority	84,709,595	79,574,841
Other off balance sheet accounts	136,121,963	130,031,947

The guarantees granted by the Bank may be related to loans transactions, where the Bank 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 35).

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 is limited.

The balance Irrevocable commitments includes - Other irrevocable commitments includes the amount of Euros 30,638,000 (31 December 2022: Euros 25,506,000) relating to the collateral constituted in compliance with the assumption of irrevocable payment commitments to Single Resolution Fund, as referred in note 6.

This balance also includes the amount of Euros 94.390.000 (31 December 2022: Euros 94.390.000) corresponding to irrevocable commitments for cumulative payments assumed with the Deposit Guarantee Fund, as referred in note 6.

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.B. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Bank in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

The balance of Guarantees granted, Irrevocable credit lines and revocable commitments portfolio detailed by stage according with IFRS 9, is analysed as follows:

(Thousands of euros)

	2023	2022
Stage 1		
Gross amount	11,567,418	11,062,622
Impairment	(7,195)	(5,987)
	11,560,223	11,056,635
Stage 2		
Gross amount	1,218,842	1,511,703
Impairment	(10,773)	(12,051)
	1,208,069	1,499,652
Stage 3		
Gross amount	325,415	358,671
Impairment	(91,648)	(82,442)
	233,767	276,229
	13,002,059	12,832,516

41. Assets under management and custody

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody are analysed as follows:

(Thousands of euros)

	2023	2022
Assets under deposit	62,315,197	60,758,931
Wealth management (*)	3,738,751	3,618,326
	66,053,948	64,377,257

(*) Corresponds to the assets portfolio that are currently monitored and controlled by the business area as being managed by the Bank.

42. Transfers of assets

The Bank 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 Bank 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 Bank, will entitle the Bank 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 Bank performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Bank 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 Bank, 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 Bank 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 2023 and 2022, no credits were sold to corporate restructuring funds.

The amounts accumulated as at 31 December 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) Property.

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 (a)	84,112	82,566	83,212	646
Fundo Recuperação FCR (a)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (b)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (b)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (c)	113,665	113,653	109,599	(4,054)
	885,066	716,159	695,900	(20,259)

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

On 29 June 2023, all of the participation units held by BCP in the Fundo Reestruturação Empresarial FCR were sold, as a result, the Bank no longer held a position in that Fund.

As at 31 December 2023, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2023		
	Senior securities	Junior securities	
	Investment fund units (note 21)	Capital supplies (note 28)	Total
Fundo Recuperação FCR			
Gross value	166,637	74,631	241,268
Impairment and other fair value adjustments	(138,607)	(74,631)	(213,238)
	28,030	–	28,030
Fundo Aquarius FCR			
Gross value	105,498	–	105,498
Impairment and other fair value adjustments	(7,379)	–	(7,379)
	98,119	–	98,119
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	46,233	91,206	137,439
Impairment and other fair value adjustments	(10,091)	(91,206)	(101,297)
	36,142	–	36,142
Total Gross value	476,084	165,837	641,921
Total impairment and other fair value adjustments	(151,509)	(165,837)	(317,346)
	324,575	–	324,575

As at 31 December 2023, the book value of these assets is accounted for in item Financial assets not held for trading mandatorily at fair value through profit or loss and considers the Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

The following aspects should also be mentioned: (i) these are Funds whose latest Limited Audit Reports available with reference to 30 June 2023, and Audit Reports available with reference to 31 December 2022, do not include reserves; (ii) the funds are subject to supervision by the competent authorities.

As at 31 December 2022, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2022		
	Senior securities	Junior securities	
	Investment fund units (note 21)	Capital supplies (note 28)	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 is accounted for in item Financial assets not held for trading mandatorily at fair value through profit or loss and considers the Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

The following aspects should also be mentioned: (i) these are Funds whose latest Limited Audit Reports available with reference to 30 June 2022 and Audit Reports available with reference to 31 December 2022 and 2021, do not include reserves; (ii) the funds are subject to supervision by the competent authorities.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

	2023			2022		
Funds	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Reestruturação Empresarial FCR	–	–	–	51,212	46,486	4,726
Fundo Recuperação FCR	171,846	166,637	5,209	186,602	169,033	17,569
Fundo Aquarius FCR	118,350	105,497	12,853	134,205	119,631	14,574
Discovery Real Estate Fund	158,991	158,991	–	158,991	158,991	–
Fundo Vega FCR	45,439	43,492	1,947	48,150	45,870	2,280
	494,626	474,617	20,009	579,160	540,011	39,149

There are additional subscription commitments for the fund Discovery in the amount of Euros 1,107,000 (31 December 2022: Euros 1,107,000).

Additionally, are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

(Thousands of euros)

Items	2023	2022
Loans and advances to customers	35,978	248,439
Guarantees granted and irrevocable credit lines	24,018	74,834
Gross exposure	59,996	323,273
Impairment	(6,176)	(15,183)
Net exposure	53,820	308,090

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)

	2023	2022
Financial assets not held for trading mandatorily at fair value through profit or loss (note 21)		
Fundo Turismo Algarve, FCR	40,758	50,426
Lusofundo - Fundo de Investimento Imobiliário Fechado	18,780	26,429
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	8,467	12,091
	68,005	88,946
Investments in subsidiaries and associated (note 23)		
Imoserit, S.A.	–	22,241
	–	22,241
Other assets (note 28)		
Imoserit, S.A.	14,805	–
	14,805	–
	82,810	111,187

As referred in note 35, there are provisions for liabilities and charges recorded for corporate restructuring funds and carved-out assets of the Project Crow, completed in December 2022.

43. Relevant events occurred during 2023

Banco Comercial Português, S.A. informed about the upgrade of senior unsecured debt and deposits ratings by DBRS Morningstar

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

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

Banco Comercial Português, S.A. informed about conversion of its existing covered bonds programme into a covered bonds programme compliant with the Legal Regime of Covered Bonds

As at 5 December 2023, Banco Comercial Português, S.A. announced that, following the entry into force of Decree-Law no. 31/2022, of 6 May, approving the new legal regime of covered bonds and transposing Directive (EU) 2019/2162 (“Legal Regime of Covered Bonds”), the conversion of its existing covered bonds programme into a covered bonds programme compliant with the Legal Regime of Covered Bonds, in the total amount of Euros 12,500,000,000 (the “Programme”), was approved on the present date by the Portuguese Securities Commission (Comissão do Mercado de Valores Mobiliários) (“CMVM”).

Accordingly, Banco Comercial Português, S.A. hereby informed that the covered bonds issues with the ISINs indicated below shall, as from the present date, be governed by the Legal Regime of Covered Bonds and by the terms of the adjusted programme.

ISINs:

(i) Euros 2.200.000.000 Floating Rate Covered Bonds due 2024 Series 5 (ISIN PTBIPGOE0061);

(ii) Euros 2.000.000.000 Floating Rate Covered Bonds due 2025 Series 6 (ISIN PTBCSFOE0024);

(iii) Euros 1.000.000.000 Floating Rate Covered Bonds due 2027 Series 7 (ISIN PTBCS3OE0028); and

(iv) Euros 4.000.000.000 Floating Rate Covered Bonds due 2026 Series 8 (ISIN PTBCQLOE0036).

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

As at 17 November 2023, Banco Comercial Português, S.A. (“Bank”) hereby 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. informs that the decision to impose this measure, that aims to create a reserve for sectoral systemic risk, would translate on a pro forma basis into an estimated increase in own funds requirements of 26 basis points.

BCP 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 Euros 400 million

As at 13 November 2023, 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.

Notice is further given 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.

Banco Comercial Português, S.A. informed about issue of senior preferred debt securities eligible for MREL

As at 25 September 2023, Banco Comercial Português, S.A. (“Bank”) informed 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.

Banco Comercial Português, S.A. informed about the upgrade to Investment Grade of senior debt ratings by Fitch Ratings

As at 21 September 2023, Banco Comercial Português, S.A. (“BCP” or “Bank”) informed 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. informed about the upgrade to Investment Grade of senior debt ratings by S&P Global

As at 12 September 2023, Banco Comercial Português, S.A. ("BCP" or "Bank") informed 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.

Banco Comercial Português, S.A. informed about 2023 EU-Wide Stress Test Results

As at 28 July, 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.

MREL requirements

As at 12 July 2023, Banco Comercial Português, S.A. ("BCP" or the "Bank") informed 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.

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.

44. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Bank's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks, it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term.

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value (this class incorporates among other, factoring operations, current account credit, credit cards and overdrafts in demand deposits).

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment (Stage 3 loans), the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Bank for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Bank. This was calculated from the average production of the three most recent months compared to the reporting date.

As in the case of credits without defined maturity, also for the resources from customers without defined maturity (demand deposits) it is considered that given the potential short term of the same, possibility of their liquidation at any time, the book value of these liabilities is a reasonable estimate of their fair value.

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	2023	2022	2023	2022	2023	2022	2023	2022
EUR	4.39%	2.47%	4.70%	5.10%	4.24%	3.41%	4.33%	2.76%
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.86%	3.76%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.43%	5.11%
CHF	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.11%	1.58%
CNY	n.a.	n.a.	2.95%	n.a.	n.a.	n.a.	2.66%	1.64%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.93%	2.77%
GBP	n.a.	n.a.	n.a.	n.a.	5.69%	4.07%	5.54%	4.25%
HKD	n.a.	n.a.	4.24%	4.73%	n.a.	n.a.	5.30%	3.89%
JPY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MOP	n.a.	n.a.	3.66%	4.17%	n.a.	n.a.	5.11%	4.89%
NOK	n.a.	n.a.	n.a.	6.19%	n.a.	n.a.	5.09%	3.64%
PLN	n.a.	n.a.	7.76%	9.26%	n.a.	n.a.	5.51%	7.20%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.37%	3.53%
TRY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	44.94%	0.00%
USD	5.64%	5.35%	5.55%	5.67%	5.86%	5.44%	5.73%	5.27%
ZAR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.07%	8.88%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame. In this class of assets, the fair value corresponds to their book value.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt instruments

These financial instruments are accounted at amortised cost net of impairment, as referred in the accounting policy described in note 1 C1.1.1. The fair value of this class of assets, is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Debt securities non subordinated issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments remunerated for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Bank.

As original reference, the Bank applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non institutional customers of the Bank, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of subordinated issues placed in the institutional market was 4.98% (31 December 2022: 9.33%). For senior and collateralised securities placed on the retail market, the average discount rate was 3.98% (31 December 2022: 3.37%).

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 36,396,000 (31 December 2022: a positive amount of Euros 69,104,000). As at 31 December 2022, it also included a payable amount of Euros 8,000 which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

The following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Bank:

	2023				2022			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	3.93%	5.28%	5.20%	5.74%	2.00%	4.45%	3.55%	6.76%
7 days	3.93%	5.29%	5.22%	5.74%	2.00%	4.47%	3.58%	6.76%
1 month	3.96%	5.37%	5.25%	5.70%	2.04%	4.57%	3.67%	6.83%
2 months	3.98%	5.41%	5.29%	5.74%	2.13%	4.66%	3.80%	6.87%
3 months	3.97%	5.44%	5.32%	5.78%	2.25%	4.77%	3.91%	6.92%
6 months	3.86%	5.37%	5.34%	5.72%	2.73%	5.07%	4.32%	7.04%
9 months	3.75%	5.33%	5.29%	5.71%	3.11%	5.28%	4.65%	7.09%
1 year	3.45%	5.05%	5.25%	5.50%	3.26%	5.11%	4.87%	7.35%
2 years	2.81%	4.37%	4.28%	4.94%	3.39%	4.69%	4.69%	6.97%
3 years	2.56%	4.04%	3.94%	4.62%	3.31%	4.33%	4.56%	6.53%
5 years	2.43%	3.81%	3.63%	4.41%	3.23%	4.02%	4.33%	6.20%
7 years	2.44%	3.75%	3.53%	4.41%	3.19%	3.89%	4.14%	6.13%
10 years	2.50%	3.74%	3.54%	4.49%	3.21%	3.82%	3.99%	6.20%
15 years	2.56%	3.76%	3.63%	4.66%	3.14%	3.79%	3.91%	6.45%
20 years	2.51%	3.74%	3.66%	4.75%	2.93%	3.72%	3.84%	6.49%
30 years	2.33%	3.57%	3.61%	4.75%	2.54%	3.48%	3.70%	6.49%

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2023:

(Thousands of euros)

	2023				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	—	—	1,709,232	1,709,232	1,709,232
Loans and advances to credit institutions repayable on demand	—	—	155,794	155,794	155,794
Financial assets at amortised cost					
Loans and advances to credit institutions	—	—	370,409	370,409	364,609
Loans and advances to customers (i)	—	—	35,310,145	35,310,145	34,714,638
Debt instruments	—	—	11,584,291	11,584,291	11,212,873
Financial assets at fair value through profit or loss					
Financial assets held for trading	685,971	—	—	685,971	685,971
Financial assets not held for trading mandatorily at fair value through profit or loss	647,871	—	—	647,871	647,871
Financial assets designated at fair value through profit or loss	32,004	—	—	32,004	32,004
Financial assets at fair value through other comprehensive income	—	4,714,386	—	4,714,386	4,714,386
Hedging derivatives (ii)	22,335	—	—	22,335	22,335
	1,388,181	4,714,386	49,129,871	55,232,438	54,259,713
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	—	—	1,522,945	1,522,945	1,514,768
Resources from customers (i)	—	—	45,786,768	45,786,768	45,726,481
Non subordinated debt securities issued (i)	—	—	1,835,210	1,835,210	1,871,606
Subordinated debt (i)	—	—	1,037,079	1,037,079	1,089,652
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	107,415	—	—	107,415	107,415
Financial liabilities designated at fair value through profit or loss	3,602,285	—	—	3,602,285	3,602,285
Hedging derivatives (ii)	22,536	—	—	22,536	22,536
	3,732,236	—	50,182,002	53,914,238	53,934,743

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Bank includes in the Book value column of the heading Financial assets at amortized cost - Debt securities the variation in the fair value of the hedged element attributable to the hedged risk (risk of interest rate) for securities to which the Bank is applying fair value hedge accounting.

Until 31 December 2022, the Fair value column of the heading Financial assets at cost amortized - Debt securities corresponded to the fair value plus the variation in the fair value of the hedged element attributable to the hedged risk (interest rate risk) for the securities in which the Bank was applying fair value hedge accounting. Since 31 December 2022, the difference between the two columns presented (Book value and Fair value) corresponded to potential gains on debt securities recorded in accounting at amortized cost, not considering the effects of applying hedge accounting (alternatively compared to the initial acquisition cost). As of 30 June 2023, for these instruments, the Bank began to apply a strict definition of Fair value, no longer adding at fair value the change in the fair value of the hedged item attributable to the hedged risk. This way, as of that date, the differential between the two columns referred to above (Book value and Fair value) corresponds to potential gains on debt securities recorded in the accounting at amortized cost after considering the effects of applying hedge accounting. In order to ensure the consistency and comparability of the information disclosed, the information relating to 31 December 2022 was presented consistently with the applied with reference to 31 December 2023.

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2022:

(Thousands of euros)

	2022				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	–	–	2,956,492	2,956,492	2,956,492
Loans and advances to credit institutions repayable on demand	–	–	131,400	131,400	131,400
Financial assets at amortised cost					
Loans and advances to credit institutions	–	–	384,164	384,164	373,535
Loans and advances to customers (i)	–	–	37,334,829	37,334,829	36,596,204
Debt instruments	–	–	10,255,688	10,255,688	9,581,952
Financial assets at fair value through profit or loss					
Financial assets held for trading	692,796	–	–	692,796	692,796
Financial assets not held for trading mandatorily at fair value through profit or loss	789,153	–	–	789,153	789,153
Financial assets at fair value through other comprehensive income	–	2,914,514	–	2,914,514	2,914,514
Hedging derivatives (ii)	28,426	–	–	28,426	28,426
	1,510,375	2,914,514	51,062,573	55,487,462	54,064,472
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	–	–	2,244,784	2,244,784	2,228,829
Resources from customers (i)	–	–	49,625,808	49,625,808	49,466,020
Non subordinated debt securities issued (i)	–	–	1,297,551	1,297,551	1,366,655
Subordinated debt (i)	–	–	998,066	998,066	963,479
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	187,438	–	–	187,438	187,438
Financial liabilities designated at fair value through profit or loss	1,817,679	–	–	1,817,679	1,817,679
Hedging derivatives (ii)	59,548	–	–	59,548	59,548
	2,064,665	–	54,166,209	56,230,874	56,089,648

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Bank classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued based on the prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i. there is a firm daily enforceable quotation for the financial instruments concerned, or;

ii. there is a quotation available in market information systems that aggregate multiple prices of various stakeholders.

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i. failure to comply with the rules defined for level 1, or;

ii. they are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)). In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (e.g., internal ratings, default probabilities determined by internal models, etc.) incorporated in the estimation of CVA/DVA is not significant in the overall value of the derivative. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i. - those measured using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;

ii. - those measured based on performance of impairment tests, using performance indicators of the underlying transactions (e.g., default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);

iii. - those measured taking as reference the NAV (Net Asset Value) disclosed by the management entities of securities/ real estate/other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements, and whose unobservable market data component incorporated in the estimation of the value adjustment.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2023:

(Thousands of euros)

	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	1,709,232	—	—	1,709,232
Loans and advances to credit institutions repayable on demand	155,794	—	—	155,794
Financial assets at amortised cost				
Loans and advances to credit institutions	—	—	364,609	364,609
Loans and advances to customers	—	—	34,714,638	34,714,638
Debt instruments	8,622,870	445,948	2,144,055	11,212,873
Financial assets at fair value through profit or loss				
Financial assets held for trading	380,107	66,181	239,683	685,971
Financial assets not held for trading mandatorily at fair value through profit or loss	—	—	647,871	647,871
Financial assets designated at fair value through profit or loss	32,004	—	—	32,004
Financial assets at fair value through other comprehensive income	4,484,734	88,657	140,995	4,714,386
Hedging derivatives	—	22,335	—	22,335
	15,384,741	623,121	38,251,851	54,259,713
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	—	—	1,514,768	1,514,768
Resources from customers	—	—	45,726,481	45,726,481
Non subordinated debt securities issued	—	—	1,871,606	1,871,606
Subordinated debt	—	—	1,089,652	1,089,652
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	—	107,343	72	107,415
Financial liabilities designated at fair value through profit or loss	989,703	—	2,612,582	3,602,285
Hedging derivatives	—	22,536	—	22,536
	989,703	129,879	52,815,161	53,934,743

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2022:

(Thousands of euros)

	2022			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	2,956,492	–	–	2,956,492
Loans and advances to credit institutions repayable on demand	131,400	–	–	131,400
Financial assets at amortised cost				
Loans and advances to credit institutions	–	–	373,535	373,535
Loans and advances to customers	–	–	36,596,204	36,596,204
Debt instruments	7,651,344	358,217	1,572,391	9,581,952
Financial assets at fair value through profit or loss				
Financial assets held for trading	384,759	63,052	244,985	692,796
Financial assets not held for trading mandatorily at fair value through profit or loss	–	–	789,153	789,153
Financial assets at fair value through other comprehensive income	2,525,539	234,052	154,923	2,914,514
Hedging derivatives	–	28,426	–	28,426
	13,649,534	683,747	39,731,191	54,064,472
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	–	–	2,228,829	2,228,829
Resources from customers	–	–	49,466,020	49,466,020
Non subordinated debt securities issued	–	–	1,366,655	1,366,655
Subordinated debt	–	–	963,479	963,479
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	–	187,430	8	187,438
Financial liabilities designated at fair value through profit or loss	850,682	–	966,997	1,817,679
Hedging derivatives	–	59,548	–	59,548
	850,682	246,978	54,991,988	56,089,648

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2023 is presented as follows:

(Thousands of euros)

	2023			
	Financial assets			
	held for trading	not held for trading mandatorily at fair value through profit or loss	at fair value through other comprehensive income	Financial liabilities held for trading
Balance on 1 January	244,985	789,153	154,923	8
Gains / (losses) recognised in:				
Results on financial operations	(7,826)	(27,904)	–	–
Net interest income	10	–	3,091	–
Increase / (reduction) share capital (Investment fund units)	–	(5,000)	–	–
Purchases / (Sales, repayments or amortisations)	2,506	(108,240)	(18,870)	64
Gains / (losses) recognised in reserves	–	–	1,309	–
Exchange rate differences	–	(138)	(63)	–
Accruals of interest	8	–	605	–
Balance as at 31 December	239,683	647,871	140,995	72

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2022 is presented as follows:

(Thousands of euros)

	2022			
	Financial assets			
	held for trading	not held for trading mandatorily at fair value through profit or loss	at fair value through other comprehensive income	Financial liabilities held for trading
Balance on 1 January	259,162	1,188,309	186,564	145
Gains / (losses) recognised in:				
Results on financial operations	(10,991)	(101,594)	–	–
Net interest income	34	–	2,598	–
Transfers between levels	(1,860)	–	–	(145)
Increase / (reduction) share capital (Investment fund units)	–	(7,300)	–	–
Purchases / (Sales, repayments or amortisations)	(1,367)	(290,787)	(21,207)	8
Gains / (losses) recognised in reserves	–	–	(13,883)	–
Exchange rate differences	–	525	608	–
Accruals of interest	7	–	243	–
Balance as at 31 December	244,985	789,153	154,923	8

45. Post-employment benefits and other long-term benefits

The Bank assumed the liability to pay to their employees pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1.R.

The number of participants of Bank in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2023	2022
Pensioners	17,113	17,102
Former attendees acquired rights	3,323	3,368
Employees	6,097	6,144
	26,533	26,614

In accordance with the accounting policy described in note 1.R., the Bank's retirement pension liabilities and other benefits and the respective coverage, based on the Projected Unit credit method are analysed as follows:

(Thousands of euros)

	2023	2022
Actual amount of the past services		
Pensioners	2,317,001	2,125,182
Former attendees acquired rights	180,109	158,948
Employees	562,946	489,629
	3,060,056	2,773,759
Pension Fund Value	(3,439,955)	(3,355,171)
Net (assets)/liabilities in balance sheet (note 28)	(379,899)	(581,412)
Actuarial gains and losses and changing assumptions		
effect recognised in Other comprehensive income	3,365,741	3,145,258

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 31 December 2023 amounts to Euros 195,420,000 (31 December 2022: Euros 197,486,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

In 2023, negotiations continued with all the unions subscribing to the Bank'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 that subscribed the Group's Collective Labour Agreements, for the review of the Salary Tables and remaining pecuniary clauses relating to the year 2023, having been agreed on 9 and 17 October with all the Unions subscribing to the Group's Collective Labour Agreements, the update of the Salary Tables in 2023 with differentiated increases by contractual level between 4.00% and 7.80%. An increase of 4.50% was agreed for the Bank's Contributions to SAMS and other pecuniary clauses, such as study subsidies, diuturnities, among others, and an increase of 21.43% was agreed for the lunch subsidy, whose daily value increased to Euros 12.75. The agreed updates took effect on January 1, 2023, with the exception of remuneration related to subsistence and travel allowances, which were updated after the agreed updates were operationalized.

Regarding the unions SNQTB – Sindicato Nacional dos Quadros e Técnicos Bancários e SIB – Sindicato Independente da Banca, an agreement was also reached regarding the revision of the Salary Tables and other pecuniary clauses relating to the year 2022, as already agreed in 2022 with the remaining unions.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2023	2022
Balance as at 1 January	2,773,759	3,469,942
Service cost	(9,376)	(11,441)
Interest cost / (income)	110,974	66,579
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	42,875	58,753
Arising from changes in actuarial assumptions	276,807	(683,269)
Payments	(149,509)	(136,216)
Early retirement programmes and terminations by mutual agreement (note 7)	7,043	2,223
Contributions of employees	6,927	6,686
Transfer from / (to) other plans (a)	556	502
Balance at the end of the year	3,060,056	2,773,759

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

The pensions paid by the Fund, including the Additional Complement, amounts to Euros 149,509,000 (31 December 2022: Euros 136,216,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 257,151,000 (31 December 2022: Euros 239,947,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability amounts to Euros 33,765,000 (31 December 2022: Euros 39,093,000), in order to pay:

(i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;

(ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group, and Ageas Group is 49% owned by the BCP Group.

The changes in the value of plan's assets is analysed as follows:

(Thousands of euros)

	2023	2022
Balance as at 1 January	3,355,171	3,669,024
Actuarial gains / (losses)	99,199	(257,193)
Payments	(149,509)	(136,216)
Expected return on plan assets	127,602	72,361
Employees' contributions	6,927	6,686
Transfer from / (to) other plans (a)	556	502
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	9	7
Balance at the end of the year	3,439,955	3,355,171

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

The elements that make up the share value of the Bank in the assets of the Pension Fund are analysed as follows:

(Thousands of euros)

	2023			2022		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	327,526	1,251	328,777	95,989	1,172	97,161
Bonds and other fixed income securities	1,978,347	–	1,978,347	1,110,551	–	1,110,551
Participations units in investment funds	–	493,543	493,543	–	960,942	960,942
Participation units in real estate funds	–	296,394	296,394	–	305,766	305,766
Properties	–	262,686	262,686	–	273,137	273,137
Loans and advances to credit institutions and others	–	80,208	80,208	–	607,614	607,614
	2,305,873	1,134,082	3,439,955	1,206,540	2,148,631	3,355,171

The balance Properties includes buildings booked in the Fund's financial statements and used by the Group's companies which amounts to Euros 225,388,000 (31 December 2022: Euros 236,165,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of euros)

	2023	2022
Shares	–	4,265
Bonds and other fixed income securities	1,796	2,781
Loans and advances to credit institutions and others	48,021	127,377
	49,817	134,423

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of euros)

	2023	2022
Balance as at 1 January	(581,412)	(199,082)
Recognised in the income statement:		
Service cost	(9,376)	(11,441)
Interest cost / (income) net of the balance liabilities coverage	(16,628)	(5,782)
Cost with early retirement programs (note 7)	7,043	2,223
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(9)	(7)
	(18,970)	(15,007)
Recognised in the Statement of Comprehensive Income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(99,199)	257,193
Difference between expected and effective obligations	42,875	58,753
Arising from changes in actuarial assumptions	276,807	(683,269)
	220,483	(367,323)
Balance at the end of the year	(379,899)	(581,412)

The estimated contributions to be made in 2024, by the employees, for the Defined Benefit Plan amount to Euros 6,948,000.

In accordance with IAS 19, the Bank accounted cost/(income) with post-employment benefits, which is analysed as follows:

(Thousands of euros)

	2023	2022
Current service cost	(9,376)	(11,441)
Net interest cost in the liability coverage balance	(16,628)	(5,782)
Cost with early retirement programs (note 7)	7,043	2,223
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(9)	(7)
(Income) / Cost of the year	(18,970)	(15,007)

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB/CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life 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 recognized under the heading "Current service costs".

Board of directors plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Bank has the responsibility of supporting the cost with: (i) the retirement pensions of former Group's Executive Board Members; and (ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase constant immediate life annuity insurance policies.

Assumptions used in the assessment of responsibilities

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Bank considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2023	2022
Salary growth rate (c)	2,65% in 2024; 1,9% in 2025 and 1,15% in the following years	3.75% in 2023; 2.25% in 2024 and 1% in the following years
Pensions growth rate (c)	2,25% in 2024; 1,5% in 2025 and 0,75% in the following years	3.0% in 2023; 2.0% in 2024 and 0.75% in the following years
Discount rate / Projected Fund's rate of return	3.53%	4.17%
Mortality tables		
Men	TV 88/90-1 year	TV 88/90-1 year
Women (a)	TV 99/01-2 year	TV 99/01-2 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years e 4 months	66 years and 7 months
Total salary growth rate for Social Security purposes	1.75 %	1.75 %
Revaluation rate of wages / pensions of Social Security	1.00 %	1.00 %

a) The mortality table considered for women corresponds to TV 99/01 adjusted in less than 2 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age.

In 2022 the retirement age was 66 years and 7 months. For 2023 and 2024, the normal retirement age in the RGSS is 66 years and 4 months. The reduction in the retirement age was due to the evolution of the average life expectancy at 65 years in Portugal.

For the projection of life expectancy's increment it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

c) This rate refers to the growth for the years following the reporting year.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19, and are determined based on the references of the entities under common control. No disability decreases are considered in the calculation of the liabilities.

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). With reference to 31 December 2023, the Bank used a discount rate of 3.53% (31 December 2022: 4.17%).

The Actuarial (gains)/losses are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)

	Actuarial (gains) / losses			
	2023		2022	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Difference between expected and actual liabilities		42,875		58,753
Changes on the assumptions:				
Discount rate		223,222		(1,095,608)
Salary and pensions growth rate		53,585		277,100
Mortality Table		–		63,241
Other changes		–		71,998
Difference between expected income and income from funds	7.07%	(99,199)	-5.07%	257,193
		220,483		(367,323)

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2023		2022	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	98,133	(91,547)	87,010	(81,251)
Pensions increase rate	(103,353)	107,806	(97,644)	102,031
Increase in future compensation levels	(24,437)	28,390	(20,084)	23,076

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2023		2022	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table (*)	99,690	(100,081)	82,667	(83,459)

(*) The impact of the 1 year reduction in the mortality table implies an increase in the average life expectancy.

Defined contribution plan

According to what is described in accounting policy 1 R3, in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group for employees who have been admitted until 1 July 2009, in 2023 was accounted for a cost of Euros 2,061,000 (2022: cost of 2,026,000) as an estimated contribution given that the Group estimates that the following requirements will be met, cumulatively: (i) the previous year BCP'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.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Bank 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. The Bank accounted as staff costs the amount of Euros 350,000 (31 December 2022: Euros 281,000) related to this contribution.

46. Related parties

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 52 - List of subsidiary and associated companies of Banco Comercial Português S.A., the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

According to Portuguese law, namely under Article no. 109 of the General Law for Credit Institutions and Financial Companies and also in accordance with Article no. 33 of Notice 3/2020 of the Bank of Portugal, are considered related parties as well, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 37.

A) Transactions with qualified shareholders

The balances reflected in assets of individual balance sheet with qualified shareholders, are analysed as follows:

(Thousands of euros)

	2023	2022
Assets		
Financial assets at amortised cost		
Loans and advances to customers	110,525	97,740
Debt instruments	52,548	79,787
	163,073	177,527
Liabilities		
Financial liabilities at amortised cost		
Resources from customers	48,099	96,159
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	2,138	4,287
	50,237	100,446

The amounts of Financial assets at amortised cost cost are net of impairment in the amount of Euros 1,481,000 (31 December 2022: Euros 914,000) to Loans and advances to customers and to Debt instruments the amount Euros 237,000 (31 December 2022: Euros 257,000).

The transactions with qualified shareholders, reflected in the individual income statement items, are as follows:

(Thousands of euros)

	2023	2022
Income		
Interest and similar income	9,244	5,989
Commissions	476	752
	9,720	6,741
Costs		
Interest and similar expenses	179	—
Commissions	76	82
	255	82

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of euros)

	2023	2022
Guarantees granted	2,896	2,070
Revocable credit lines	5,602	18,171
	8,498	20,241

The Bank recorded impairment for Guarantees granted in the amount of Euros 8,000 (31 December 2022: Euros 1,000), for Revocable credit lines the amount of Euros 141,000 (31 December 2022: Euros 229,000).

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the individual balance sheet, are analysed as follows:

(Thousands of euros)

	Loans and advances to customers		Resources from customers	
	2023	2022	2023	2022
Board of Directors				
Non-executive directors	8	10	8,900	8,180
Executive Committee (*)	27	46	2,918	2,716
Closely related people	18	13	2,651	2,629
Controlled entities	—	—	24	24
Key management members				
Key management members	5,396	6,559	10,934	10,180
Closely related people	1,917	2,451	4,433	4,497
Controlled entities	705	928	3,276	2,613
	8,071	10,007	33,136	30,839

(*) The balance Loans and advances to customers corresponds to the mortgage credit granted previously to the respective election and to the amount used from private credit cards that is of mandatory liquidation on the maturity date.

In accordance with Article 85, no. 9, of RGICSF, no credits were granted during 2023 and in 2022.

The transactions with related parties discriminated in the following table, included in income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income		Commissions income	
	2023	2022	2023	2022
Board of Directors				
Non-executive directors	—	—	27	29
Executive Committee	1	—	23	10
Closely related people	—	—	9	9
Key management members				
Key management members	174	41	62	62
Closely related people	88	22	39	43
Controlled entities	63	17	31	19
	326	80	191	172

The transactions with related parties discriminated in the following table, included in cost items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar expense		Commissions expense	
	2023	2022	2023	2022
Board of Directors				
Non-executive directors	128	19	–	–
Executive Committee	26	–	–	1
Closely related people	33	9	–	–
Key management members				
Key management members	101	6	1	4
Closely related people	20	2	1	2
Controlled entities	21	–	2	2
	329	36	4	9

The revocable credit lines granted by the Bank to the following related parties are as follows:

(Thousands of euros)

	Guarantees granted		Revocable credit lines	
	2023	2022	2023	2022
Board of Directors				
Non-executive directors	–	–	143	112
Executive Committee (*)	–	–	160	140
Closely related people	–	–	45	26
Key management members				
Key management members	5	5	712	701
Closely related people	–	–	118	127
Controlled entities	–	–	622	525
	5	5	1,800	1,631

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

The shareholder and bondholder position of members of the Board of Directors, Key management members and people closely related to the previous categories, as well as the movements occurred during 2023, are as follows:

		Number of securities					
Shareholders/Bondholders	Security	2023	2022	Acquisitions	Disposals	Date	Unit price Euros
MEMBERS OF BOARD OF DIRECTORS							
Altina de Fátima Sebastián González Villamarin	BCP Shares	0	0				
Ana Paula Alcobia Gray	BCP Shares	0	0				
Cidália Maria da Mota Lopes	BCP Shares	2,184	2,184				
Fernando da Costa Lima	BCP Shares	18,986	18,986				
João Nuno Oliveira Jorge Palma	BCP Shares	1,723,818	1,364,642	636,836 (a)	277,660 (b)	23/6/2023	0.2200
Jorge Manuel Baptista Magalhães Correia	BCP Shares	388,500	388,298	202		20/1/2023	0.1900
	Bonds (i)	1	1				
	Bonds (ii)	1	1				
	Bonds (iv)	1	0	1		25/9/2023	100,000
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	1,504,495	1,177,152	582,460 (a)	255,117 (b)	23/6/2023	0.2200
José Pedro Rivera Ferreira Malaquias	BCP Shares	9,808	9,808				
Júlia Gu (Xiao Xu Gu)	BCP Shares	0	0				
Lingjiang Xu	BCP Shares	0	0				
Lingzi Yuan (Smilla Yuan)	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos	BCP Shares	2,014,344	1,554,512	574,790 (a)	114,958 (b)	23/6/2023	0.2200
Miguel de Campos Pereira de Bragança	BCP Shares	2,111,178	1,725,908	674,727 (a)	289,457 (b)	23/6/2023	0.2200
Miguel Maya Dias Pinheiro	BCP Shares	2,501,557	2,018,854	839,483 (a)	356,780 (b)	23/6/2023	0.2200
Nuno Manuel da Silva Amado	BCP Shares	2,525,388	1,525,388	1,000,000		3/1/2023	0.1567
	Bonds (i)	2	2				
	Bonds (ii)	2	2				
	Bonds (iii)	3	1	2		8/8/2023	100,000
	Bonds (iv)	1	0	1		27/9/2023	100,000
Rui Manuel da Silva Teixeira	BCP Shares		1,207,858	571,501 (a)	250,317 (b)	23/6/2023	0.2200
		1,152,359			376,663	1/8/2023	0.2500
Valter Rui Dias de Barros	BCP Shares	0	0				
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	133,881	128,684	5,197 (a)		23/6/2023	0.2200
Alexandre Manuel Casimiro de Almeida	BCP Shares	169,519	111,400	58,119 (a)		23/6/2023	0.2200
Américo João Pinto Carola	BCP Shares	140,747	104,945	63,588 (a)	27,786 (b)	23/6/2023	0.2200
Ana Maria Jordão F. Torres Marques Tavares	BCP Shares	255,931	215,340	63,819 (a)	23,228 (b)	23/6/2023	0.2200
Ana Patrícia Moniz Macedo	BCP Shares	35,864	0	63,588 (a)	27,724 (b)	23/6/2023	0.2200
António Augusto Amaral de Medeiros	BCP Shares	178,245	143,063	62,599 (a)	27,417 (b)	23/6/2023	0.2200
António Ferreira Pinto Júnior	BCP Shares	11,842	11,842				
António José Lindeiro Cordeiro	BCP Shares	93,898	64,134	49,854 (a)	20,090 (b)	23/6/2023	0.2200
António Luís Duarte Bandeira	BCP Shares	321,903	285,425	64,906 (a)	28,428 (b)	23/6/2023	0.2200
António Ricardo Fery Salgueiro Antunes	BCP Shares	120,117	61,361	58,756 (a)		23/6/2023	0.2200
António Vítor Martins Monteiro	BCP Shares	3,872	3,872				

(i) - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

(ii) - BCP *Tier 2 Subordinated Callable Notes*

(iii) - BCP 1.75% EUR 500M 6.5NC5.5 *Social Senior Preferred Notes*

(iv) - BCP/2023 - BCP Senior Preferred Fiexed FLT OCT 2026

(a) - identifies the increment of shares up to 31 December 2023 corresponding to variable compensation of 2022 and deferred from previous years.

(b) - identifies the shares used in sell-cover up to 31 December 2023 related to the increment of shares of variable remuneration.

Shareholders/Bondholders	Security	Number of securities		Acquisitions	Disposals	Date	Unit price Euros
		2023	2022				
Artur Frederico Silva Luna Pais	BCP Shares	517,197	459,405	57,792 (a)		23/6/2023	0.2200
Belmira Abreu Cabral	BCP Shares	129,190	96,604	57,978 (a)	25,392 (b)	23/6/2023	0.2200
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	89,825	54,362	62,103 (a)	26,640 (b)	23/6/2023	0.2200
Carlos Manuel da Silva Teixeira	BCP Shares	0	0				
Chi Wai Leung (Timothy)	BCP Shares	43,768	26,582	17,186 (a)		23/6/2023	0.2200
Constantino Alves Mousinho	BCP Shares	108,170	72,352	35,818 (a)		23/6/2023	0.2200
Fernando Maria Cardoso Rodrigues Bicho	BCP Shares	237	237				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	174,218	135,398	68,947 (a)	30,127 (b)	23/6/2023	0.2200
Francisco António Caspa Monteiro	BCP Shares	225,015	186,219	69,030 (a)	30,234 (b)	23/6/2023	0.2200
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	153,373	119,771	58,846 (a)	25,244 (b)	23/6/2023	0.2200
Hugo Miguel Martins Resende	BCP Shares	178,524	139,589	69,030 (a)	30,095 (b)	23/6/2023	0.2200
João Adriano Azevedo Seixas Vale	BCP Shares	43,222	43,222				
João Brás Jorge	BCP Shares	91,709	91,709				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	259,116	190,677	68,439 (a)		23/6/2023	0.2200
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	107,720	48,257	59,463 (a)		23/6/2023	0.2200
Jorge Manuel Machado de Sousa Góis	BCP Shares	190,352	134,204	56,148 (a)		23/6/2023	0.2200
Jorge Manuel Magalhães Oliveira Pereira	BCP Shares	57,488	25,460	56,785 (a)	24,757 (b)	23/6/2023	0.2200
Jorge Manuel Nobre Carreteiro	BCP Shares		55,988	55,776 (a)		23/6/2023	0.2200
					41,000	5/9/2023	0.2630
		80,764		10,000		4/12/2023	0.3270
Jorge Octávio Neto dos Santos	BCP Shares	471,191	471,191				
José Artur Gouveia Coelho Caetano	BCP Shares	0	0				
José Carlos Benito Garcia de Oliveira	BCP Shares	37,941	37,941				
José Gonçalo Prior Regalado	BCP Shares	147,115	79,184	67,931 (a)		23/6/2023	0.2200
José Guilherme Potier Raposo Pulido Valente	BCP Shares	315,008	280,081	62,144 (a)	27,217 (b)	23/6/2023	0.2200
José Maria Gonçalves Pereira Brandão de Brito	BCP Shares	87,138	55,225	52,660 (a)	20,747 (b)	23/6/2023	0.2200
Liliana Marisa Catoja Costa Lemos	BCP Shares	400	400				
Luis Miguel Manso Correia dos Santos	BCP Shares	285,820	216,790	69,030 (a)		23/6/2023	0.2200
Maria Constança C. Brandão Amado Fonseca G. Santos	BCP Shares	800	800				
Maria de Fátima Coelho Dias	BCP Shares	0	0				
Maria de Los Angeles Sanchez Sanchez	BCP Shares	61,375	41,011	36,232 (a)	15,868 (b)	23/6/2023	0.2200
Maria Helena Soledade Nunes Henriques	BCP Shares	268,800	232,863	63,943 (a)	28,006 (b)	23/6/2023	0.2200
Maria Manuela de Araújo Mesquita Reis	BCP Shares	228,036	190,663	62,599 (a)	25,226 (b)	23/6/2023	0.2200
Mário António Pinho Gaspar Neves	BCP Shares	142,301	108,172	60,616 (a)	26,487 (b)	23/6/2023	0.2200
Mário Madeira Robalo Fernandes	BCP Shares	220,539	156,951	63,588 (a)		23/6/2023	0.2200
Nelson Luís Vieira Teixeira	BCP Shares		108,936		7,200	16/2/2023	0.2100
					22,200	24/2/2023	0.2250
		118,570		68,356 (a)	29,322 (b)	23/6/2023	0.2200
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	251,695	183,959	67,736 (a)		23/6/2023	0.2200
Nuno Miguel Nobre Botelho	BCP Shares	144,294	85,625	58,669 (a)		23/6/2023	0.2200
Pedro José Mora de Paiva Beija	BCP Shares		138,202		50,673	17/1/2023	0.1934
				69,030 (a)		23/6/2023	0.2200
		173,559		17,000		21/12/2023	0.2710
Pedro Manuel Francisco da Silva Dias	BCP Shares	152,178	111,149	68,493 (a)	27,464 (b)	23/6/2023	0.2200
Pedro Manuel Macedo Vilas Boas	BCP Shares		146,870	66,368 (a)		23/6/2023	0.2200
		70,000			143,238	5/12/2023	0.3310
Pedro Manuel Rendas Duarte Turras	BCP Shares	146,367	105,371	68,439 (a)	27,443 (b)	23/6/2023	0.2200

(a) - identifies the increment of shares up to 31 December 2023 corresponding to variable compensation of 2022 and deferred from previous years.

(b) - identifies the shares used in sell-cover up to 31 December 2023 related to the increment of shares of variable remuneration.

Shareholders/Bondholders	Security	Number of securities 2023	2022	Acquisitions	Disposals	Date	Unit price Euros
Ricardo Potes Valadares	BCP Shares	100,121	68,014	55,354 (a)	23,247 (b)	23/6/2023	0.2200
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares		117,023		68,163	5/1/2023	0.1712
		87,324		68,439 (a)	29,975 (b)	23/6/2023	0.2200
	Bonds (i)	1	1				
Rui Artur dos Santos Baptista	BCP Shares		2,500		2,500	8/8/2023	0.2500
Rui Emanuel Agapito Silva	BCP Shares	145,528	109,252	64,315 (a)	28,039 (b)	23/6/2023	0.2200
Rui Fernando da Silva Teixeira	BCP Shares	221,892	186,154	63,588 (a)	27,850 (b)	23/6/2023	0.2200
Rui Manuel Pereira Pedro	BCP Shares	408,353	339,819	68,534 (a)		23/6/2023	0.2200
Rui Miguel Alves Costa	BCP Shares	348,163	279,133	69,030 (a)		23/6/2023	0.2200
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	146,835	110,273	64,823 (a)	28,261 (b)	23/6/2023	0.2200
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares		143,793		102,700	21/6/2023	0.2200
		79,629		63,588 (a)	25,052 (b)	23/6/2023	0.2200
Tiago Alexandre Machado Ferreira Mateus	BCP Shares	52,540	2,128	50,412 (a)		23/6/2023	0.2200
Vânia Alexandra Machado Marques Correia	BCP Shares	160,146	115,226	56,148 (a)	11,228 (b)	23/6/2023	0.2200
PEOPLE CLOSELY RELATED TO THE PREVIOUS							
of: Cidália Maria da Mota Lopes							
Alexandre Miguel Martins Ventura	BCP Shares	2,184	2,184				
of: José Miguel Bensliman Schorcht da Silva Pessanha							
Herança de Anne Marie Bensliman Silva Pessanha	BCP Shares	139	139				
of: Maria José Henriques Barreto de Matos de Campos							
Ricardo Gil Monteiro Lopes de Campos	BCP Shares	(c)	(c)				
of: Rui Manuel da Silva Teixeira							
Maria Helena Espassandim Catão	BCP Shares	576	576				
of: Américo João Pinto Carola							
Ana Isabel Salgueiro Antunes	BCP Shares	29	29				
of: Ana Maria Jordão F. Torres Marques Tavares							
Álvaro Manuel Coreia Marques Tavares	BCP Shares	25,118	25,118				
Francisco Jordão Torres Marques Tavares	BCP Shares	1,016	1,016				
of: António Luís Duarte Bandeira							
António da Silva Bandeira	BCP Shares	0	20,000		20,000	20/2/2023	0.2110
Ana Margarida Rebelo A. M. Soares Bandeira	BCP Shares	2,976	2,976				
of: António Ferreira Pinto Júnior							
Paula Alexandre Cardoso de Miguel Pinto	BCP Shares	33,187	33,187				
of: António Vítor Martins Monteiro							
Isabel Maria Vaz Leite Pinto Martins Monteiro	BCP Shares	3,104	3,104				
of: Francisco António Caspa Monteiro							
Ricardo Miranda Monteiro	BCP Shares	1,639	1,639				
Rita Miranda Monteiro	BCP Shares	1,639	1,639				
of: Maria Helena Soledade Nunes Henriques							
João Paulo Rodrigues Taborda Gonçalves	BCP Shares	130	130				
of: Maria Manuela de Araújo Mesquita Reis							
Luís Filipe da Silva Reis	BCP Shares	280,000	280,000				
of: José Pedro Rivera Ferreira Malaquias							
Maria Joana de Oliveira Monteiro Ferreira Malaquias	BCP Shares	(d)	(d)				

(i) - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

(a) - identifies the increment of shares up to 31 December 2023 corresponding to variable compensation of 2022 and deferred from previous years.

(b) - identifies the shares used in sell-cover up to 31 December 2023 related to the increment of shares of variable remuneration.

(c) - solidary ownership in both securities accounts, and Dr. Ricardo Campos is the first holder and Eng.ª Maria José Campos is the 2nd holder of the securities account.

(d) - solidary ownership in both securities accounts, and Dr. José Pedro Ferreira Malaquias is the first holder and Maria Joana Ferreira Malaquias is the 2nd holder of the securities account.

C) Balances and transactions with subsidiaries and associated companies, detailed in note 52

As at 31 December 2023, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euro)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost		Financial assets at fair value through profit or loss		Total
		Loans and advances to credit institutions	Loans and advances to customers	held for trading	not held for trading mandatorily at fair value through profit or loss	
Banco ActivoBank, S.A.	—	33,000	—	20	—	33,020
BCP África, S.G.P.S., Lda.	—	—	—	981	—	981
Banco Millennium Atlântico, S.A.	1,340	—	—	—	—	1,340
Banque BCP, S.A.S.	8	203,793	621	—	—	204,422
BIM - Banco Internacional de Moçambique, S.A.	187	5,581	—	201	—	5,969
Bank Millennium Group (Poland)	54	—	—	—	—	54
Magellan Mortgages No. 3 PLC	—	—	—	2,924	9,064	11,988
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	—	1,895	—	—	1,895
UNICRE - Instituição Financeira de Crédito, S.A.	—	8,244	—	—	—	8,244
	1,589	250,618	2,516	4,126	9,064	267,913

(Thousands of euro)

	Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-current assets held for sale	Other assets	Total
Banco ActivoBank, S.A.	—	—	—	377	377
Banco Millennium Atlântico, S.A.	—	—	—	802	802
BIM - Banco Internacional de Moçambique, S.A.	—	—	—	3,193	3,193
Imoserit, S.A. (**)	—	—	—	14,805	14,805
Fundial – Fundo de Investimento Imobiliário Fechado	—	—	—	1	1
Fundipar – Fundo de Investimento Imobiliário Fechado	—	—	—	1	1
Imorenda – Fundo de Investimento Imobiliário Fechado	—	—	—	8	8
Imosotto acumulação – Fundo de Investimento Imobiliário Fechado	—	—	—	35	35
Sand Capital - Fundo de Investimento Imobiliário Fechado	—	—	—	3	3
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	—	—	55	55
Magellan Mortgages No. 3 PLC	39,654	—	—	—	39,654
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	257,250	—	10,578	267,828
Millennium bcp - Prestação de Serviços, A.C.E.	—	18,000	—	735	18,735
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	166,287	—	—	166,287
Monumental Residence - Sociedade de Investimento Coletivo Imobiliária Fechada, S.A.	—	—	—	1	1
Predicapital – Fundo de Investimento Imobiliário Fechado	—	—	44,502	2	44,504
UNICRE - Instituição Financeira de Crédito, S.A.	925	—	—	217	1,142
Webspectator Corporation	—	—	17,432	—	17,432
	40,579	441,537	61,934	30,813	574,863

(*) Regarding Supplementary Capital Payments and Additional Payments

(**) Regarding Supplies

As at 31 December 2022, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of euro)

	Loans and advances to credit institutions repayable on demand	Financial assets at amortised cost		Financial assets at fair value through profit or loss		Total
		Loans and advances to credit institutions	Loans and advances to customers	held for trading	not held for trading mandatorily at fair value through profit or loss	
Banco ActivoBank, S.A.	—	26,890	—	—	—	26,890
BCP África, S.G.P.S., Lda.	—	—	—	1,395	—	1,395
Banco Millennium Atlântico, S.A.	1,077	—	—	—	—	1,077
Banque BCP, S.A.S.	8	201,028	—	—	—	201,036
BIM - Banco Internacional de Moçambique, S.A.	188	—	—	266	—	454
Bank Millennium Group (Poland)	87	—	—	—	—	87
Magellan Mortgages No. 3 PLC	—	—	—	3,396	9,476	12,872
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	—	59,483	—	—	59,483
UNICRE - Instituição Financeira de Crédito, S.A.	—	5,049	—	—	—	5,049
	1,360	232,967	59,483	5,057	9,476	308,343

(Thousands of euro)

	Financial assets at fair value through other comprehensive income	Investments in subsidiaries and associated companies (*)	Non-current assets held for sale	Other assets	Total
Banco ActivoBank, S.A.	—	—	—	345	345
BCP África, S.G.P.S., Lda.	—	—	—	37	37
Banque BCP, S.A.S.	—	—	—	15	15
BIM - Banco Internacional de Moçambique, S.A.	—	—	—	3,498	3,498
Imoserit, S.A.	—	22,241	—	—	22,241
Fundial – Fundo de Investimento Imobiliário Fechado	—	—	—	1	1
Fundipar – Fundo de Investimento Imobiliário Fechado	—	—	—	2	2
Imorenda – Fundo de Investimento Imobiliário Fechado	—	—	—	8	8
Imosotto acumulação – Fundo de Investimento Imobiliário Fechado	—	—	—	7	7
Sand Capital - Fundo de Investimento Imobiliário Fechado	—	—	—	3	3
Oceânico II – Fundo de Investimento Imobiliário Fechado	—	—	—	3	3
Funsita - Fundo de Investimento Imobiliário Fechado	—	—	—	1	1
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	—	—	43	43
Magellan Mortgages No. 3 PLC	46,023	—	—	—	46,023
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	257,250	—	11,352	268,602
Millennium bcp - Prestação de Serviços, A.C.E.	—	18,000	—	726	18,726
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	166,287	—	—	166,287
Monumental Residence - Sociedade de Investimento Coletivo Imobiliária Fechada, S.A.	—	—	—	1	1
Predicapital – Fundo de Investimento Imobiliário Fechado	—	—	44,502	2	44,504
UNICRE - Instituição Financeira de Crédito, S.A.	940	—	—	—	940
Webspectator Corporation	—	—	18,057	—	18,057
	46,963	463,778	62,559	16,044	589,344

(*) Regarding Supplies, Supplementary Capital Payments and Additional Payments

As at 31 December 2023, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost		Financial liabilities at fair value through profit or loss		
	Resources from credit Institutions	Resources from customers	held for trading	Other liabilities	Total
Banco ActivoBank, S.A.	231,926	—	32,654	29,819	294,399
Banco Millennium Atlântico, S.A.	15,164	—	—	—	15,164
Banque BCP, S.A.S.	6,991	—	—	352	7,343
BCP África, S.G.P.S., Lda.	—	59,645	93	952	60,690
BCP Finance Bank Ltd	519,309	—	—	—	519,309
BCP International, B.V.	—	4,631	—	—	4,631
Bichorro–Empreendimentos Turísticos e Imobiliários,S.A.	—	40	—	—	40
BIM - Banco Internacional de Moçambique, S.A.	80,593	—	—	—	80,593
Fiparso- Sociedade Imobiliária S.A.	—	90	—	—	90
Finalgarve- Sociedade Promoção Imobiliária Turística, S.A.	—	373	—	—	373
Fundial – Fundo de Investimento Imobiliário Fechado	—	2,125	—	1	2,126
Fundipar – Fundo de Investimento Imobiliário Fechado	—	825	—	—	825
Imorenda – Fundo de Investimento Imobiliário Fechado	—	1,456	—	—	1,456
Imosotto acumulação – Fundo de Investimento Imobiliário Fechado	—	2,670	—	—	2,670
Sand Capital - Fundo de Investimento Imobiliário Fechado	—	72	—	—	72
Bank Millennium Group (Poland)	485	—	—	—	485
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	6,612	—	—	6,612
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	173,745	8,694	—	182,439
Millennium bcp - Prestação de Serviços, A.C.E.	—	490	—	—	490
Imoserit, S.A	—	6	—	—	6
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	27,527	—	—	27,527
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	112	—	—	112
Monumental Residence - Sociedade de Investimento Coletivo Imobiliária Fechada, S.A.	—	1,071	—	—	1,071
Predicapital – Fundo de Investimento Imobiliário Fechado	—	749	—	—	749
SIBS, S.G.P.S., S.A.	—	14,772	—	—	14,772
UNICRE - Instituição Financeira de Crédito, S.A.	210	415	—	2	627
	854,678	297,426	41,441	31,126	1,224,671

As at 31 December 2022, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of euros)

	Financial liabilities at amortised cost			Financial liabilities at fair value through profit or loss		
	Resources from credit Institutions	Resources from customers	Non-subordinated debt securities issued	held for trading	Other liabilities	Total
Banco ActivoBank, S.A.	186,478	—	—	28,177	29,833	244,488
Banco Millennium Atlântico, S.A.	29,879	—	—	—	—	29,879
Banque BCP, S.A.S.	644	—	—	—	—	644
BCP África, S.G.P.S., Lda.	—	314,644	—	—	—	314,644
BCP Finance Bank Ltd	519,269	—	—	—	—	519,269
BCP International, B.V.	—	4,990	—	—	—	4,990
Bichorro-Empreendimentos Turísticos e Imobiliários,S.A.	—	80	—	—	—	80
BIM - Banco Internacional de Moçambique, S.A.	228,729	—	—	—	—	228,729
Fiparso- Sociedade Imobiliária S.A.	—	13	—	—	—	13
Finalgarve- Sociedade Promoção Imobiliária Turística, S.A.	—	531	—	—	—	531
Fundial – Fundo de Investimento Imobiliário Fechado	—	1,428	—	—	—	1,428
Fundipar – Fundo de Investimento Imobiliário Fechado	—	812	—	—	—	812
Imorenda – Fundo de Investimento Imobiliário Fechado	—	3,532	—	—	—	3,532
Imosotto acumulação – Fundo de Investimento Imobiliário Fechado	—	993	—	—	—	993
Sand Capital - Fundo de Investimento Imobiliário Fechado	—	392	—	—	—	392
Oceânico II – Fundo de Investimento Imobiliário Fechado	—	1,011	—	—	—	1,011
Funsita - Fundo de Investimento Imobiliário Fechado	—	61	—	—	—	61
Bank Millennium Group (Poland)	549	—	—	7	—	556
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	6,851	—	—	—	6,851
Millenniumbcp Ageas Grupo Segurador, S.G.P.S.,S.A.(Group)	—	200,014	2,002	3,894	8	205,918
Millennium bcp - Prestação de Serviços, A.C.E.	—	490	—	—	(497)	(7)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	29,957	—	—	—	29,957
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	113	—	—	2	115
Monumental Residence - Sociedade de Investimento Coletivo Imobiliária Fechada, S.A.	—	1,324	—	—	—	1,324
Predicapital – Fundo de Investimento Imobiliário Fechado	—	1,129	—	—	—	1,129
SIBS, S.G.P.S., S.A.	—	6,851	—	—	—	6,851
UNICRE - Instituição Financeira de Crédito, S.A.	32,322	—	—	—	—	32,322
	997,870	575,216	2,002	32,078	29,346	1,636,512

As at 31 December 2023, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains on financial operations	Dividends	Total
Banco ActivoBank, S.A.	849	—	—	14	—	863
Banco Millennium Atlântico, S.A.	114	511	103	—	—	728
Banque BCP, S.A.S.	5,097	1	15	—	3,771	8,884
BCP África, S.G.P.S., Lda.	—	—	—	2,019	57,926	59,945
BCP Finance Bank Ltd	—	5	1	—	—	6
BCP International, B.V.	—	1	—	—	—	1
BIM - Banco Internacional de Moçambique, S.A.	—	112	13,445	—	—	13,557
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	—	1	—	—	—	1
Fundial – Fundo de Investimento Imobiliário Fechado	—	13	—	—	—	13
Fundipar – Fundo de Investimento Imobiliário Fechado	—	18	—	—	—	18
Imorenda – Fundo de Investimento Imobiliário Fechado	—	100	—	—	—	100
Imosotto acumulação – Fundo de Investimento Imobiliário Fechado	—	87	—	—	—	87
Sand Capital - Fundo de Investimento Imobiliário Fechado	—	33	—	—	—	33
Oceânico II - Fundo de Investimento Imobiliário Fechado	—	59	—	—	—	59
Funsita - Fundo de Investimento Imobiliário Fechado	—	11	—	—	—	11
Bank Millennium Group (Poland)	1	—	—	—	—	1
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	252	19	—	1,876	2,147
Magellan Mortgages No. 1 PLC	565	7	—	—	—	572
Magellan Mortgages No. 3 PLC	4,337	238	—	—	—	4,575
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	4,738	49,892	751	2,513	—	57,894
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	—	—	—	11,406	11,406
Millennium bcp - Prestação de Serviços, A.C.E.	—	139	4,745	—	—	4,884
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	—	7	7
Monumental Residence - Sociedade de Investimento Coletivo Imobiliária Fechada, S.A.	—	10	—	—	—	10
Predicapital – Fundo de Investimento Imobiliário Fechado	—	18	—	—	—	18
SIBS, S.G.P.S., S.A.	38	10	—	—	—	48
UNICRE - Instituição Financeira de Crédito, S.A.	176	1,412	12	—	109	1,709
	15,915	52,930	19,091	4,546	75,095	167,577

As at 31 December 2022, the balances with subsidiary and associated companies included in Income items of the income statement, are as follows:

(Thousands of euros)

	Interest and similar income	Commissions income	Other operating income	Gains on financial operations	Dividends	Total
Banco Millennium Atlântico, S.A.	20	942	89	—	—	1,051
Banque BCP, S.A.S.	1,028	6	225	—	3,884	5,143
BCP Capital - Sociedade de Capital de Risco, S.A.	—	1	—	—	—	1
BCP Finance Bank Ltd	—	2	—	—	—	2
BCP International, B.V.	—	1	—	—	—	1
BIM - Banco Internacional de Moçambique, S.A.	1	97	13,518	—	—	13,616
Exporsado - Comércio e Indústria de Produtos do Mar, S.A.	15	2	—	—	—	17
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	1	1	—	—	—	2
Fundial – Fundo de Investimento Imobiliário Fechado	—	13	—	—	—	13
Fundipar – Fundo de Investimento Imobiliário Fechado	—	19	—	—	—	19
Imorenda – Fundo de Investimento Imobiliário Fechado	—	106	—	—	—	106
Imosotto acumulação – Fundo de Investimento Imobiliário Fechado	—	93	—	—	—	93
Sand Capital - Fundo de Investimento Imobiliário Fechado	—	34	—	—	—	34
Oceânico II - Fundo de Investimento Imobiliário Fechado	—	74	—	—	—	74
Funsita - Fundo de Investimento Imobiliário Fechado	—	12	—	—	—	12
Group Bank Millennium (Poland)	—	—	—	9	—	9
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	—	287	30	—	2,500	2,817
Magellan Mortgages No. 3 PLC	1,957	275	—	—	—	2,232
Millennium bcp Bank & Trust	—	1	—	—	—	1
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,887	55,452	697	1,020	132,251	192,307
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	—	—	—	—	10,353	10,353
Millennium bcp - Prestação de Serviços, A.C.E.	—	139	4,541	—	—	4,680
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	—	6	6
Millennium Fundo de Capitalização - Fundo de Capital de Risco	—	60	—	—	—	60
Monumental Residence - Sociedade de Investimento Coletivo Imobiliária Fechada, S.A.	—	11	—	—	—	11
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	97	47	—	—	—	144
Predicapital – Fundo de Investimento Imobiliário Fechado	—	18	—	—	—	18
SIBS, S.G.P.S., S.A.	—	8	—	—	—	8
UNICRE - Instituição Financeira de Crédito, S.A.	177	1,275	7	—	96	1,555
	6,183	58,976	19,107	1,029	149,090	234,385

As at 31 December 2023, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses on financial operations	Total
Banco ActivoBank, S.A.	20,772	8,577	—	12	17,695	47,056
Banco Millennium Atlântico, S.A.	347	4	—	—	—	351
Banque BCP, S.A.S.	3,814	—	—	—	—	3,814
BCP África, S.G.P.S., Lda.	—	—	—	—	101	101
BIM - Banco Internacional de Moçambique, S.A.	4,875	15	—	—	—	4,890
Fundial – Fundo de Investimento Imobiliário Fechado	11					11
Fundipar – Fundo de Investimento Imobiliário Fechado	4					4
Imorenda – Fundo de Investimento Imobiliário Fechado	1	—	—	—	—	1
Imosotto acumulação – Fundo de Investimento Imobiliário Fechado	12					12
Bank Millennium Group (Poland)	610	22	12	—	—	644
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	489	2	1	111	2,796	3,399
Millennium bcp - Prestação de Serviços, A.C.E.	—	—	—	3,328	—	3,328
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	18	—	18
Monumental Residence - Sociedade de Investimento Coletivo Imobiliária Fechada, S.A.	5	—	—	—	—	5
Predicapital – Fundo de Investimento Imobiliário Fechado	2	—	—	—	—	2
SIBS, S.G.P.S., S.A.	25	—	—	—	—	25
UNICRE - Instituição Financeira de Crédito, S.A.	—	1	—	24	—	25
	30,967	8,621	13	3,493	20,592	63,686

As at 31 December 2022, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of euros)

	Interest expense and similar charges	Commissions expense	Other operating loss	Other administrative costs	Losses on financial operations	Total
Banco ActivoBank, S.A.	16,140	13,382	(30)	9	12,225	41,726
Banco Millennium Atlântico, S.A.	127	71	—	—	—	198
BCP Finance Bank Ltd	5,333	—	—	—	—	5,333
BIM - Banco Internacional de Moçambique, S.A.	3,689	14	—	—	—	3,703
Bank Millennium Group (Poland)	215	32	—	—	—	247
Millennium bcp Bank & Trust	977	—	—	—	—	977
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	498	2	—	151	—	651
Millennium bcp - Prestação de Serviços, A.C.E.	—	—	—	3,405	—	3,405
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	—	—	—	15	—	15
Millennium Fundo de Capitalização - Fundo de Capital de Risco	8	—	—	—	—	8
MULTI24, Sociedade Especial de Investimento Imobiliário de Capital Fixo, SICAFI, S.A.	—	—	—	10	—	10
UNICRE - Instituição Financeira de Crédito, S.A.	27	8	51	10	—	96
	27,014	13,509	21	3,600	12,225	56,369

As at 31 December 2023, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco ActivoBank, S.A.	—	—	850,000	—	850,000
Banco Millennium Atlântico, S.A.	4,074	—	—	—	4,074
BIM - Banco Internacional de Moçambique, S.A.	7,840	—	—	—	7,840
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	10,733	200	—	—	10,933
Fundial – Fundo de Investimento Imobiliário Fechado	729	—	—	—	729
Bank Millennium Group (Poland)	5,874	—	—	9,588	15,462
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	12	—	—	—	12
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	70	—	16,284	16,439
SIBS, S.G.P.S., S.A.	—	7,500	—	—	7,500
UNICRE - Instituição Financeira de Crédito, S.A.	—	1,758	—	—	1,758
	29,347	9,528	850,000	25,872	914,747

As at 31 December 2022, the Guarantees granted, Revocable and Irrevocable credit lines and Other revocable commitments to subsidiary and associated companies, are as follows:

(Thousands of euros)

	Guarantees granted	Revocable credit lines	Irrevocable credit lines	Other revocable commitments	Total
Banco ActivoBank, S.A.	—	—	750,000	—	750,000
Banco Millennium Atlântico, S.A.	7,200	—	—	—	7,200
BCP Finance Bank Ltd	10,000	—	—	—	10,000
BIM - Banco Internacional de Moçambique, S.A.	217	—	—	—	217
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	10,733	200	—	—	10,933
Fundial – Fundo de Investimento Imobiliário Fechado	729	—	—	—	729
Oceânico II - Fundo de Investimento Imobiliário Fechado	7,558	—	—	—	7,558
Bank Millennium Group (Poland)	50	—	—	9,584	9,634
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	12	—	—	—	12
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	70	—	—	155
SIBS, S.G.P.S., S.A.	50	262	—	—	312
UNICRE - Instituição Financeira de Crédito, S.A.	—	9,194	—	—	9,194
	36,634	9,726	750,000	9,584	805,944

Under the scope of the Bank's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousands of euros)

	2023	2022
Life insurance		
Saving products	24,114	27,917
Mortgage and consumer loans	19,943	20,268
Others	1	—
	44,058	48,185
Non - Life insurance		
Accidents and health	23,559	21,240
Motor	4,000	3,895
Multi-Risk Housing	8,384	7,652
Others	1,813	1,636
	37,756	34,423
	81,814	82,608

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with with Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ageas Portugal - Companhia de Seguros, S.A. (Millenniumbcp Ageas Group) The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Bank, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

(Thousands of euros)

	2023	2022
Funds receivable for payment of life insurance commissions	10,409	11,352
Funds receivable for payment of non-life insurance commissions	9,534	8,688
	19,943	20,040

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

D) Transactions with the Pension Fund

The balances with the Pension Fund included in items of the balance sheet are as follows:

(Thousands of euros)

	2023	2022
Assets		
Financial assets held for trading	–	209
Liabilities		
Resources from customers	55,080	145,303
Non subordinated debt securities issued	9,075	13,199
Financial liabilities held for trading	–	3,475
Other liabilities	231	–
	64,386	161,977

During 2023 and 2022, there were no transactions related to other financial instruments between the Bank and the Pension Fund.

The balances with the Pension Fund included in income and expense items of the separate income statement, are as follows:

(Thousands of euros)

	2023	2022
Income		
Commissions	1,073	2,167
Expenses		
Interest expense and similar charges	102	–
Other administrative costs	57	57
	159	57

The balance Other administrative costs corresponds to rents incurred under the scope of Fund's properties which the tenant is the Bank.

As at 31 December 2023 and 2022, the guarantees granted by the Bank to the Pension Fund amount to Euros 5,000.

47. Solvency

The Bank'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 of anticipated dividends ; 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, 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.

Tier 2 includes the subordinated debt that is compliant with the Regulation. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian 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 IFRS 9 introduction the Bank has decided to gradually recognise the impacts, according to art.º 473º-A of CRR.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios, including a conservation buffer, according to the following table:

2023 Minimum Capital Requirements

		of which:				of which:		
BCP Solo	**Phased-in**	**Pilar 1**	**Pilar 2**	***Buffers***	**Fully implemented**	**Pilar 1**	**Pilar 2**	***Buffers***
CET1	7.00%	4.50%	0.00%	2.50%	7.00%	4.50%	0.00%	2.50%
T1	8.50%	6.00%	0.00%	2.50%	8.50%	6.00%	0.00%	2.50%
Total	10.50%	8.00%	0.00%	2.50%	10.50%	8.00%	0.00%	2.50%

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

The Bank 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 and its corporate portfolio. The Bank has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks and the standard method was used for the purposes of operating risk coverage.

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

(Thousands of euros)

	2023	2022
Common equity tier 1 (CET1)		
Share capital	3,000,000	3,000,000
Share Premium	16,471	16,471
Reserves and retained earnings	2,448,446	1,843,413
Regulatory adjustments to CET1	255,013	381,415
	5,719,930	5,241,299
Tier 1		
Capital Instruments	400,000	400,000
	6,119,930	5,641,299
Tier 2		
Subordinated debt	1,014,615	1,047,875
Others	15,241	56,596
	1,029,856	1,104,471
Total own funds	7,149,786	6,745,770
RWA - Risk weighted assets		
Credit risk	24,812,492	25,965,458
Market risk	954,722	1,011,394
Operational risk	2,672,657	2,306,047
CVA	23,011	43,196
	28,462,882	29,326,095
Capital ratios		
CET1	20.1%	17.9%
Tier 1	21.5%	19.2%
Tier 2	3.6%	3.8%
Total	25.1%	23.0%

The amounts include the accumulated net income.

48. Risk management

The Bank is subject to several risks during the course of its business.

The Bank's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks (e.g. credit, market, operational) or non-financial risks (e.g. legal and compliance, reputational) to which the Bank's business is subject to, including the impact of the ESG risk drivers (environmental, social and governance).

The Bank implemented a regular process for identifying and assessing the risks to which its activity is exposed, which conclusions are presented to the management bodies and influence the update of the Group’s risk appetite and risk strategy.

Internal organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk strategy and policies, including the approval of the principles and rules of the highest level to be followed in risk management of the Bank, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee and the Committee for Risk Assessment, ensures the existence of adequate risk control and of risk-management systems at Bank level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Bank, proposed by its Executive Committee, earing the Risk Assessment Committee

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business. Other commissions regularly monitor specific risks, namely the Compliance and Operational Risks Commission, the Credit and Non-performing Assets Monitoring Commission, the Pension Funds Risk Monitoring Commission, the Operational Resilience Commission (with a focus on information technologies and cybernetics), the Sustainability Commission and the Corporate Risk Monitoring Commission.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Bank activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Board of Directors and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

As Head of the Compliance Office, the Compliance Officer is responsible to ensure that regulatory requirements are complied with, as well as the ethical values of the organization, fulfilling all the attributions that are legally conferred to it, ensuring the existence of an internal control culture, thus contributing to the mitigation of the risk of attributing sanctions or significant asset or reputational damages to the Group Entities, including the compliance with the regulatory framework on the prevention and combating money laundering and terrorism financing.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers’ risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Bank have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Bank's exposure to credit risk (original exposure) is presented in the following table:

(Thousands of euros)

Risk items	2023	2022
Central Governments or Central Banks	13,015,646	12,558,484
Regional Governments or Local Authorities	1,141,756	957,058
Administrative and non-profit Organisations	730,672	305,693
Multilateral Development Banks	—	117
Other Credit Institutions	2,238,005	2,616,671
Retail and Corporate customers	48,994,006	49,701,207
Other items (*)	9,456,327	10,208,161
	75,576,412	76,347,391

Note: gross exposures of impairment and amortization. Includes securitization positions.

(*) In addition to positions in equity, collective investment and securitization, the Other items contain other assets subject to credit risk in accordance with article 156 of the CRR.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected considers the following methodological notes:

a) Collaterals and Guarantees

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

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

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

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

In this context, it is important to refer that the Bank's shares and subordinated bonds are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

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

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

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

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

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

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

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

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;

ii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance wit the established standards from ECB and Bank of Portugal.

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

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

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

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

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

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

The following table lists the equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

	External ratings			
Internal risk grade	Fitch	S&P	Moody's	DBRS
1	AAA	AAA	Aaa	AAA
1	AA+	AA+	Aa1	AA (high)
2	AA	AA	Aa2	AA
2	AA-	AA-	Aa3	AA (low)
3	A+	A+	A1	A (high)
3	A	A	A2	A
4	A-	A-	A3	A (low)
4	BBB+	BBB+	Baa1	BBB (high)
5	BBB	BBB	Baa2	BBB
6	BBB-	BBB-	Baa3	BBB (low)
7	BB+	BB+	Ba1	BB (high)
8	BB	BB	Ba2	BB
9	BB-	BB-	Ba3	BB (low)
10	B+	B+	B1	B (high)
11	B	B	B2	B
12	≤ B-	≤ B-	≤ B3	≤ B -

c) Impairment and Write-offs

The credit impairment calculation as at 31 December 2023 and 2022 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) and the guidelines issued by the Bank of Portugal through a Circular Letter "CC/2018/00000062", in order to align the calculation process used in the Bank with the best international practices in this area.

As at 31 December 2023, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments according to accounting policy 1.B1.1.2.), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2023				
	Gross exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	370,569	—	—	—	370,569
Loans and advances to customers (note 19)	29,687,596	5,500,631	1,081,810	12,245	36,282,282
Debt instruments (note 20)	11,534,219	62,872	5,105	—	11,602,196
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	4,678,371	—	—	—	4,678,371
Guarantees and other commitments (note 40)	11,567,418	1,218,842	322,855	2,560	13,111,675
Total	57,838,173	6,782,345	1,409,770	14,805	66,045,093

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

(Thousands of euros)

	2023				
	Impairment losses				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	160	—	—	—	160
Loans and advances to customers (note 19)	164,574	207,636	599,927	—	972,137
Debt instruments (note 20)	15,583	797	1,525	—	17,905
Guarantees and other commitments (note 35)	7,195	10,773	91,648	—	109,616
Total	187,512	219,206	693,100	—	1,099,818

(Thousands of euros)

	2023				
	Net exposure				
Category	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	370,409	—	—	—	370,409
Loans and advances to customers (note 19)	29,523,022	5,292,995	481,883	12,245	35,310,145
Debt instruments (note 20)	11,518,636	62,075	3,580	—	11,584,291
Debt instruments at fair value					
through other comprehensive income (note 21) (*)	4,678,371	—	—	—	4,678,371
Guarantees and other commitments (notes 35 and 40)	11,560,223	1,208,069	231,207	2,560	13,002,059
Total	57,650,661	6,563,139	716,670	14,805	64,945,275

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

As at 31 December 2022, the financial instruments subject to impairment requirements under IFRS 9 (does not include equity instruments according to accounting policy 1.B1.1.2.), analysed by stage, are detailed in the following tables:

(Thousands of euros)

	2022				
	Gross exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	384,966	–	–	–	384,966
Loans and advances to customers (note 19)	31,140,191	5,757,791	1,343,189	19,183	38,260,354
Debt instruments (note 20)	10,206,404	55,787	3,802	–	10,265,993
Debt instruments at fair value through other comprehensive income (note 21) (*)	2,872,391	–	–	–	2,872,391
Guarantees and other commitments (note 40)	11,062,622	1,511,703	358,671	–	12,932,996
Total	55,666,574	7,325,281	1,705,662	19,183	64,716,700

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

The gross exposure to guarantees and other commitments includes the balances of guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

(Thousands of euros)

	2022				
	Impairment losses				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	802	–	–	–	802
Loans and advances to customers (note 19)	132,051	204,176	589,298	–	925,525
Debt instruments (note 20)	9,475	720	110	–	10,305
Guarantees and other commitments (note 35)	5,987	12,051	82,442	–	100,480
Total	148,315	216,947	671,850	–	1,037,112

(Thousands of euros)

	2022				
	Net exposure				
Category	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 18)	384,164	–	–	–	384,164
Loans and advances to customers (note 19)	31,008,140	5,553,615	753,891	19,183	37,334,829
Debt instruments (note 20)	10,196,929	55,067	3,692	–	10,255,688
Debt instruments at fair value through other comprehensive income (note 21) (*)	2,872,391	–	–	–	2,872,391
Guarantees and other commitments (notes 35 and 40)	11,056,635	1,499,652	276,229	–	12,832,516
Total	55,518,259	7,108,334	1,033,812	19,183	63,679,588

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

(Thousands of euros)

	2023	2022
Financial assets held for trading (note 21)		
Debt instruments	332,999	337,037
Derivatives	319,884	318,856
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 21)	480,964	596,357
Hedging derivatives (note 22)	22,335	28,426
Total	1,188,186	1,280,676

Notes:
- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;
- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

During 2023 the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	2023				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Gross amount as at 1 January	31,140,191	5,757,791	1,343,189	19,183	38,260,354
Changes in gross book value					
Transfer from Stage 1 to Stage 2	(1,498,609)	1,498,609	—	—	—
Transfer from Stage 1 to Stage 3	(122,550)	—	122,550	—	—
Transfer from Stage 2 to Stage 1	1,334,471	(1,334,471)	—	—	—
Transfer from Stage 2 to Stage 3	—	(291,013)	291,013	—	—
Transfer from Stage 3 to Stage 1	15,564	—	(15,564)	—	—
Transfer from Stage 3 to Stage 2	—	219,522	(219,522)	—	—
Write-offs	(647)	(1,097)	(103,462)	(275)	(105,481)
Net balance of new financial assets and derecognised financial assets and other changes	(1,180,824)	(348,710)	(336,394)	(6,663)	(1,872,591)
Gross amount as at 31 December	29,687,596	5,500,631	1,081,810	12,245	36,282,282

During 2023, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	2023				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Impairment losses as at 1 January	132,051	204,176	589,298	–	925,525
Change in impairment losses					
Transfer to Stage 1	33,596	(31,380)	(2,216)	–	–
Transfer to Stage 2	(6,404)	104,438	(98,034)	–	–
Transfer to Stage 3	(1,347)	(16,268)	17,615	–	–
Changes occurred due to changes in credit risk	(5,266)	(58,620)	267,645	–	203,759
Write-offs	(647)	(1,097)	(103,462)	(275)	(105,481)
Changes due to new financial assets and derecognised financial assets and other variations	12,591	6,387	(70,919)	275	(51,666)
Impairment losses as at 31 December	164,574	207,636	599,927	–	972,137

During 2022, the changes occurred in Loans and advances to customers are as follows:

(Thousands of euros)

	2022				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Gross amount as at 1 January	29,576,497	6,748,171	1,860,884	5,949	38,191,501
Changes in gross book value					
Transfer from Stage 1 to Stage 2	(1,279,594)	1,279,594	–	–	–
Transfer from Stage 1 to Stage 3	(80,504)	–	80,504	–	–
Transfer from Stage 2 to Stage 1	1,657,261	(1,657,261)	–	–	–
Transfer from Stage 2 to Stage 3	–	(513,257)	513,257	–	–
Transfer from Stage 3 to Stage 1	15,576	–	(15,576)	–	–
Transfer from Stage 3 to Stage 2	–	131,301	(131,301)	–	–
Write-offs	(602)	(1,144)	(376,364)	(169)	(378,279)
Net balance of new financial assets and derecognised financial assets and other changes	1,251,557	(229,613)	(588,215)	13,403	447,132
Gross amount as at 31 December	31,140,191	5,757,791	1,343,189	19,183	38,260,354

During 2022, the changes occurred in Loans and advances to customers - impairment losses are as follows:

(Thousands of euros)

	2022				
	Financial assets at amortised cost - Loans and advances to customers				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	Total
Impairment losses as at 1 January	129,993	230,922	913,449	—	1,274,364
Change in impairment losses					
Transfer to Stage 1	34,803	(33,225)	(1,578)	—	—
Transfer to Stage 2	(7,981)	27,767	(19,786)	—	—
Transfer to Stage 3	(1,053)	(37,644)	38,697	—	—
Changes occurred due to changes in credit risk	(30,436)	5,356	118,974	—	93,894
Write-offs	(602)	(1,144)	(376,364)	(169)	(378,279)
Changes due to new financial assets and derecognised financial assets and other variations	7,327	12,144	(84,094)	169	(64,454)
Impairment losses as at 31 December	132,051	204,176	589,298	—	925,525

Financial assets modified during the period that have not resulted in derecognition (with impairment losses based on expected lifetime losses) are analysed as follows:

(Thousands of euros)

Financial assets modified	**2023**	**2022**
Amortised cost before changes	331,370	210,651
Impairment losses before changes	(36,292)	(12,875)
Net amortised cost before changes	295,078	197,776
Net gain / (loss) arising on changes	(4,846)	(11,003)
Net amortised cost after changes	290,232	186,773

The financial assets changed since the initial recognition at a time when the impairment loss was measured based on the expected credit losses lifetime, are analysed as follows:

(Thousands of euros)

Financial assets changed	**2023**	**2022**
Amortised cost of financial assets for which credit losses expected to go from "lifetime" to 12 months	94,672	50,012

As at 31 December 2023, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2023									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	16,430,187	1,849,517	159,725	66,338	2,075,580	164,251	72,257	236,508	4,349	18,746,624
Individuals-Other	3,497,834	439,110	31,733	11,956	482,799	44,770	64,809	109,579	2,643	4,092,855
Financial Companies	2,234,494	52,296	34	–	52,330	46,841	10	46,851	–	2,333,675
Non-financial comp.- Corporate	7,969,160	534,495	–	–	534,495	158,238	24,534	182,772	2,209	8,688,636
Non-financial comp.- SME-Corporate	7,309,477	2,242,109	11,852	3,501	2,257,462	546,260	67,930	614,190	2,959	10,184,088
Non-financial comp.-SME-Retail	5,279,369	1,255,022	34,659	14,128	1,303,809	137,306	82,563	219,869	2,645	6,805,692
Non-financial comp.-Other	469,347	–	–	–	–	–	–	–	–	469,347
Other loans	9,969,934	75,870	–	–	75,870	1	–	1	–	10,045,805
Total	53,159,802	6,448,419	238,003	95,923	6,782,345	1,097,667	312,103	1,409,770	14,805	61,366,722
Impairment										
Individuals-Mortgage	6,032	11,875	2,228	2,087	16,190	25,104	10,665	35,769	–	57,991
Individuals-Other	9,281	16,115	3,573	2,903	22,591	18,953	30,831	49,784	–	81,656
Financial Companies	23,410	1,359	3	–	1,362	34,559	6	34,565	–	59,337
Non-financial comp.- Corporate	22,227	22,924	–	–	22,924	80,617	18,829	99,446	–	144,597
Non-financial comp.- SME-Corporate	42,344	77,297	1,474	712	79,483	305,367	45,829	351,196	–	473,023
Non-financial comp.-SME-Retail	74,904	69,191	3,164	3,249	75,604	85,903	36,437	122,340	–	272,848
Non-financial comp.-Other	45	–	–	–	–	–	–	–	–	45
Other loans	9,269	1,052	–	–	1,052	–	–	–	–	10,321
Total	187,512	199,813	10,442	8,951	219,206	550,503	142,597	693,100	–	1,099,818
Net exposure										
Individuals-Mortgage	16,424,155	1,837,642	157,497	64,251	2,059,390	139,147	61,592	200,739	4,349	18,688,633
Individuals-Other	3,488,553	422,995	28,160	9,053	460,208	25,817	33,978	59,795	2,643	4,011,199
Financial Companies	2,211,084	50,937	31	–	50,968	12,282	4	12,286	–	2,274,338
Non-financial comp.- Corporate	7,946,933	511,571	–	–	511,571	77,621	5,705	83,326	2,209	8,544,039
Non-financial comp.- SME-Corporate	7,267,133	2,164,812	10,378	2,789	2,177,979	240,893	22,101	262,994	2,959	9,711,065
Non-financial comp.-SME-Retail	5,204,465	1,185,831	31,495	10,879	1,228,205	51,403	46,126	97,529	2,645	6,532,844
Non-financial comp.-Other	469,302	–	–	–	–	–	–	–	–	469,302
Other loans	9,960,665	74,818	–	–	74,818	1	–	1	–	10,035,484
Total	52,972,290	6,248,606	227,561	86,972	6,563,139	547,164	169,506	716,670	14,805	60,266,904
% of impairment coverage										
Individuals-Mortgage	0.04%	0.64%	1.39%	3.15%	0.78%	15.28%	14.76%	15.12%	0.00%	0.31%
Individuals-Other	0.27%	3.67%	11.26%	24.28%	4.68%	42.33%	47.57%	45.43%	0.00%	2.00%
Financial Companies	1.05%	2.60%	8.82%	0.00%	2.60%	73.78%	60.00%	73.78%	0.00%	2.54%
Non-financial comp.- Corporate	0.28%	4.29%	0.00%	0.00%	4.29%	50.95%	76.75%	54.41%	0.00%	1.66%
Non-financial comp.- SME-Corporate	0.58%	3.45%	12.44%	20.34%	3.52%	55.90%	67.47%	57.18%	0.00%	4.64%
Non-financial comp.-SME-Retail	1.42%	5.51%	9.13%	23.00%	5.80%	62.56%	44.13%	55.64%	0.00%	4.01%
Non-financial comp.-Other	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Other loans	0.09%	1.39%	0.00%	0.00%	1.39%	0.00%	0.00%	0.00%	0.00%	0.10%
Total	0.35%	3.10%	4.39%	9.33%	3.23%	50.15%	45.69%	49.16%	0.00%	1.79%

As at 31 December 2022, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

	2022									
		Stage 2				Stage 3				
Segment	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	16,841,704	1,819,356	97,333	42,503	1,959,192	150,062	73,143	223,205	2,850	19,026,951
Individuals-Other	3,443,326	454,571	28,058	8,886	491,515	65,326	56,152	121,478	2,752	4,059,071
Financial Companies	2,250,988	80,710	61	–	80,771	72,980	1,494	74,474	7,545	2,413,778
Non-financial comp.- Corporate	7,215,993	554,035	13	–	554,048	197,068	25,065	222,133	–	7,992,174
Non-financial comp.- SME-Corporate	7,761,174	2,516,852	4,713	2,401	2,523,966	705,603	66,732	772,335	2,583	11,060,058
Non-financial comp.-SME-Retail	5,397,743	1,577,778	26,023	11,370	1,615,171	215,745	76,262	292,007	3,453	7,308,374
Non-financial comp.-Other	468,137	–	–	–	–	–	–	–	–	468,137
Other loans	9,415,118	100,618	–	–	100,618	–	30	30	–	9,515,766
Total	52,794,183	7,103,920	156,201	65,160	7,325,281	1,406,784	298,878	1,705,662	19,183	61,844,309
Impairment										
Individuals-Mortgage	4,708	9,094	645	568	10,307	18,098	16,644	34,742	–	49,757
Individuals-Other	6,326	12,586	2,552	1,749	16,887	31,906	25,191	57,097	–	80,310
Financial Companies	8,421	1,700	4	–	1,704	36,543	1,245	37,788	–	47,913
Non-financial comp.- Corporate	15,519	16,260	1	–	16,261	83,994	7,067	91,061	–	122,841
Non-financial comp.- SME-Corporate	33,706	77,659	489	653	78,801	277,596	40,503	318,099	–	430,606
Non-financial comp.-SME-Retail	72,555	86,439	3,132	2,271	91,842	101,505	31,549	133,054	–	297,451
Non-financial comp.-Other	30	–	–	–	–	–	–	–	–	30
Other loans	7,050	1,145	–	–	1,145	–	9	9	–	8,204
Total	148,315	204,883	6,823	5,241	216,947	549,642	122,208	671,850	–	1,037,112
Net exposure										
Individuals-Mortgage	16,836,996	1,810,262	96,688	41,935	1,948,885	131,964	56,499	188,463	2,850	18,977,194
Individuals-Other	3,437,000	441,985	25,506	7,137	474,628	33,420	30,961	64,381	2,752	3,978,761
Financial Companies	2,242,567	79,010	57	–	79,067	36,437	249	36,686	7,545	2,365,865
Non-financial comp.- Corporate	7,200,474	537,775	12	–	537,787	113,074	17,998	131,072	–	7,869,333
Non-financial comp.- SME-Corporate	7,727,468	2,439,193	4,224	1,748	2,445,165	428,007	26,229	454,236	2,583	10,629,452
Non-financial comp.-SME-Retail	5,325,188	1,491,339	22,891	9,099	1,523,329	114,240	44,713	158,953	3,453	7,010,923
Non-financial comp.-Other	468,107	–	–	–	–	–	–	–	–	468,107
Other loans	9,408,068	99,473	–	–	99,473	–	21	21	–	9,507,562
Total	52,645,868	6,899,037	149,378	59,919	7,108,334	857,142	176,670	1,033,812	19,183	60,807,197
% of impairment coverage										
Individuals-Mortgage	0.03%	0.50%	0.66%	1.34%	0.53%	12.06%	22.76%	15.57%	0.00%	0.26%
Individuals-Other	0.18%	2.77%	9.10%	19.68%	3.44%	48.84%	44.86%	47.00%	0.00%	1.98%
Financial Companies	0.37%	2.11%	6.56%	0.00%	2.11%	50.07%	83.33%	50.74%	0.00%	1.98%
Non-financial comp.- Corporate	0.22%	2.93%	7.69%	0.00%	2.93%	42.62%	28.19%	40.99%	0.00%	1.54%
Non-financial comp.- SME-Corporate	0.43%	3.09%	10.38%	27.20%	3.12%	39.34%	60.70%	41.19%	0.00%	3.89%
Non-financial comp.-SME-Retail	1.34%	5.48%	12.04%	19.97%	5.69%	47.05%	41.37%	45.57%	0.00%	4.07%
Non-financial comp.-Other	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Other loans	0.07%	1.14%	0.00%	0.00%	1.14%	0.00%	30.00%	30.00%	0.00%	0.09%
Total	0.28%	2.88%	4.37%	8.04%	2.96%	39.07%	40.89%	39.39%	0.00%	1.68%

As at 31 December 2023, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2023									
		Stage 2				Stage 3				
Sector of activity	*Stage 1*	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	19,928,021	2,288,627	191,458	78,294	2,558,379	209,021	137,066	346,087	6,992	22,839,479
Non-financial comp.- Trade	3,356,020	629,130	7,075	2,830	639,035	67,456	24,717	92,173	604	4,087,832
Non-financial comp.- Construction	1,896,298	516,635	4,650	1,294	522,579	265,458	17,317	282,775	4,141	2,705,793
Non-finan. comp.- Manufacturing ind.	4,061,561	826,933	12,102	7,033	846,068	109,811	59,229	169,040	560	5,077,229
Non-financial comp.-Other activities	2,084,476	353,599	5,212	816	359,627	54,778	10,204	64,982	50	2,509,135
Non-financial comp.- Other services	9,628,998	1,705,329	17,473	5,656	1,728,458	344,301	63,560	407,861	2,458	11,767,775
Other Services /Other activities	12,204,428	128,166	33	—	128,199	46,842	10	46,852	—	12,379,479
Total	53,159,802	6,448,419	238,003	95,923	6,782,345	1,097,667	312,103	1,409,770	14,805	61,366,722
Impairment										
Loans to individuals	15,313	27,990	5,800	4,990	38,780	44,057	41,496	85,553	—	139,646
Non-financial comp.- Trade	19,758	23,513	585	864	24,962	35,350	11,910	47,260	—	91,980
Non-financial comp.- Construction	14,106	11,805	687	431	12,923	90,270	12,767	103,037	—	130,066
Non-finan. comp.- Manufacturing ind.	47,957	56,021	1,757	1,773	59,551	44,020	30,899	74,919	—	182,427
Non-financial comp.-Other activities	9,375	18,115	590	151	18,856	38,024	6,251	44,275	—	72,506
Non-financial comp.- Other services	48,324	59,957	1,020	742	61,719	264,222	39,268	303,490	—	413,533
Other Services /Other activities	32,679	2,412	3	—	2,415	34,560	6	34,566	—	69,660
Total	187,512	199,813	10,442	8,951	219,206	550,503	142,597	693,100	—	1,099,818
Net exposure										
Loans to individuals	19,912,708	2,260,637	185,658	73,304	2,519,599	164,964	95,570	260,534	6,992	22,699,833
Non-financial comp.- Trade	3,336,262	605,617	6,490	1,966	614,073	32,106	12,807	44,913	604	3,995,852
Non-financial comp.- Construction	1,882,192	504,830	3,963	863	509,656	175,188	4,550	179,738	4,141	2,575,727
Non-finan. comp.- Manufacturing ind.	4,013,604	770,912	10,345	5,260	786,517	65,791	28,330	94,121	560	4,894,802
Non-financial comp.-Other activities	2,075,101	335,484	4,622	665	340,771	16,754	3,953	20,707	50	2,436,629
Non-financial comp.- Other services	9,580,674	1,645,372	16,453	4,914	1,666,739	80,079	24,292	104,371	2,458	11,354,242
Other Services /Other activities	12,171,749	125,754	30	—	125,784	12,282	4	12,286	—	12,309,819
Total	52,972,290	6,248,606	227,561	86,972	6,563,139	547,164	169,506	716,670	14,805	60,266,904
% of impairment coverage										
Loans to individuals	0.08%	1.22%	3.03%	6.37%	1.52%	21.08%	30.27%	24.72%	0.00%	0.61%
Non-financial comp.- Trade	0.59%	3.74%	8.27%	30.53%	3.91%	52.40%	48.19%	51.27%	0.00%	2.25%
Non-financial comp.- Construction	0.74%	2.28%	14.77%	33.31%	2.47%	34.01%	73.73%	36.44%	0.00%	4.81%
Non-finan. comp.- Manufacturing ind.	1.18%	6.77%	14.52%	25.21%	7.04%	40.09%	52.17%	44.32%	0.00%	3.59%
Non-financial comp.-Other activities	0.45%	5.12%	11.32%	18.50%	5.24%	69.41%	61.26%	68.13%	0.00%	2.89%
Non-financial comp.- Other services	0.50%	3.52%	5.84%	13.12%	3.57%	76.74%	61.78%	74.41%	0.00%	3.51%
Other Services /Other activities	0.27%	1.88%	9.09%	0.00%	1.88%	73.78%	60.00%	73.78%	0.00%	0.56%
Total	0.35%	3.10%	4.39%	9.33%	3.23%	50.15%	45.69%	49.16%	0.00%	1.79%

As at 31 December 2022, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

	2022									
		Stage 2				Stage 3				
Sector of activity	*Stage 1*	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Loans to individuals	20,285,029	2,273,927	125,391	51,389	2,450,707	215,388	129,293	344,681	5,602	23,086,019
Non-financial comp.- Trade	3,521,961	679,728	8,056	3,691	691,475	82,648	26,919	109,567	565	4,323,568
Non-financial comp.- Construction	1,619,366	706,388	2,021	500	708,909	358,206	17,083	375,289	1,851	2,705,415
Non-finan. comp.- Manufacturing ind.	4,417,409	845,020	8,104	4,541	857,665	140,840	52,633	193,473	928	5,469,475
Non-financial comp.-Other activities	1,841,105	361,380	3,545	940	365,865	95,346	12,483	107,829	44	2,314,843
Non-financial comp.- Other services	9,443,207	2,056,149	9,023	4,099	2,069,271	441,376	58,943	500,319	2,648	12,015,445
Other Services /Other activities	11,666,106	181,328	61	—	181,389	72,980	1,524	74,504	7,545	11,929,544
Total	52,794,183	7,103,920	156,201	65,160	7,325,281	1,406,784	298,878	1,705,662	19,183	61,844,309
Impairment										
Loans to individuals	11,035	21,680	3,197	2,317	27,194	50,004	41,835	91,839	—	130,068
Non-financial comp.- Trade	14,116	24,093	900	905	25,898	32,586	12,373	44,959	—	84,973
Non-financial comp.- Construction	9,051	14,295	326	94	14,715	153,026	12,078	165,104	—	188,870
Non-finan. comp.- Manufacturing ind.	47,556	52,210	1,210	1,143	54,563	55,889	24,694	80,583	—	182,702
Non-financial comp.-Other activities	6,478	15,110	518	136	15,764	41,689	6,571	48,260	—	70,502
Non-financial comp.- Other services	44,608	74,649	668	646	75,963	179,905	23,403	203,308	—	323,879
Other Services /Other activities	15,471	2,846	4	—	2,850	36,543	1,254	37,797	—	56,118
Total	148,315	204,883	6,823	5,241	216,947	549,642	122,208	671,850	—	1,037,112
Net exposure										
Loans to individuals	20,273,994	2,252,247	122,194	49,072	2,423,513	165,384	87,458	252,842	5,602	22,955,951
Non-financial comp.- Trade	3,507,845	655,635	7,156	2,786	665,577	50,062	14,546	64,608	565	4,238,595
Non-financial comp.- Construction	1,610,315	692,093	1,695	406	694,194	205,180	5,005	210,185	1,851	2,516,545
Non-finan. comp.- Manufacturing ind.	4,369,853	792,810	6,894	3,398	803,102	84,951	27,939	112,890	928	5,286,773
Non-financial comp.-Other activities	1,834,627	346,270	3,027	804	350,101	53,657	5,912	59,569	44	2,244,341
Non-financial comp.- Other services	9,398,599	1,981,500	8,355	3,453	1,993,308	261,471	35,540	297,011	2,648	11,691,566
Other Services /Other activities	11,650,635	178,482	57	—	178,539	36,437	270	36,707	7,545	11,873,426
Total	52,645,868	6,899,037	149,378	59,919	7,108,334	857,142	176,670	1,033,812	19,183	60,807,197
% of impairment coverage										
Loans to individuals	0.05%	0.95%	2.55%	4.51%	1.11%	23.22%	32.36%	26.64%	0.00%	0.56%
Non-financial comp.- Trade	0.40%	3.54%	11.17%	24.52%	3.75%	39.43%	45.96%	41.03%	0.00%	1.97%
Non-financial comp.- Construction	0.56%	2.02%	16.13%	18.80%	2.08%	42.72%	70.70%	43.99%	0.00%	6.98%
Non-finan. comp.- Manufacturing ind.	1.08%	6.18%	14.93%	25.17%	6.36%	39.68%	46.92%	41.65%	0.00%	3.34%
Non-financial comp.-Other activities	0.35%	4.18%	14.61%	14.47%	4.31%	43.72%	52.64%	44.76%	0.00%	3.05%
Non-financial comp.- Other services	0.47%	3.63%	7.40%	15.76%	3.67%	40.76%	39.70%	40.64%	0.00%	2.70%
Other Services /Other activities	0.13%	1.57%	6.56%	0.00%	1.57%	50.07%	82.28%	50.73%	0.00%	0.47%
Total	0.28%	2.88%	4.37%	8.04%	2.96%	39.07%	40.89%	39.39%	0.00%	1.68%

As at 31 December 2023, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	2023							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	32,568,690	6,430,831	2,592,863	–	–	41,592,384	180,317	41,412,067
stage 2	976,945	1,240,904	2,766,627	224,359	354,668	5,563,503	208,433	5,355,070
stage 3	–	–	–	1,086,915	–	1,086,915	601,452	485,463
POCI	1,789	2,307	1,131	6,903	115	12,245	–	12,245
	33,547,424	7,674,042	5,360,621	1,318,177	354,783	48,255,047	990,202	47,264,845
Debt instruments at fair value through other comprehensive income (*)								
stage 1	4,500,984	66,280	–	50	111,057	4,678,371	–	4,678,371
	4,500,984	66,280	–	50	111,057	4,678,371	–	4,678,371
Guarantees and other commitments								
stage 1	7,694,187	2,862,588	1,010,643	–	–	11,567,418	7,195	11,560,223
stage 2	116,790	284,609	633,018	11,826	172,599	1,218,842	10,773	1,208,069
stage 3	–	–	–	322,855	–	322,855	91,648	231,207
	7,810,977	3,147,197	1,643,661	334,681	172,599	13,109,115	109,616	12,999,499
Total	45,859,385	10,887,519	7,004,282	1,652,908	638,439	66,042,533	1,099,818	64,942,715

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

As at 31 December 2022, the exposure by type of financial instrument, internal rating and by stage, is analysed as follows:

(Thousands of euros)

	2022							
	Gross Exposure							
	Higher quality (GR 1-6)	Average quality (GR 7-9)	Lower quality (GR 10-12)	Procedural (GR 13/14/15)	Not classified (without risk grade)	Total	Impairment losses	Net exposure
Financial assets at amortised cost								
stage 1	32,398,970	6,748,582	2,552,694	–	31,315	41,731,561	142,328	41,589,233
stage 2	1,050,155	1,214,722	2,884,430	223,151	441,120	5,813,578	204,896	5,608,682
stage 3	–	–	–	1,346,991	–	1,346,991	589,408	757,583
POCI	1,524	8,788	905	7,889	77	19,183	–	19,183
	33,450,649	7,972,092	5,438,029	1,578,031	472,512	48,911,313	936,632	47,974,681
Debt instruments at fair value through other comprehensive income (*)								
stage 1	2,705,851	80,778	19,263	–	66,499	2,872,391	–	2,872,391
	2,705,851	80,778	19,263	–	66,499	2,872,391	–	2,872,391
Guarantees and other commitments								
stage 1	7,202,577	2,735,663	1,118,717	–	5,665	11,062,622	5,987	11,056,635
stage 2	137,123	294,035	767,352	33,156	280,037	1,511,703	12,051	1,499,652
stage 3	–	–	–	358,671	–	358,671	82,442	276,229
	7,339,700	3,029,698	1,886,069	391,827	285,702	12,932,996	100,480	12,832,516
Total	43,496,200	11,082,568	7,343,361	1,969,858	824,713	64,716,700	1,037,112	63,679,588

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.B1.5.1.2.

The gross exposure includes the guarantees granted, irrevocable credit lines and revocable commitments, as detailed in note 40.

As at 31 December 2023, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment and by sector of activity, are presented in the following tables:

(Thousands of euros)

	2023					
	Gross Exposure			Impairment losses		
Segment	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Individuals-Mortgage	2,762	18,743,862	18,746,624	1,871	56,120	57,991
Individuals-Other	2,291	4,090,564	4,092,855	1,483	80,173	81,656
Financial Companies	46,370	2,287,305	2,333,675	34,439	24,898	59,337
Non-financial comp. - Corporate	168,924	8,519,712	8,688,636	94,789	49,808	144,597
Non-financial comp.- SME-Corporate	455,196	9,728,892	10,184,088	306,907	166,116	473,023
Non-financial comp. -SME-Retail	82,480	6,723,212	6,805,692	76,847	196,001	272,848
Non-financial comp.-Other	—	469,347	469,347	—	45	45
Other loans	—	10,045,805	10,045,805	—	10,321	10,321
Total	758,023	60,608,699	61,366,722	516,336	583,482	1,099,818

(Thousands of euros)

	2023					
	Gross Exposure			Impairment losses		
Sector of activity	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Loans to individuals	5,052	22,834,427	22,839,479	3,354	136,292	139,646
Non-financial comp.- Trade	36,612	4,051,220	4,087,832	28,083	63,897	91,980
Non-financial comp.- Construction	206,074	2,499,719	2,705,793	87,074	42,992	130,066
Non finan. comp.- Manufacturing indust.	85,501	4,991,728	5,077,229	47,567	134,860	182,427
Non-financial comp.-Other activities	45,769	2,463,366	2,509,135	36,149	36,357	72,506
Non-financial comp.- Other services	332,644	11,435,131	11,767,775	279,670	133,863	413,533
Other Services/Other activities	46,371	12,333,108	12,379,479	34,439	35,221	69,660
Total	758,023	60,608,699	61,366,722	516,336	583,482	1,099,818

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank has concluded that there is no objective evidence of impairment.

As at 31 December 2022, financial assets at amortised cost, guarantees granted, irrevocable credit lines and revocable commitments subject to individual and collective impairment, by segment and by sector of activity, are presented in the following tables:

(Thousands of euros)

	2022					
	Gross Exposure			Impairment losses		
Segment	Individual	Collective	Total	Individual	Collective	Total
Individuals-Mortgage	2,192	19,024,759	19,026,951	1,753	48,004	49,757
Individuals-Other	20,263	4,038,808	4,059,071	15,070	65,240	80,310
Financial Companies	73,944	2,339,834	2,413,778	37,613	10,300	47,913
Non-financial comp. - Corporate	211,998	7,780,176	7,992,174	87,918	34,923	122,841
Non-financial comp.- SME-Corporate	593,095	10,466,963	11,060,058	278,033	152,573	430,606
Non-financial comp. -SME-Retail	152,464	7,155,910	7,308,374	91,268	206,183	297,451
Non-financial comp.-Other	—	468,137	468,137	—	30	30
Other loans	—	9,515,766	9,515,766	—	8,204	8,204
Total	1,053,956	60,790,353	61,844,309	511,655	525,457	1,037,112

(Thousands of euros)

	2022					
	Gross Exposure			Impairment losses		
Sector of activity	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	22,455	23,063,564	23,086,019	16,823	113,245	130,068
Non-financial comp.- Trade	47,928	4,275,640	4,323,568	25,592	59,381	84,973
Non-financial comp.- Construction	299,203	2,406,212	2,705,415	154,224	34,646	188,870
Non finan. comp.- Manufacturing indust.	99,403	5,370,072	5,469,475	53,313	129,389	182,702
Non-financial comp.-Other activities	88,328	2,226,515	2,314,843	41,235	29,267	70,502
Non-financial comp.- Other services	422,695	11,592,750	12,015,445	182,854	141,025	323,879
Other Services/Other activities	73,944	11,855,600	11,929,544	37,614	18,504	56,118
Total	1,053,956	60,790,353	61,844,309	511,655	525,457	1,037,112

The balances Gross Exposure and Collective Impairment include the loans subject to individual analysis for which the Bank has concluded that there is no objective evidence of impairment.

As at 31 December 2023, the following table includes the loans portfolio (including guarantees and commitments) by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2023					
Year of production	**Construction and Commercial Real Estate**	**Companies - Other Activities**	**Mortgage loans**	**Individuals - Other**	**Other loans**	**Total**
2013 and previous						
Number of operations	12,640	20,719	190,939	272,677	222	497,197
Value (Euros '000)	838,587	2,447,308	6,639,101	669,624	12,716	10,607,336
Impairment constituted (Euros '000)	72,109	47,008	22,626	5,855	13	147,611
2014						
Number of operations	923	3,401	2,851	18,950	70	26,195
Value (Euros '000)	52,036	326,504	133,722	43,748	182,421	738,431
Impairment constituted (Euros '000)	6,702	3,457	476	313	131	11,079
2015						
Number of operations	1,312	4,785	4,260	22,678	90	33,125
Value (Euros '000)	63,013	490,100	244,780	50,527	6,522	854,942
Impairment constituted (Euros '000)	1,588	20,001	339	499	8	22,435
2016						
Number of operations	1,565	5,344	5,872	36,422	29	49,232
Value (Euros '000)	128,743	1,013,870	354,329	82,632	909	1,580,483
Impairment constituted (Euros '000)	1,915	10,587	678	940	1	14,121
2017						
Number of operations	1,848	6,062	9,196	35,335	68	52,509
Value (Euros '000)	136,680	797,507	651,361	86,242	8,959	1,680,749
Impairment constituted (Euros '000)	10,019	14,075	915	1,509	11	26,529
2018						
Number of operations	3,722	10,133	13,106	100,093	129	127,183
Value (Euros '000)	344,251	1,525,516	1,085,122	255,308	295,019	3,505,216
Impairment constituted (Euros '000)	4,631	26,974	1,451	4,073	24	37,153
2019						
Number of operations	6,072	13,039	14,442	326,256	64	359,873
Value (Euros '000)	440,893	1,176,776	1,260,352	530,269	73,516	3,481,806
Impairment constituted (Euros '000)	6,365	30,577	1,289	8,905	23	47,159
2020						
Number of operations	7,361	23,960	13,093	90,336	61	134,811
Value (Euros '000)	762,151	2,509,472	1,251,675	229,576	67,946	4,820,820
Impairment constituted (Euros '000)	8,676	70,502	935	4,672	47	84,832
2021						
Number of operations	7,056	16,361	19,755	117,110	24	160,306
Value (Euros '000)	735,584	1,885,415	2,157,000	402,778	285,511	5,466,288
Impairment constituted (Euros '000)	9,760	32,583	1,268	8,891	970	53,472
2022						
Number of operations	7,650	17,724	19,227	199,569	56	244,226
Value (Euros '000)	1,306,991	3,420,751	2,372,354	683,438	74,882	7,858,416
Impairment constituted (Euros '000)	13,850	41,518	1,744	16,988	110	74,210
2023						
Number of operations	10,498	27,742	17,514	310,324	56	366,134
Value (Euros '000)	1,749,960	4,681,708	2,202,731	991,496	5,381	9,631,276
Impairment constituted (Euros '000)	14,170	201,116	1,564	14,774	6	231,630
Total						
Number of operations	60,647	149,270	310,255	1,529,750	869	2,050,791
Value (Euros '000)	6,558,889	20,274,927	18,352,527	4,025,638	1,013,782	50,225,763
Impairment constituted (Euros '000)	149,785	498,398	33,285	67,419	1,344	750,231

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2022, the following table includes the loans portfolio (including guarantees and commitments) by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	2022					
Year of production	Construction and Commercial Real Estate	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2012 and previous						
Number of operations	14,564	19,447	204,762	326,122	227	565,122
Value (Euros '000)	892,731	2,364,052	7,358,264	743,146	10,996	11,369,189
Impairment constituted (Euros '000)	72,468	40,988	22,014	5,319	9	140,798
2013						
Number of operations	873	1,829	4,568	27,627	8	34,905
Value (Euros '000)	53,362	326,188	180,930	52,719	1,599	614,798
Impairment constituted (Euros '000)	3,112	2,121	265	361	1	5,860
2014						
Number of operations	884	2,623	3,184	33,998	69	40,758
Value (Euros '000)	58,432	360,107	156,352	60,856	181,657	817,404
Impairment constituted (Euros '000)	4,741	7,627	268	369	90	13,095
2015						
Number of operations	1,211	3,311	4,812	41,091	90	50,515
Value (Euros '000)	82,588	562,711	289,945	82,504	6,075	1,023,823
Impairment constituted (Euros '000)	1,490	18,465	165	685	6	20,811
2016						
Number of operations	1,427	4,411	6,612	45,471	31	57,952
Value (Euros '000)	141,118	1,081,879	422,129	106,145	1,240	1,752,511
Impairment constituted (Euros '000)	2,574	11,170	300	1,249	1	15,294
2017						
Number of operations	1,845	5,654	10,413	44,818	65	62,795
Value (Euros '000)	176,681	1,011,883	789,486	118,439	9,771	2,106,260
Impairment constituted (Euros '000)	1,871	13,147	645	1,865	10	17,538
2018						
Number of operations	4,194	11,074	14,797	118,888	146	149,099
Value (Euros '000)	450,828	1,779,954	1,300,071	310,637	300,817	4,142,307
Impairment constituted (Euros '000)	3,638	23,526	800	4,553	20	32,537
2019						
Number of operations	7,111	16,064	16,140	353,000	61	392,376
Value (Euros '000)	586,877	1,482,172	1,487,840	634,825	101,016	4,292,730
Impairment constituted (Euros '000)	5,912	31,521	472	9,215	41	47,161
2020						
Number of operations	8,308	27,025	14,398	104,036	67	153,834
Value (Euros '000)	1,053,239	3,900,253	1,453,309	297,678	119,775	6,824,254
Impairment constituted (Euros '000)	11,355	74,851	307	4,726	58	91,297
2021						
Number of operations	7,976	18,781	22,016	136,042	42	184,857
Value (Euros '000)	1,053,520	2,480,110	2,565,728	517,201	309,437	6,925,996
Impairment constituted (Euros '000)	12,687	39,837	517	6,238	293	59,572
2022						
Number of operations	10,723	29,284	20,800	272,138	61	333,006
Value (Euros '000)	1,873,465	5,896,215	2,684,769	1,002,789	128,917	11,586,155
Impairment constituted (Euros '000)	16,823	155,187	744	14,539	228	187,521
Total						
Number of operations	59,116	139,503	322,502	1,503,231	867	2,025,219
Value (Euros '000)	6,422,841	21,245,524	18,688,823	3,926,939	1,171,300	51,455,427
Impairment constituted (Euros '000)	136,671	418,440	26,497	49,119	757	631,484

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2023, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio:

	2023					
	Construction and Commercial Real Estate		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)
< 0,5 M€						
Number	7,257	2,431	7,851	8,646	238,380	235
Value (Euros '000)	927,938	118,553	1,156,717	425,814	36,433,823	13,759
>= 0,5 M€ and < 1 M€						
Number	765	58	963	124	5,460	5
Value (Euros '000)	532,118	40,050	672,196	81,972	3,565,159	2,833
>= 1 M€ and < 5 M€						
Number	721	40	867	70	1,088	1
Value (Euros '000)	1,493,665	70,934	1,738,214	138,371	1,720,485	1,121
>= 5 M€ and < 10 M€						
Number	118	1.00	111	9	16	—
Value (Euros '000)	824,216	5,424	780,968	70,311	102,113	—
>= 10 M€ and < 20 M€						
Number	49	—	58	9	2	—
Value (Euros '000)	669,052	—	833,796	135,562	21,129	—
>= 20 M€ and < 50 M€						
Number	27	—	44	2	—	—
Value (Euros '000)	736,280	—	1,306,757	46,125	—	—
>= 50 M€						
Number	4	—	12	4	—	—
Value (Euros '000)	263,193	—	917,618	855,609	—	—
Total						
Number	8,941	2,530	9,906	8,864	244,946	241
Value (Euros '000)	5,446,462	234,961	7,406,266	1,753,764	41,842,709	17,713

(*) The fair value of real estate collateral relates to the PVT included in valuations.
(**) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2022, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio:

	2022					
	Construction and Commercial Real Estate		Companies - Other Activities		Mortgage loans	
Fair Value	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)
< 0,5 M€						
Number	6,657	1,532	7,716	4,934	247,132	288
Value (Euros '000)	853,434	83,468	1,134,384	222,106	36,846,894	16,458
>= 0,5 M€ and < 1 M€						
Number	710	60	932	90	5,236	4
Value (Euros '000)	497,470	40,300	649,806	59,089	3,408,208	2,230
>= 1 M€ and < 5 M€						
Number	599	38	821	74	988	1
Value (Euros '000)	1,230,121	65,075	1,652,141	147,250	1,539,285	1,267
>= 5 M€ and < 10 M€						
Number	102	0	103	10	14	—
Value (Euros '000)	688,699	—	752,201	70,485	86,476	—
>= 10 M€ and < 20 M€						
Number	46	—	53	10	1	—
Value (Euros '000)	604,733	—	760,480	151,989	11,110	—
>= 20 M€ and < 50 M€						
Number	18	—	39	1	—	—
Value (Euros '000)	531,211	—	1,188,205	20,452	—	—
>= 50 M€						
Number	6	—	11	2	—	—
Value (Euros '000)	455,600	—	1,031,327	523,630	—	—
Total						
Number	8,138	1,630	9,675	5,121	253,371	293
Value (Euros '000)	4,861,268	188,843	7,168,544	1,195,001	41,891,973	19,955

(*) The fair value of real estate collateral relates to the PVT included in valuations.
(**) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2023, the following table includes the LTV (loan-to-value) ratio by segments Construction and Commercial Real Estate, Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2023				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and Commercial Real Estate					
Without associated collateral	n.a.	1,209,363	318,028	51,397	62,772
<60%	20,964	1,112,668	298,212	21,036	19,226
>=60% and <80%	2,832	316,024	121,112	9,285	12,236
>=80% and <100%	221	73,085	24,002	1,153	2,958
>=100%	720	71,495	52,854	46,946	29,966
Companies - Other Activities					
Without associated collateral	n.a.	8,040,467	1,300,089	200,833	404,130
<60%	10,521	1,139,582	459,490	78,216	56,989
>=60% and <80%	2,644	478,269	229,981	58,371	32,423
>=80% and <100%	691	102,466	113,784	33,600	21,354
>=100%	1,767	301,711	153,179	252,776	204,568
Mortgage loans					
Without associated collateral	n.a.	41,125	1,462	139	307
<60%	213,399	8,150,322	961,852	102,817	17,011
>=60% and <80%	85,799	5,995,891	745,990	83,490	15,519
>=80% and <100%	25,534	1,985,104	314,672	39,391	12,878
>=100%	3,617	112,522	45,893	12,352	6,467

As at 31 December 2022, the following table includes the LTV (loan-to-value) ratio by segments Construction and Commercial Real Estate, Companies - Other Activities and Mortgage loans:

(Thousands of euros)

	2022				
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and Commercial Real Estate					
Without associated collateral	n.a.	1,359,116	419,475	68,225	64,639
<60%	20,534	921,459	248,287	34,541	26,606
>=60% and <80%	1,211	275,501	75,960	17,563	7,570
>=80% and <100%	388	80,149	43,592	52,828	46,024
>=100%	830	63,315	70,463	58,777	39,627
Companies - Other Activities					
Without associated collateral	n.a.	8,898,514	1,534,014	251,378	362,545
<60%	10,477	905,254	425,423	102,266	47,165
>=60% and <80%	2,451	491,586	277,114	103,622	37,725
>=80% and <100%	905	166,189	127,684	58,836	36,278
>=100%	2,195	365,371	183,812	270,484	137,276
Mortgage loans					
Without associated collateral	n.a.	31,966	1,342	546	599
<60%	217,305	8,089,987	898,109	100,914	14,409
>=60% and <80%	90,397	6,126,196	677,551	65,612	8,126
>=80% and <100%	29,655	2,232,416	318,043	38,413	9,125
>=100%	4,655	161,857	55,140	19,326	10,182

The following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 24) and as Other assets (note 28), by type of asset:

(Thousands of euros)

	Assets arising from recovered loans			
	2023		2022	
Asset	Appraised value	Book value	Appraised value	Book value
Land				
Urban	80,524	49,778	126,593	84,970
Rural	4,622	2,188	5,318	2,996
Buildings in development				
Commercials	790	529	869	517
Mortgage loans	2,474	1,438	2,550	1,491
Constructed buildings				
Commercials	29,086	14,509	62,174	43,088
Mortgage loans	47,872	31,510	68,246	49,712
Others	756	522	667	544
	166,124	100,474	266,417	183,318

Credit portfolio monitoring process

The Bank has in place a credit portfolio management and monitoring processes, namely with regard to the assessment of the risk profile of the exposure in different portfolios/segments. These procedures have the purpose of identifying and closely monitoring the customers potentially more affected by the prevailing macroeconomic context, anticipating possible difficulties in complying the responsibilities and defining credit and performance strategies adjusted to the specificities of each customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk in cases where there are risks of loss in the exposure value.

The importance of this approach is reinforced by the uncertainty that has marked the activity in recent years, with special emphasis on the pandemic context that emerged at the beginning of 2020 and the effects resulting from multiple geopolitical conflicts, with impacts on various aspects such as a more modest level of economic growth, budgetary pressures to cope with the impacts felt by economic agents, the need to allocate budgetary amounts to areas such as Defence, limitations on the transportation of goods, pressure on energy costs, inflationary impacts, high levels of interest rates and rising unemployment rates.

In the specific case of Portugal, the context described translated into lower demand for credit instruments from customers, especially in the corporate segment.

The main guidelines of the credit portfolio monitoring approach can be characterized as presented below:

- Global and transversal: Analysis of the entire credit portfolio of the Bank, being excluded from the monitoring process only customers with a better risk profile (in the case of retail) or with exposures of a lower size (in the case of retail and corporate).

- Specialized: Monitoring by the “Comité de Acompanhamento de Risco de Empresas” (CARE), and Credit Division in coordination with the Rating Division for the corporate segment and by the Credit Division and Retail Recovery Division for individuals and small businesses. The cases monitored by the CARE committee, are related to clients covered by a set of criteria that combine exposure size and risk factors like the rating assigned, IFRS 9 staging and, for the corporate segment, the level of leverage and whether the sector in which it operates is considered highly vulnerable.

- Segmented: Prioritization of approach/analysis recurrence based on risk signs, in order to gather additional information and agree on appropriate and sustainable financial restructuring solutions in a timely manner.

- Prospective: Use of predictive models, in order to anticipate potential future defaults, avoiding a reactive approach.

- Standardized: Both in terms of risk models and monitoring, and in terms of credit solutions for which it is possible to identify pre-defined alternatives (retail segments).

- Convenient and innovative: Making the restructuring journey simpler and more convenient both in terms of credit solutions and channels, extending the restructuring offer to the App for consumer credit and mortgages.

Specifically in the corporate segment, the process of portfolio follow-up and monitoring can be generically characterized as described below, having as a fundamental component the attribution of credit strategies, among pre-defined options, with review periods differentiated according to the level of risk associated to the strategy attributed:

1. Client Assessment and presentation of Indicative Credit Strategy by the Rating Division (for customers with ratings assigned by corporate rating models);

2. Approval, by the competent credit decision levels, of a credit strategy for each customer, taking into consideration the Indicative Credit Strategy from the Rating Division, the information received from the area that follows the client and the inputs received as a result of the customer interaction process;

3. Decision, negotiation and formalisation of the operations that will ensure that the approved strategy is pursued and the approved credit limits are met (Credit Division, Areas that follow the client and Operations Division);

4. Monitoring the Credit Strategy and the evolution of the customer's activity (Credit Division, Areas that follow the client and Specialised Committees - CARE);

5. Monitoring of the credit portfolio and effectiveness of the portfolio monitoring process and credit strategy attribution (Risk Office), based on a set of KPIs, (e.g. percentage of the credit portfolio with valid risk strategy; evolution of credit exposure to customers with a reduction strategy; adequacy of the credit strategy to the customer's performance);

6. In the attribution of the customer's credit strategy, besides the intrinsic factors of the customer, more transversal factors are taken into consideration, such as the evaluation of the sectorial risk and ESG impacts (periodically reviewed with the support of the Economic, Sustainability and Criptoactives Studies Division) and taking into consideration the attribution of a ESG rating regarding the clients with most relevant exposures;

7. The occurrence of effective and/or potential risk events (signs of default/delinquency; breach of contractual covenants; severe alteration in sector risk; alteration in the corporate/shareholder structure), trigger an extraordinary/ anticipated revision of the strategy.

Within the scope of this monitoring process and with an impact on other complementary procedures adopted by the Bank, namely for reporting purposes, the Bank defines a list of sectors considered as more vulnerable to the macroeconomic environment, which is reviewed periodically (at least annually), also involving the preparation of report presenting a detailed characterisation of its loan portfolio under a sectoral perspective.

Additional measures with impact on the Impairment level

i. Updating macroeconomic scenarios and the parameters of the collective impairment model

Taking into account the changes and uncertainty of the context and the economic outlook essentially marked by a context conditioned by the maintenance of relatively high levels of inflation and interest rates, an update of the macroeconomic scenarios used in the collective impairment analysis model in Portugal was carried out in December 2023, based on three scenarios (Central Scenario, Optimistic and Pessimistic) prepared by the Bank's Economic Studies area.

The referred scenarios, which are used in the Bank for several purposes other than the impairment calculation, took into consideration the existing projections of reputed entities.

The tables below systematise the projections for 2023 and 2024 considered for Portugal concerning the central scenarios with regard to some of the critical variables used in the calculation of collective impairment.

	December 2022 Scenario		December 2023 Scenario		Difference	
Variable	2023	2024	2023	2024	2023	2024
Unemployment rate	5.88%	5.92%	6.53%	7.15%	0.65%	1.23%
3 months Euribor Rate	3.17%	3.10%	3.43%	3.18%	0.26%	0.08%
Savings Rate	5.33%	6.00%	6.40%	8.40%	0.60%	2.40%
Inflation Rate	5.83%	3.25%	5.34%	2.93%	-0.49%	-0.33%

The following tables describe the weightings assigned to the different macroeconomic scenarios considered at the end of 2022 and 2023, which can be considered as conservative:

Weightings of the macroeconomic scenarios considered

	Weightings	
Scenario	**Dec 2022**	**Dec 2023**
Central	60 %	60 %
Upside	10 %	10 %
Downside	30 %	30 %

A simulation of an additional one percentage point worsening in the evolution of the key indicators for the collective impairment estimate was carried out, which translates into the impacts shown in the table below, based on the collective impairment of the portfolio in Portugal as at 31 December 2023, which amounted to Euros 480 million (this figure does not include the impairment amounts calculated by the overlays methodology described in point ii. of this section).

Sensitivity analysis on the calculation of collective impairment (December 2023)

Variable	Estimated impact (% variation)
100 bp Unemployment Rate aggravation	4.74 %
100 bp 3 months Euribor aggravation	6.81 %
100 bp Savings Rate aggravation	0.54 %
100 bp Inflation Rate aggravation	4.70 %

ii. Impairment overlays

In order to incorporate an additional level of conservatism in the impairment values, the Bank defined and implemented a methodology of complementary of identification of significant increase in credit risk situations and potential signs of impairment.

This approach adopts differentiated criteria in relation to the base methodologies in force, with distinct processes having been adopted for the calculation of overlays for the corporate and individual customers segments.

The overlays currently in force seek in particular to address the context of uncertainty that continues to prevail, associated with a context of multiple geopolitical crisis, the constraints that still exist with regard to economic growth, inflationary pressures and the high level of interest rates, an environment that constitutes a disruption of the context that prevailed until the end of 2021, characterized by low levels of interest rates and inflation.

This positioning is in line with the guidelines on this matter issued by the Supervisors in what regards the identification and measurement of credit risk in contexts of uncertainty, so that the release of overlays initially constituted in the context of the pandemic should be carried out with prudence and taking into account the possible need for new overlays to respond to the current context.

The exercise carried out reflected, in terms of impairment value, in the calculation of the estimated impact arising from potential migrations of customers with higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis. It should be noted that the most significant impact occurred in the corporate segment. The methodology developed by the Bank was considered for the calculation and recording of impairment at the reference date of the accounts, without affecting the classification of credit exposures by stages in the Bank's loan portfolio.

As a result of the implementation of this methodology, the Bank calculated an additional impairment to that resulting from the collective analysis model, therefore with characteristics of overlays, whose amount on 31 December 2023 was approximately Euros 98.6 million in Portugal (Euros 94.7 million in December 2022).

Government measures to mitigate the impacts on mortgage contracts

Decree-Law 80-A/2022

Specifically with regard to Decree-Law 80-A/2022, a Portuguese Government act of 25 November 2022 that established measures to mitigate the effects of the increase in the reference indexing factors of credit contracts for the acquisition or construction of permanent house ownership, it is worth highlighting the fact that it introduced the obligation for Financial Institutions to approach individual customers with mortgage credit who potentially fit into the requirements set out in that act.

In what concerns Millennium bcp, a contact was promoted with about 180 thousand customers, requesting information in order to calculate the respective effort rate.

On 31 December 2023, date when the period to adhere to this measure expired, the number of clients that had shown interest in evaluating the support mechanisms provided for under Decree Law 80-A/2022 amounted to around 15 thousand.

Decree-Law 20-B/2023

Decree-Law 20-B/2023, a Portuguese Government regulation of 22 March 2023, embodied the legislative package "Mais Habitação", providing extraordinary support to families, namely through the creation of support for borrowers of credit agreements for permanent own housing in the form of a temporary subsidy of the interest component, in situations where the index rate exceeds a certain threshold.

On 13 February 2024, loans with subsidies already processed amounted to exposures of approximately Euros 520 million, with an average monthly subsidy of Euros 49.

Decree-Law 91/2023

Also with regard to the promotion of support measures for borrowers of mortgage loan contracts, it is worth noting the publication of Decree-Law 91/2023, a Portuguese government decree of 11 October 2023, which allows to fix the instalment over a period of 24 months, taking into account an interest rate benchmark defined in the decree-law, and with an adherence period until 31 March 2024.

By 31 January 2024, at the request of customers, the Bank had implemented this measure in around 1,800 contracts.

Real state risk

Real estate risk materializes through losses associated with changes in the value of assets held by the Bank or, indirectly, through funds and/or real estate companies.

The Group detains a real estate portfolio, that comes from repossessed assets linked with recovery processes of non-performing exposures, that is subject to fluctuations and risks in the real estate market and the obligations arising from ownership of the properties.

As a credit institution operating in the financial market, the Bank does not operate directly in the real estate sector, neither as a sales agent nor as an operator in the rental segment.

In this context, the management of this portfolio is based on the following objectives:

- Minimize the risks associated with the real estate portfolio;

- Minimize management costs, maintenance and sale of properties;

- Maximize the financial results from the sale of foreclosed assets;

- Mitigate the portfolio's impact on the Bank's cost of capital and liquidity.

Within this framework, the Bank should optimize the outflow of foreclosed assets from the real estate portfolio, developing appropriate commercial strategies and exploring the distribution channels that are expected to be most effective at any given time to sell the different types of properties held by the Bank.

By managing this portfolio, the following risks were identified and monitored by the Bank:

- Price risk – Risk associated with the devaluation of the property due to unfavourable developments in the real estate market, whether due to a decrease in demand or strong pressure on property sales;

- Liquidity risk - Inherent to the nature of real estate assets and the impact on the Bank's liquidity position and respective financial costs of holding the property;

- Operational risk - associated with the processes of acquiring, maintaining and selling properties, which can result in costs or lost revenue (includes the risks of vandalization and deterioration of properties);

- Compliance risk - compliance with legal standards from the property acquisition process, to the requirements to be observed in its sale, including the responsibility associated with your status as owner;

- Fiscal risk – associated with possible tax contingencies relating to properties owned by the Bank and monitoring the administrative and judicial processes;

- Reputational risk - related to the risks mentioned above, but also with the image projected by the Bank in the way it manages its operations in the real estate market.

The risks associated above are mitigated by the Bank through the existence of a team specialized in the management of this type of assets; a set of internal policies and standards that regulate the asset management processes on the balance sheet; and an insurance policy.

The portfolio of real estate assets has been progressively reduced by the Bank over the last few years.

Market risk

Market risks consist of the potential losses that may arise within a portfolio as a result of changes in interest or exchange rates, and/or in the prices of the different financial instruments within the portfolio, considering not only the correlations that exist between those instruments but also their volatilities.

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

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

The definition of these areas allows for an effective management separation between trading and banking books, as well as a proper allocation of each operation to the most suitable management area, according to the respective context and strategy.

To ensure that risk levels incurred in the different portfolios of the Group align with predefined tolerance risk levels, various market risks limits are established, typically on an annual basis, applying to all portfolios of the risk management areas where the risks are incident. These limits are monitored daily (or intra-daily, in the case of financial markets) by the Risk Office.

Stop loss limits are also set for portfolios in the financial markets' areas – Trading and Funding – based on multiples of the risk limits defined for them, aiming to limit the maximum losses that may occur in these areas. If these limits are breached, a mandatory review of the underlying business strategy and assumptions regarding the management of the positions in question ensues.

Market risks of the prudential trading book (1)

For the daily measurement of generic market risk - including interest rate risk, exchange rate risk, equity risk and credit default swap price risk (indexes) - a Value-at-Risk (VaR) model is used, considering a time horizon of 10 business days and a 99% significance level.

Additionally, the Bank uses an integrated market risk measure that monitors all relevant sub-types of risk. This measure integrates assessment of generic, specific, non-linear and commodity risks. Each sub-type of risk is measured individually using appropriate risk models, with the integrated measure calculated from individual measures for each, without considering any type of diversification between the sub-types (worst-case scenario approach).

For non-linear risk, an internally developed methodology is applied, replicating the effect of main non-linear elements of options on P&L results of the different portfolios in which these are included, similarly to what is considered in the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured using standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, and measured by the methodologies referred to above:

(Thousands of euros)

	2023	Max of global risk in the period	Min of global risk in the period	2022
Generic Risk (VaR)	880	4,048	709	1,619
Interest Rate Risk	464	2,909	524	889
FX Risk	479	1,961	623	1,195
Equity Risk	500	597	79	585
Diversification effects	(563)	(1,419)	(517)	(1,050)
Specific Risk	623	738	15	12
Global Risk	1,503	4,786	724	1,631

Validation of the internal VaR model's appropriateness for the assessment of risks involved in the positions held, is conducted over time, with different scopes and frequency, including back testing, diversification effects estimation, and analysis of risk factor comprehensiveness.

In addition to VaR assessment, the Bank continuously tests a broad range of stress scenarios analysing the respective results to identify risk concentrations not captured by the VaR model.

(1) Trading Book - positions allocated to the Trading Management Area (and not, specifically, to the accounting trading Book)

Interest rate risk

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

Variations of market interest rates influence the Bank's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Bank's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Bank holds material positions:

(Thousands of euros)

	2023			
Currency	**-200 bp(*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	(1,070)	(520)	491	954
EUR	(38,207)	(17,866)	15,357	26,801
PLN	152	77	(78)	(157)
USD	4,002	1,985	(1,955)	(3,879)
	(35,123)	(16,324)	13,815	23,719

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 b.p., especially in shorter periods).

(Thousands of euros)

	2022			
Currency	**-200 bp(*)**	**- 100 bp (*)**	**+ 100 bp**	**+ 200 bp**
CHF	(1,366)	(663)	625	1,214
EUR	(44,410)	(23,096)	24,170	48,858
PLN	(316)	(153)	144	281
USD	(21,536)	(10,437)	9,817	19,054
	(67,628)	(34,349)	34,756	69,407

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 b.p., especially in shorter periods).

Foreign exchange and equity risk in the banking book

The foreign exchange risk of the banking book is transferred internally to the Trading Area, in accordance with the risk specialization model followed by the Bank for the management of the balance sheet foreign exchange risk. The structural foreign exchange exposures, included those resulting from financial holdings in subsidiaries, are not included in this transfer and may be covered by market operations, taking into consideration the defined strategy for managing structural foreign exchange risk, whose objective is to hedge against the volatility in the CET1 ratio that stems from changes in foreign currency exchange rates.

On an individual basis hedge accounting is made for hedge investments on investments subsidiaries, by applying Fair Value Hedge.

Regarding equity risk, the Bank maintains a set of small-scale, low-risk positions, primarily in the investment portfolio, mainly resulting from execution/payment processes. Management of these positions is conducted by a specialized area of the Bank, with risk controlled through defined metrics and limits for market risk control.

Liquidity risk

The assessment of the Bank's liquidity risk is carried out on a regular basis using indicators set by the supervisory authorities and other internal metrics for which exposure limits are also defined.

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risk Commission is responsible for controlling the liquidity risk. This control is reinforced through the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

In Portugal, following the significant migration of deposits to non-bank savings products that occurred mainly in the first quarter of 2023, the volume of customer funds showed a stable behavior throughout the 2nd half of the year, allowing the Bank to protect its market share.

As a result, liquidity risk indicators continued to comply by a very comfortable margin with all the regulatory minimums and the strictest requirements imposed by the Bank's risk appetite framework.

Accordingly, the liquidity buffer available for discount with the ECB stood at Euros 24,988,593,000 at the end of 2023, Euros 1,167,775,000 higher than a year earlier, to which contributed the cash flow from operations, the reduction in derivative margin accounts, the placement of the MTN issuance and the market price increase of assets integrated in the portfolio of assets discountable with the ECB, which offset the impacts in the opposite direction of the evolution of the commercial gap and the reversal of haircuts applicable to eligible assets at the values in force before the extraordinary measures taken by the ECB following the COVID-19 pandemic. At the end of 2023, the liquidity buffer comprised a long position of Euros 1,200,118,000 with the ECB, slightly lower than that observed a year earlier (Euros 1,823,892,000).

The eligible pool of assets for funding operations in the European Central Bank, net of haircuts, is detailed as follows:

(Thousands of euros)

	2023	2022
European Central Bank	14,677,769	13,677,518

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousands of euros)

	2023	2022
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	14,677,769	13,677,518
Outside the pool of ECB monetary policy	9,110,706	8,319,408
	23,788,475	21,996,926
Net borrowing at the ECB (ii)	(1,200,118)	(1,823,892)
Liquidity buffer (iii)	24,988,593	23,820,818

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
ii)Includes as at 31 December 2023 the amount of deposits with the Bank of Portugal and other liquidity with the Eurosystem (Euros 1,200,118,000) in excess over the minimum cash reserves (Euros 499,338,000).
iii) Collateral eligible for ECB, after haircuts, less net financing at the ECB.

The Bank counterbalancing capacity is defined by the ability to generate additional liquidity in the short term to deal with possible situations of financial stress. The measures for its reinforcement are described in the Recovery Plan which, as at 31 December 2023, had a total estimated value for Portugal of Euros 2,735,000,000, arising from the sale of corporate bonds and commercial paper, securitization of a portfolio of consumer credit and issuance of retained covered bonds to be mobilized for the ECB's monetary policy pool.

The refinancing risk of medium and long-term instruments will remain at very low levels over the next three years, with annual refinancing needs with no material expression.

Loans to Deposits ratio

As at 31 December 2023, the loan-to-deposit ratio, according to Bank of Portugal Instruction No. 16/2004 (current version), reached 77%, while on 31 December 2022 this ratio stood at 78%.

Hedging accounting

The detailed information of the strategies, hedge transactions, hedged items and hedging instruments applied by the Group, is shown in a table below:

Strategy	Description of hedge transactions	Hedged items	Hedging instruments
Cash flow volatility hedge of the flows generated by the portfolio of Euros floating rate mortgage loans (a)	Bank hedges the risk of the volatility of interest payments from floating rate mortgages.The volatility of cash flows results from interest rate risk	Floating rate mortgage loans	IRS transactions
Fair value hedge of fixed rate mortgage loans (a)	Bank hedges changes in the fair value of cash flows of fixed rate mortgage loans due to changes in market interest rates	Fixed rate mortgage loans	IRS transactions
Fair value hedge of fixed rate debt instruments (a)	Bank hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate debt securities, classified as Financial assets at amortised cost	IRS transactions
Fair value hedge of fixed rate debt instruments in Euros (a)	Bank hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate debt securities, classified as Financial assets at fair value through other comprehensive income	IRS transactions
Fair value hedge of fixed rate issued debt instruments in Euros (a)	Bank hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate Issued debt	IRS transactions
Fair value hedge of fixed rate deposits in Euros (a)	Bank hedges changes in the fair value of fixed rate deposits due to changes in market interest rates	Term deposits	IRS transactions
Fair value hedge of fixed rate deposits in Euros (macro hedge) (b)	Bank hedges changes in the fair value of fixed rate deposits due to changes in market interest rates	Repayable demand deposits without maturity	IRS transactions
Fair value hedge of fixed rate debt instruments in USD (a)	Bank hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate debt securities, classified as Financial assets at fair value through other comprehensive income or amortised cost	CIRS transactions

(a) - Strategy applied in 2023 and 2022.
(b) - Strategy applied in 2023.

As at 31 December 2023, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2023			
	Hedging instruments			
		Book value		
Type of hedging	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	9,538,749	19,892	7,856	(52,976)
Interest rate risk				
Currency and interest rate swap	348,464	2,279	6,272	856
	9,887,213	22,171	14,128	(52,120)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	9,650,000	164	8,408	1,248,954
Total	19,537,213	22,335	22,536	1,196,834

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2022, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)

	2022			
	Hedging instruments			
		Book value		
Type of hedging	Nocional	Assets	Liabilities	Change in fair value (A)
Fair value hedge				
Interest rate risk				
Interest rate swaps	8,582,150	25,427	7,030	296,330
Interest rate risk				
Currency and interest rate swap	431,257	2,999	18,432	(717)
	9,013,407	28,426	25,462	295,613
Cash flows hedging				
Interest rate risk				
Interest rate swaps	13,475,000	—	34,086	(1,518,354)
Total	22,488,407	28,426	59,548	(1,222,741)

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2023, the table below includes the detail of the hedged items:

(Thousands of euros)

	2023							
	Hedged items							
							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Type of hedging		Assets	Liabilities	Assets	Liabilities			
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	268,571	–	(24,592)	–	(23,445)	n.a.	n.a.
	(H)	1,599,095	–	(21,780)	–	55,434	n.a.	n.a.
	(C)	2,005,223	–	(115,194)	–	76,707	n.a.	n.a.
	(D)	–	10,000	–	(221)	221	n.a.	n.a.
	(E)	–	1,462,350	–	88,729	(1,642)	n.a.	n.a.
	(F)	–	1,329,345	–	(34,224)	(32,636)	n.a.	n.a.
	(G)	–	1,037,079	–	(41,831)	(30,208)	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		–	348,464	–	51	(173)	n.a.	n.a.
		3,872,889	4,187,238	(161,566)	12,504	44,258	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	9,650,000	–	–	–	(1,248,954)	(459,963)	(808,471)
Total		13,522,889	4,187,238	(161,566)	12,504	(1,204,696)	(459,963)	(808,471)

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

As at 31 December 2022, the table below includes the detail of the hedged items:

(Thousands of euros)

	2022							
	Hedged items							
							Cash flow hedge reserve / Currency translation reserve	
	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Hedging relationships in effect	Hedging relationships discontinued
Type of hedging		Assets	Liabilities	Assets	Liabilities			
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	814,689	—	(71,691)	—	(70,012)	n.a.	n.a.
	(H)	1,524,001	—	(510,086)	—	(181,718)	n.a.	n.a.
	(C)	2,438,483	—	(272,430)	—	(196,634)	n.a.	n.a.
	(D)	—	10,000	—	517	580	n.a.	n.a.
	(E)	—	12,350	—	(1,232)	718	n.a.	n.a.
	(F)	—	1,295,542	—	(66,860)	65,881	n.a.	n.a.
	(G)	—	998,066	—	(72,040)	67,509	n.a.	n.a.
Foreign exchange risk								
Currency and interest rate swap		—	431,257	—	(1,131)	1,079	n.a.	n.a.
		4,777,173	2,747,215	(854,207)	(140,746)	(312,597)	n.a.	n.a.
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	13,475,000	—	—	—	1,518,354	(1,708,917)	7,644
Total		18,252,173	2,747,215	(854,207)	(140,746)	1,205,757	(1,708,917)	7,644

(A) Fair value changes used to calculate the ineffectiveness of the hedge
(B) Financial assets at amortised cost - Loans and advances to customers
(C) Financial assets at fair value through other comprehensive income
(D) Financial liabilities at amortised cost - Resources from credit institutions
(E) Financial liabilities at amortised cost - Resources from customers
(F) Financial liabilities at amortised cost - Non subordinated debt securities issued
(G) Financial liabilities at amortised cost - Subordinated debt
(H) Debt securities held not associated with credit operations

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, is as follows:

(Thousands of euros)

	Cash flow hedge reserve	
	2023	2022
Balance as at 1 January	(1,701,273)	(58,980)
Amounts recognised in other comprehensive income:		
Hedging cash flows		
Changes in fair value of interest rate swaps	1,248,954	(1,518,355)
Hedge breakage	(816,115)	(123,938)
Balance at the end of the year	(1,268,434)	(1,701,273)

As at 31 December 2023, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

	2023					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	(8,545)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	683		n.a.	n.a.
		n.a.	(7,862)		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps		—	—	(E)	(45,947)	—
		—	—		(45,947)	—
Total		—	(7,862)		(45,947)	—

(A) Income Statement item in which the ineffectiveness of the hedge was recognised
(B) Income Statement item in which the reclassified amount was recognised
(C) but which are no longer expected to occur
(D) Net gains / (losses) from hedge accounting operations
(E) Interest and similar income

As at 31 December 2022, the table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income:

(Thousands of euros)

	2022					
				Amounts reclassified from reserves to results for the following reasons:		
Type of hedging	Income statement item (A)	Gains / (losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	n.a.	(17,346)		n.a.	n.a.
Foreign exchange risk						
Currency and interest rate swap	(D)	n.a.	362		n.a.	n.a.
		n.a.	(16,984)		n.a.	n.a.
Cash flows hedging						
Interest rate risk						
Interest rate swaps		—	—	(E)	54,861	—
		—	—		54,861	—
Total		—	(16,984)		54,861	—

(A) Income Statement item in which the ineffectiveness of the hedge was recognised
(B) Income Statement item in which the reclassified amount was recognised
(C) but which are no longer expected to occur
(D) Net gains / (losses) from hedge accounting operations
(E) Interest and similar income

As at 31 December 2023, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

	2023					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	7,750	508,735	9,022,264	9,538,749	19,892	7,856
Fixed interest rate (average)	3.56%	6.17%	1.77%	2.03%		
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	140,291	208,173	—	348,464	2,279	6,272
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	—	1,600,000	8,050,000	9,650,000	164	8,408
Total derivatives traded by:						
OTC Market	148,041	2,316,908	17,072,264	19,537,213	22,335	22,536

As at 31 December 2022, the table below shows the detail of hedging instruments by maturity:

(Thousands of euros)

	2022					
	Remaining period				Fair value	
Type of hedging	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	113,400	60,000	8,408,750	8,582,150	25,427	7,030
Fixed interest rate (average)	0.18%	0.13%	1.67%	1.64%		
Fair value hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	98,439	332,818	—	431,257	2,999	18,432
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	—	—	13,475,000	13,475,000	—	34,086
Total derivatives traded by:						
OTC Market	211,839	392,818	21,883,750	22,488,407	28,426	59,548

Operational Risk

The operational risk management system is framed by the “3 Lines of Defence” Corporate Governance model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, these processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the most relevant Group subsidiaries have their own process's structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

The responsibility for the day-to-day processes’ management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred. The Internal Audit function embodies the 3rd Line of Defence and supervises the appropriate fulfilment of the functions and activities of the remaining two lines of defence.

In 2023, the usual operational risk management activities continued to be executed by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group’s management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts.

The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilisation to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Bank as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors (“negative pledge”). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Bank’s intervention in rated securitization transactions involving its own assets are subject to changes in case the Bank triggers certain rating criteria. The criteria established in each transaction results mainly from the analysis performed at the moment that the transaction was structured, being usually applied by each rating agency in a standardised way to the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade.

Climate risks - Integration of ESG Factors in Risk Management

In its risk classification, Millennium bcp recognises the ESG category which includes factors associated with the climate and environmental components, and also with social and governance aspects.

These factors are not considered separately; in fact, they are seen as elements likely to affect positively or negatively the financial performance and solvency of the Bank's customer's and counterparties. This way, the materialisation of their impacts occurs by means of the "traditional" categories: credit risk, market risk, operational & reputation risk, liquidity and financing risks.

Within this context, and with the purpose of promoting the integration of ESG factors in risk management, the Bank implemented a set of processes and methodologies to identify, assess, manage and monitor the impact of the ESG category in overall risk, in accordance with the framework and policies already established for the remaining financial and non-financial risks.

Governance Model

The governance model for risks arising from ESG factors follows a structure based on three lines of defence which, under the leadership of the Board of Directors (and respective delegations on the Executive Committee), ensure its adequate assessment and management.

The first-line functions comprise all the departments and business areas that interact with the Bank's customers, counterparties and suppliers, collect the information and data that support the assessment of their risk profiles (and of their respective operations) and structure the commercial solutions with characteristics associated with the ESG or with the promotion of control of their impacts on the Bank's risk profile.

The Sustainability Function fits in the first line of defence and its responsibilities include:

- the overall management of the sustainability strategy and plans of Millennium bcp and of its financial group;
- the development of policies, methodologies, analyses and reports that address ESG issues;
- the management of commitments and external communications by the Bank and the Group in this area; and
- the direct orientation and operational support to the first and second lines of defence in the performance of their main responsibilities in this scope.

In the second line of defence, the responsibility for risk control, is assumed by the Risk Office and by the Compliance Office. These functions ensure the procedures for the design, implementation of the policies/methodologies/ risk management models, which are paramount in keeping the risk profile of the Group in appropriate levels.

Among other, these responsibilities, include:

- Integrate the ESG dimension in risk appetite (Risk Appetite Framework - RAF);
- Syndicating with the Sustainability Function the proposal of ESG metrics to be included in the Risk Appetite Statement (RAS);
- Carry out stress tests focused on climate and environmental risk factors;
- Introduce the ESG dimension in capital and liquidity adequacy exercises.

Specifically in terms of Compliance, we emphasise the following controls:

- Reporting, disclosure and prudential obligations;
- Design and approval of new products, especially in the cases of ESG product design and labelling;
- Incorporation of ESG-related conditions and requirements into the forms and contracts;
- Ensuring the timely application of the legal and regulatory dispositions related to ESG;
- Potential for conflicting interest or litigation in the provision of ESG-related services and products.

Within the scope of the Committees of the Board of Directors, the Committee for Corporate Governance, Ethics and Sustainability is the body responsible for recommending the adoption by the Board of Directors of policies in line with ethical principles and social responsibility and best practices in matters of corporate governance and sustainability, but also for monitoring the evolution of the Sustainability Master Plan and the Corporate Social Responsibility Plan and issuing an opinion on the annual corporate governance and sustainability reports. The Committee for Risk Assessment, among its competences and attributions, is also responsible for monitoring ESG risks, including climate risks and advise the Board of Directors in terms of the identification, management and control of ESG risk factors, while monitoring the Group’s risk appetite and underlying performance, as well as supervising the adequacy of the ESG internal control system, with special focus on a) the effectiveness of the risk management system to deal with the ESG risk drivers; and b) dealing with any instance of reputational risk related to ESG to which the Group may be associated to (directly or indirectly).

The third line of defence assumes responsibility for the independent review of all ESG aspects through the annual work plans of the Audit Division.

Identification of ESG risks

Climate changes and environmental degradation factors are elements that potentially affect economic activity, through factors related with issues such as climate changes (mitigation, and adaptation), sustainable use and protection of hybrid and marine resources, transition towards a circular economy, prevention and control of pollution, protection and restoration of biodiversity (cf. EU Taxonomy).

The materialisation of these risks fundamentally stems from the exposure of Millennium bcp's banking portfolio to customers, counterparties and invested assets whose performance may be affected or contribute to the negative impacts of climate change and other environmental factors.

These factors may generate negative financial impacts which are identified and assessed by means of two main dimensions:

- Physical risk factors: arising from the physical effects of climate change and environmental degradation. They should be categorized as a) severe risks, if they arise from extreme weather events such as wildfires or floods; b) chronic risks, if they arise from progressive changes in weather and climate patterns or from a gradual loss of natural ecosystems;
- Transition risk factors: are the risks of any negative financial impact arising from the effort, in progress or to happen in the future, of transition into a low-carbon and environmentally sustainable economy. These may result, for example, from technological changes, the impact of public policies or behavioural changes in terms of demand for goods or services (including banking services);
- The biodiversity or nature-related risks: The depreciation of natural capital, which in this context encapsulates the environmental-driven risks, is another key component of a holistic approach to C&E concerns. Natural capital refers to the world’s stocks of natural assets which include geology, soil, air, water and all living things as well as the organization and distribution of ecosystems. The depreciation of natural capital undermines the ability of nature to provide ecosystem services (provisioning services, such as food, raw materials and fresh water; maintenance and regulating services, such as climate, water and air quality regulation, pollination, and pest and disease control; and cultural services, supporting recreation, mental and physical health, and spiritual and religious values) on which the Human society, economies and other species rely. Natural capital degradation can have chronic as well as acute economic effects.

The materialisation of social risks is also assessed, considering the issues related with rights, well-being and interests of persons and communities and include factors such as (in)equality, health, diversity, inclusion, labour relations, workplace health and safety, human capital and communities.

In addition, the governance risk factors are also identified by Millennium bcp, through issues relating to leadership, executive remuneration, shareholder rights, corruption and bribery, management and prevention of conflicts of interest, quality of internal control and independent reviews/auditing, transparency and good tax practices, for example.

A methodology for assessing the materiality of ESG risks was developed in order to determine the potential impact of those risks on the Bank’s profile.

Management and monitoring principles

ESG risks management and respective strategy follows a different logic compared to 'traditional' risks, which are based on short-term timeframes. In contrast, the materialization of ESG risks is expected to occur over extended timeframes, which is why the establishment of strategy and risk appetite follows different timeframes. For example, if the assessment of physical (severe) risks can determine an action strategy more focused on the short term (e.g., considering the establishment of additional mitigation measures, at the level of policies for granting credit and insurance policy), the transition risks justify a more structural approach, based on collecting information, evaluating customers and monitoring their performance over time.

From this perspective, Millennium bcp's management of ESG impacts follows the following principles:

- Establishment of a responsible corporate financing policy, which excludes or conditions the Group's operations in sectors and/or activities with greater environmental and social impact;
- Integration of the strategy for managing risks arising from ESG factors into the Bank's global sustainability plan, which steers the integration of the ESG dimension into business processes, establishing goals, timelines and a model for controlling proper observance;
- Communication Transparency: The Bank publicly discloses its sustainability objectives and key practices, as well as its management of ESG (Environmental, Social, and Governance) impact factors. This allows all stakeholders to assess the robustness of its approach, including its exposure to risks arising from ESG factors;
- Regular Monitoring of Exposure to Risks Arising from ESG Factors: This is done through established management information routines for each risk category;
- Internal Standardization of ESG References: This involves implementing a corporate taxonomy that enables the identification and classification of exposures demonstrating characteristics that actively support the transition of the Portuguese and European economies;
- Focus on Credit Risk Management: This is achieved through models that facilitate the integration of the ESG dimension in the risk assessment of the bank's key companies/clients. This ensures that business decisions incorporate an evaluation of the primary impacts of ESG factors;
- Collection and Structuring of Information: Utilizing public sources and information provided directly by clients, this approach aims to enhance understanding of clients' environmental performance and potential financial impacts associated with any limitations in that performance.

The operationalization of these principles is facilitated through an internal policy for managing risks arising from ESG factors, which establishes the following key risk tools:

- Regular assessment of the materiality of risks arising from ESG factors to confirm alignment with risk appetite and the need for implementing mitigation actions;
- Methodologies for assessing risks arising from ESG factors integrated into credit risk assessment models.
- Risk classification methodologies at the portfolio level, allowing the identification of sectors, companies, and exposures most susceptible to transition and/or physical risks and/or nature-related;
- Models for quantifying financed greenhouse gas emissions, fostering strategic discussions regarding the management of these emissions and their alignment (in the long term) with the goals of the Paris Agreement;
- Sensitivity analyses and stress tests focusing on climate risks.

Climate risk stress tests

The Bank uses sensitivity analysis methodologies and stress tests on the risks arising from ESG factors (with a focus on the climate risk component).

Considering the horizons of materialization of ESG risks, this is an important risk management technique, which allows the assessment of the impacts of climate change (and respective scenarios) on the financial variables that affect the value of Millennium bcp's banking portfolio.

Based on their results, new exposures at risk may be identified that require the Bank to take additional management measures to mitigate the impacts of climate risks.

49. 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.

The Oral Hearing took place on 22 June 2023 at the CJEU, and the parties' lawyers made their respective presentations and answered the questions that the Judge and the Advocate General intended to raise. The reading of the Opinion by the Advocate General was scheduled to take place on 5 October 2023.

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 TCRS in case no. 225/15.4YUSTR-W.

On 11 March 2024, BCP, along with 8 banking institutions, was served in order to, once willing, contest a "popular declaratory action of condemnation in the form of a common process aimed at protecting competition, the rights of consumers, and diffuse and/or collective interests associated with the consumption of goods and services", an action brought by the Ius Omnibus Association, under the terms n.º 2/24.1YQSRT at the TCRS, entirely based on the alleged infringement of competition in mortgage and consumer credit transactions declared in the AdC Decision of 9 September 2019 (PRC/2012/09), a decision that was subject to judicial opposition by BCP, an opposition that has not yet been definitively judged.

The Bank is analysing that class action in order to present its response in a timely manner.

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.

Nothing relevant to the judgment on the merit of the case happened. The lawsuit is suspended until the motions submitted by FJB in the execution filed by the Banks (8489/19.8T8LSB) have been definitively judged.

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 4.8 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 2.8 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 2.4 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 court proceedings brought by PKN Orlen SA, in which the subject of the dispute is the amount of the interchange fee and the plaintiff demands payment of PLN 635.7 million (Euros 146.3 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. 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 120.2 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 31 December 2023, the total value of the subjects of the other litigations in which the Bank Millennium Group's companies appeared as defendant, stood at PLN 5,547.3 million (Euros 1,277.1 million) (excluding the class actions described below and in note 57). In this group the most important category are cases related with FX loans mortgage portfolio.

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 1.2 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 1,696,986).

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 31 December 2023, there were also 138 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 31 December 2023, Bank Millennium recorded the receipt of 63 lawsuits by borrowers of mortgage loans in PLN for reimbursement of benefits provided under the loan agreement. One final judgment was issued dismissing the borrowers' claim. 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.

On 29 June 2023, 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. By 31 December 2023, Bank Millennium received 419 lawsuits in which the plaintiffs (both clients and companies purchasing claims), alleging violation of the information obligations provided in Art. 30 of the Consumer Credit Act, demand reimbursement of interest and other costs incurred in connection with taking out a loan (free loan sanction within the meaning of Article 45). As of 31 December 2023, 16 cases have been legally concluded, and in all these cases the Bank won the dispute. The Bank believes that the prognosis regarding the litigation chances of winning the remaining disputes are positive and therefore it has not created provisions in this respect.

10. On 22 December 2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against bank Millennium S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated.

11. 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.

12. 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 an Investor Presentation dated January 2024, 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);

In a statement dated 2 February 2024, the Resolution Fund clarifies that it has been informed of the Supreme Court's ruling on the appeal filed by Novo Banco, following the decision of the Lisbon Court of Appeal, which rejected the petition for annulment of the decision of the Court of Arbitration, issued in October 2021, relating to the first arbitration between the Resolution Fund and Novo Banco, which began in 2020.

This ruling definitively confirms the validity and correctness of the position taken by the Resolution Fund in 2019, when it opposed being charged, through the CCM, for the impact of Novo Banco's intention to waive the transitional regime related to the implementation of IFRS 9. The Resolution Fund's action in this process resulted in a saving of its resources of Euros 169 million.

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 has an arbitration proceeding underway, 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 in the 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, 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 2023 annual report (note 28), Novo Banco adhered to the Special Regime applicable to Deferred Tax Assets under Law No. 61/2014, of 26 August (REAID), 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 REAID.

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 REAID. 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 April 2023, a capital increase of Euros 263,183 thousand 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. With reference to the 2020 financial year, conversion rights representing 3.64% of the capital were issued which will only dilute, in accordance with the sale contract, the Resolution Fund's participation if the shareholders do not exercise their potestative right to acquire the conversion rights.

According to Novo Banco's 2023 annual report, Lone Star owns 75% of Novo Banco, the Resolution Fund 13%, and the Portuguese State 12%.

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.

According to the Resolution Fund (press release dated 29 December 2023), Oitante has already paid a total of Euros 78.8 million to the Resolution Fund, of which Euros 63.8 million will be paid in 2023. The amounts received and to be received by the Resolution Fund, given its 100% participation in Oitante's capital, will contribute to reducing the losses of Euro 489 million incurred by this Fund in the resolution of BANIF and will be used to repay the debts of the Resolution Fund, namely to the State.

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. 28/2023, published on 15 December 2023, set the base rate for 2024 for the determination of periodic contributions to the Resolution Fund at 0.032% (0.029% in 2023).

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 Bank of 2023 was Euros 22,811 thousand, of which the Bank delivered Euros 17,679 thousand and the remaining was constituted as irrevocable payment commitment.

In 2023, the Bank made regular contributions to the Portuguese Resolution Fund in the amount of Euros 9,402 thousand. The amount related to the contribution on the banking sector in Portugal registered in this period was Euros 44,387 thousand. These contributions were recognized as a cost in 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.

13. 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).

14. Following the restructuring process agreed with the Directorate-General for Competition (DGComp) and the Portuguese State, Group Banco Comercial Português implemented in 2014 a salary adjustment process for employees, with a temporary effect. 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.

15. 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.

50. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Court claims and current provisions for legal risk

On 31 December 2023, Bank Millennium had 20,914 loan agreements and additionally 1,780 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 (64% loans agreements before the courts of first instance and 36% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,130.6 million (Euros 950.9 million) and CHF 281.5 million (Euros 302.8 million) [(Bank Millennium portfolio: PLN 3,780.2 million (Euros 870.3 million) and CHF 272.6 million (Euros 293.2 million) and former Euro Bank portfolio: PLN 350.4 million (Euros 80.7 million) and CHF 8.8 million (Euros 9.5 million)]. Out of 20,914 Bank Millennium's loan agreements in ongoing individual cases 240 are also part of class action. From the total number of individual litigations against the Bank approximately 2,260 or 11% 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 730 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 240 are also part of ongoing individual cases, 858 concluded settlements and 7 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. On 20 November 2023 the claimant requested granting interim measures to secure the claims against the Bank. In a decision of 27 December 2023, the request for granting interim measures was dismissed.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,985 individual claims were filed against Bank Millennium (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,159 (423), in 2022 the number increased by 5,755 (408), while in 2023 the number increased by 6,871 (647).

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 (including the former Euro Bank portfolio) is concerned, from 2015 until the end of 2023, 3,341 cases were finally resolved (3,263 in claims submitted by clients against Bank Millennium and 78 in claims submitted by Bank Millennium against clients i.e. debt collection cases) out of which 925 were settlements, 56 were remissions, 64 rulings were favourable for Bank Millennium and 2,296 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 31 December 2023 was PLN 6,264 million (Euros 1,442.1 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 763 million (Euros 175.7 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 6,955 million (Euros 1,601.2 million), excluding potential amounts connected with interest. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the 12 months of 2023, Bank Millennium created PLN 2,828.1 million (Euros 623 million) provisions for Bank Millennium originated portfolio and PLN 237.3 million (Euros 52.2 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for Bank Millennium's portfolio at the end of December 2023 was at the level of PLN 7,268.8 million (Euros 1,673.4 million), and PLN 603 million (Euros 138.8 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 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 covered by methodology in this group of clients to 83% of the total number of currently active loans compared to 77% at the end of 3rd quarter of 2023. 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 circa 16% sued or will decide to sue the Bank 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) Bank Millennium does not include in the methodology of calculating an element related to to the potential claim for remuneration for the client in connection with the repayments made by him or her;

(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 been contacted by or 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 21,428: 1,363 in 2020; 8,450 in 2021; 7,943 in 2022 and 3,672 in 2023. As of the end of 2023, the Bank had 32,425 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,340.1 million (Euros 295.2 million): PLN 44.5 million (Euros 9.8 million) in 2020; PLN 364.6 million (Euros 80.3 million) in 2021; PLN 515.2 million (Euros 113.5 million) in 2022 and PLN 415.8 million (Euros 91.6 million) in 2023 and is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement.

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Société Générale.

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 the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 167 million (Euros 36.8 million)
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p	PLN 75 million (Euros 16.5 million)
Change in probability of success in negotiations with court client	Change of probability by 1 p.p	PLN 18 million (Euros 4 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. 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 the proposal of above system solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU which excludes demanding by the Bank amounts exceeding the return of disbursed capital, 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 31 December 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 1.47 p.p. (1.46 p.p. at the Group level), part of which is allocated to operational/legal risk.

Taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, the Bank will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the polish 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.

The Court of Justice of the European Union and the Polish Supreme Court rulings relevant to risk assessment

Jurisprudence of the 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., the 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 consumer'.

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 Noble 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:

a. 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,

b. 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 Noble 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 Noble 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 mBank. 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.

On 7 December 2023, the CJEU issued the judgement in the case C-140/22 in connection with the preliminary questions formulated by the District Court in Warsaw in the case against of mBank S.A. The Court stated that provisions of the Directive 93/13 must be interpreted as meaning that, in the context of the cancellation, in its entirety, of a mortgage loan agreement concluded with a consumer by a banking institution on the ground that that agreement contains an unfair term without which it cannot continue in existence:

(i) they preclude the judicial interpretation of national law according to which the exercise of the rights which that consumer draws from that directive is conditional on the lodging, by that consumer, before a court, of a declaration by which he or she states, first, not to consent to that unfair term remaining effective, secondly, to be aware of the fact that the nullity of that term entails the cancellation of that agreement and, moreover, of the consequences of that cancellation and, thirdly, to consent to the cancellation of that agreement;

(ii) they preclude the compensation sought by the consumer concerned in respect of the restitution of the sums paid by him or her in the performance of the agreement at issue being reduced by the equivalent of the interest which that banking institution would have received if that agreement had remained in force.

The Court of Justice of European Union by an order of December 11, 2023, closed the case registered under case number C-756/22 initiated by the District Court in Warsaw in the case brought by Bank Millennium and ruled that the provisions of Directive 93/13 must be interpreted as meaning that, in the context of declaring a mortgage loan agreement concluded with a consumer by a banking institution to be invalid in its entirety on the grounds that, that the contract contains unfair terms without which it cannot be continued, they preclude a judicial interpretation of the law of a Member State according to which that institution is entitled to recover from that consumer amounts other than the capital paid in performance of that contract and statutory interest for delay from the time of the demand for payment.

On December 14, 2023, the CJEU issued the judgement in the case C-28/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) provisions of Directive 93/13 read in the light of the principle of effectiveness must be interpreted as precluding a judicial interpretation of national law according to which, following the cancellation of a mortgage loan agreement concluded with a consumer by a seller or supplier, on account of unfair terms contained in that agreement, the limitation period for the claims of that seller or supplier stemming from the nullity of that agreement starts to run only as from the date on which the agreement becomes definitively unenforceable, whereas the limitation period for the claims of that consumer stemming from the nullity of that agreement begins to run as from the day on which the consumer became aware, or should reasonably have become aware, of the unfair nature of the term entailing such nullity;

(ii) provisions of the Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law according to which it is not for a seller or supplier who has concluded a mortgage loan agreement with a consumer to ascertain whether the consumer is aware of the consequences of the removal of the unfair terms contained in that agreement or of that agreement being no longer capable of continuing in existence if those terms were removed;

(iii) provisions of the Directive 93/13, read in the light of the principle of effectiveness, must be interpreted as precluding a judicial interpretation of national law according to which, where a mortgage loan agreement concluded with a consumer by a seller or supplier is no longer capable of continuing in existence after the unfair terms in that agreement have been removed, that seller or supplier may rely on a right of retention which allows him or her to make the restitution of the sums which it has received from that consumer conditional on that consumer making an offer to repay the sums which he or she has himself or herself received from that seller or supplier or to provide a security for the repayment of those sums, where the exercise by that seller or supplier of that right of retention entails the loss, for that consumer, of the right to obtain default interest as from the expiry of the time limit set for performance by the seller or supplier concerned, following receipt by that seller or supplier of a request to repay the sums he or she had been paid in performance of that agreement.

The Court of Justice of the European Union by an order of January 15, 2024, closed the case registered under case number C-488/23 following a question from the District Court of Warsaw, indicating that the right of a financial institution to demand the valorization of the disbursed capital after a loan agreement has been declared invalid was excluded in the judgment of June 15, 2023 issued in case C-520/21.

On January 18, 2024, the CJEU issued the judgement in the case C-531/22 in connection with the preliminary questions referred by the District Court in Warsaw in the case of ex-Getin Noble Bank S.A. The Court stated that:

(i) the provisions of Directive 93/13 preclude national legislation which provides that a national court may not examine of its own motion the potentially unfair nature of the terms contained in a contract and draw the consequences thereof, where it is supervising enforcement proceedings carried out on the basis of a final decision to issue an order for payment which is subject to res judicata:

a. if the regulations do not provide for such an examination at the stage of issuing a payment order, or

b. if such examination is provided for only at the stage of opposition to the order for payment in question, provided that there is a significant risk that the consumer in question will not file the required opposition either because the time limit specified for this purpose is very short, or because of the cost of the proceedings before the court in relation to the amount of the disputed debt, or because the national legislation does not provide for the obligation to provide that consumer with all the information necessary for him to establish the extent of his rights;

(ii) the provisions of Directive 93/13 do not preclude national case law according to which the entry of a term of a contract in a national register of prohibited clauses has the effect of declaring that term unfair in any proceedings involving a consumer, including against a trader other than the one against whom proceedings for the entry of the said term in that national register were pending, and where that term does not have the same wording as the term entered in the said register, but has the same meaning and has the same effect with respect to the consumer in question.

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. By 31 December 2023 the Bank filed about 8.1 thousand lawsuits against the borrowers.

Due to the CJEU jurisprudence interpreting the causes and effects of invalidity of foreign currency mortgage loan agreements, the area of interpretation of regulations by Polish courts in this respect appears to be limited. However, further jurisprudential practice of the Polish courts will play an important role in fulfilling the content of the CJEU's guidance and, moreover, this practice will be of significant importance as regards issues that, given the scope of the CJEU's competence, are subject to national jurisprudence.

2. Events that may impact foreign currency-indexed mortgage loans legal risk and related provision

The issues related to the statute of limitations for the Bank's and the customer's restitutionary claims following the invalidation of a loan agreement remain an area that may be subject to further analysis in the jurisprudence of Polish courts. Legal interpretations in this subject 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, the extent of the consumer's and the bank's entitlement to statutory interest for delay on restitution claims may be an important legal issue.

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.

51. Recently issued accounting standards

1 - Recently issued accounting standards and interpretations that came into force in the current financial year

At the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were endorsed by the European Union (EU) with mandatory application for the financial year of the Bank started on 1 January 2023:

IFRS 17 — Insurance contracts

This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaced IFRS 4 – Insurance contracts.

There were no material impacts on the application of this standard in the Bank's financial statements.

Amendment to IAS 8: Definition of accounting estimates

This amendment emphasizes how companies should distinguish changes in accounting policies from changes in accounting estimates, which is relevant since changes in accounting estimates are applied prospectively, only to future transactions and other events, while changes in accounting policies are generally applied retrospectively to past transactions and other events. The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty", used to achieve the objective(s) of an accounting policy.

There were no material impacts on the application of this amendment in the Bank's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies

Amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies, further explaining how an entity can identify a material accounting policy. On the other hand, Amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

There were no material impacts on the application of this amendment in the Bank's financial statements.

Amendment to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

This amendment requires companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendment will mostly apply to transactions such as leases and decommissioning obligations.

There were no material impacts on the application of this amendment in the Bank's financial statements.

Amendment to IFRS 17: Initial application of IFRS 17 and IFRS 9 — Comparative information

This amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities by providing insurers with an option for the presentation of comparative information about financial assets, thus improving the usefulness of comparative information for users of financial statements.

There were no material impacts on the application of this amendment in the Bank's financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pilar Two Model Rules

The amendments introduce a temporary exception to the recognition of disclosures of information on deferred tax assets and liabilities related to the application of the OECD Pillar 2 model rules and new additional disclosure requirements for affected entities (entities belonging to multinational groups with consolidated revenues of Euros 750 million in at least two of the last four years).

The amendments are mandatory for annual reporting periods beginning on or after 1 January 2023.

There were no material impacts on the application of this amendment in the Bank's financial statements.

2 - Standards, interpretations, amendments and revisions that will take effect in future financial years

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have been endorsed by the European Union until the date of approval of these financial statements:

Amendment to IAS 1: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current — Deferral of effective date (applicable for years beginning on or after 1 January 2024)

On 23 January 2020, Amendment to IAS 1: Classification of liabilities as current or non-current was issued, which aims to clarify that the classification of liabilities as current or non-current should be made based on the existing rights at the end of the financial reporting period, not being affected by expectations related to the exercise of the right to defer the settlement of a liability and, additionally, that the settlement corresponds to the extinction of a liability by transferring cash, equity instruments, other assets or services to a counterparty.

On 15 July 2020, it was decided to postpone by a year the effective date of the referred amendment.

This amendment, although endorsed by the European Union, was not adopted by the Bank in 2023 as its application is not mandatory yet.

Amendment to IFRS 16: Lease liability in a sale and leaseback (applicable for years beginning on or after 1 January 2024)

This amendment was issued on 22 September 2022 and it provides changes that specify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in sale and leaseback operations.

This amendment, although endorsed by the European Union, was not adopted by the Bank in 2023 as its application is not mandatory yet.

3 - Standards, interpretations, amendments and revisions not adopted by the European Union yet

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements, and, therefore, have not been applied by the Bank:

Amendment to IAS 7: Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (applicable for years beginning on or after 1 January 2024)

This amendment was issued on 25 May 2023 and it which address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are often referred to as supply chain finance, trade payables finance or reverse factoring arrangements.

Amendment to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (applicable for years beginning on or after 1 January 2025)

This amendment was issued on 15 August 2023 and it provides changes in specify when a currency is exchangeable into another currency and when it is not, specify how an entity determines the exchange rate to apply when a currency is not exchangeable and require the disclosure of additional information when a currency is not exchangeable.

52. List of subsidiary and associated companies of Banco Comercial Português S.A.

As at 31 December 2023, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Banco ActivoBank, S.A.	Lisbon	127,600,000	EUR	Banking	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %
BCP África, S.G.P.S., Lda.	Funchal	214,223,800	EUR	Holding company	100 %
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100 %
M Representações Ltda.	São Paulo	77,780,760	BRL	Financial Services	100 %
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100 %
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	Oeiras	1,500,000	EUR	Real estate investment fund management	100 %
Monumental Residence - Sociedade de Investimento Coletivo Imobiliária Fechada, S.A.	Oeiras	31,900,000	EUR	Real-estate management	100 %
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,750	EUR	Services	93.2 %
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	E-commerce	100 %
Imoserit, S.A.	Oeiras	50,000	EUR	Buying and selling real estate	100 %

As at 31 December 2023, the Banco Comercial Português, S.A. investment funds, are as follows:

Investment funds	Head office	Share capital	Currency	Activity	% held
Imosotto acumulação - Fundo de Investimento Imobiliário Fechado	Oeiras	102,385,157	EUR	Real estate investment fund	100 %
Imorenda - Fundo de Investimento Imobiliário Fechado	Oeiras	85,156,715	EUR	Real estate investment fund	100 %
Sand Capital - Fundo de Investimento Imobiliário Fechado	Oeiras	88,082,695	EUR	Real estate investment fund	100 %
Fundial - Fundo de Investimento Imobiliário Fechado	Oeiras	17,340,985	EUR	Real estate investment fund	100 %
Fundipar - Fundo de Investimento Imobiliário Fechado	Oeiras	11,345,348	EUR	Real estate investment fund	100 %
Domus Capital - Fundo de Investimento Imobiliário Fechado	Oeiras	3,799,969	EUR	Real estate investment fund	95.8 %
Predicapital - Fundo de Investimento Imobiliário Fechado (*)	Oeiras	88,951,500	EUR	Real estate investment fund	60 %

(*) Company classified as non-current assets held for sale.

During 2023, the Bank proceeded with the liquidation of the funds Oceânico II – Fundo de Investimento Imobiliário Fechado and Funsita - Fundo de Investimento Imobiliário Fechado.

As at 31 December 2023, the Special Purpose Entity of Banco Comercial Português S.A. is as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	% held
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %

During the 3rd quarter of 2023, the Bank settled the Magellan Mortgages No.1 securitization operation.

As at 31 December 2023, the Bank's associated insurance companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	50,002,375	EUR	Life reinsurance	49 %

As at 31 December 2023, the Bank's associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
Banque BCP, S.A.S.	Paris	215,335,898	EUR	Banking	19 %
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1 %

53. Subsequent events

In addition to the aspects disclosed in the other notes and according to the accounting policy 1 Y, the events that occurred after the date of the financial statements and until the date of its approval, were as follows:

S&P Global Ratings upgraded BCP's Outlook

On 12 March 2024, S&P Global Ratings upgraded BCP's Outlook from Stable to Positive.

EIB signed an agreement with Millennium bcp

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

Banco Comercial Português, S.A. informed about the issuance of perpetual subordinated notes (Additional Tier 1)

As at 11 January 2024, Banco Comercial Português, S.A. (“Millennium bcp”) informed it has set the conditions for a new issue of Additional Tier 1, in the amount of Euros 400 million, with the option of early repayment by Millennium bcp from the end of 5th year onwards with a coupon of 8.125% per year for the first 5.5 years, which will be refixed from that date every 5 years, with reference to the then prevailing 5-year mid-swap rate plus a spread of 5.78%.

Banco Comercial Português, S.A. informed about the resignation of a member of the Board of Directors

As at 5 January 2024, Banco Comercial Português, S.A. (“Bank”) informed, under the terms and for the purposes of article 6 of CMVM Regulation No. 1/2023, that the Non-Executive Director Xiaoxu Gu (also known as Julia Gu) presented today its resignation to the position of non-executive member of the Board of Directors, effective from February 29, 2024.

The Bank informs that it will begin the process of identifying and selecting a new non-executive member to join its Board of Directors in accordance with the applicable Bank's regulations. The conclusion of this process will be announced in due course and will not affect the regular functioning of the Board of Directors.

Banco Comercial Português S.A. informed about decision to call the currently outstanding Additional Tier 1 instrument ("AT1") in the amount of Euros 400 million

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

Declaration of Compliance

Millennium bcp

Administração

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of knowledge of the undersigned, the individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which comprise: (i) the individual and consolidated Balance Sheets as of 31 December 2023; (ii) the individual and consolidated Income Statements for the financial year which ended on 31 December 2023; (iii) the consolidated and individual Statements of Changes in Equity and Cash Flows for the said financial year; (iv) a summary of significant accounting policies; and (v) the individual and consolidated explanatory notes, give a true and fair view of the Bank's individual and consolidated financial position as of 31 December 2023, as well as the individual and consolidated results of its operations and the individual and consolidated changes in equity and cash flows, in accordance with International Accounting Standards as adopted by the European Union.

The Bank's individual and consolidated financial statements for 31 December 2023 were approved by the Board of Directors on 26 February 2024.

It is further declared that BCP's management report for the 2023 financial year, which faithfully reports on the business evolution, performance and situation of the Bank and the companies included in the consolidation perimeter and contains a description of the main risks and uncertainties facing them, was approved by the Board of Directors on this date.

Porto Salvo, 25 March 2024

Nuno Manuel da Silva Amado
(Chairman)

Jorge Manuel Baptista Magalhães Correia
(Vice-Chairman)

Valter Rui Dias de Barros
(Vice-Chairman)

Miguel Maya Dias Pinheiro
(Vice-Chairman)

Altina de Fátima Sebastian Gonzalez Villamarin
(Member)

Ana Paula Alcobia Gray
(Member)

Cidália Maria da Mota Lopes
(Member)

Fernando da Costa Lima
(Member)

João Nuno de Oliveira Jorge Palma
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

Lingjiang Xu
(Member)

Lingzi Yuan (Smilla Yuan)
(Member)

Novo capital social: 3.000.000.000 Euros

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BANCO COMERCIAL PORTUGUÊS, S.A. Sociedade Aberta, com sede na Praça D. João I, 28, Porto, com o Capital Social de 6.064.999.986 Euros, matriculada na Conservatória do Registo Comercial do Porto, com o número único de matrícula e de identificação fiscal 501 525 882

Praça D. João, I, 28 - 4000-295 PORTO
Av. Prof. Dr. Cavaco Silva, Edifício 1, Piso 0, Ala B
2744-002 PORTO SALVO

Millennium bcp

Administração

Maria José Henriques Barreto de Matos de Campos
(Member)

Miguel de Campos Pereira de Bragança
(Member)

José Pedro Rivera Ferreira Malaquias
(Member)

Rui Manuel da Silva Teixeira
(Member)

Novo capital social: 3.000.000.000 Euros

BANCO COMERCIAL PORTUGUÊS, S.A. Sociedade Aberta, com sede na Praça D. João I, 28, Porto, com o Capital Social de 6.064.999.986 Euros, matriculada na Conservatória do Registo Comercial do Porto, com o número único de matrícula e de identificação fiscal 501 525 882

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Av. Prof. Dr. Cavaco Silva, Edifício 1, Piso 0, Ala B
2744-002 PORTO SALVO

Annual Report of the Audit Committee

AUDIT COMMITTEE ANNUAL REPORT

I – Introduction

The Audit Committee ('Committee') of Banco Comercial Português, S.A. 'Bank') hereby presents the report on its supervisory functions regarding the 2023 financial year, in compliance with the requirements of article 423 (1) (g) of the Portuguese Companies Code.

II – Competences of the Audit Committee

The Audit Committee is the Bank's supervisory body possessing the competences foreseen in art. 423-F of the Companies Code, being responsible for monitoring the compliance with the law and the Bank's articles of association, in particular, among other powers, it is responsible for supervising and monitoring the management of the Bank in its Group dimension, in particular the process of preparing and disclosing financial and prudential information and the compliance of the financial statements with the applicable accounting and regulatory standards, including the opinion on the financial statements and the proposal for the appropriation of income to be submitted to the General Meeting of Shareholders.

In addition it is also a responsibility of the Audit Committee to guarantee the existence and supervise the effectiveness of the risk management, compliance and internal audit functions, issuing opinions on their activity plans and reports, as well as on the governance and internal control systems and the organizational culture of the Bank, assess and monitor the main prudential indicators, the Risk Office risk report, the activity of the Compliance Office, the Internal Audit activity, the handling of complaints and claims, the correspondence exchanged with the supervision and regulatory authorities and, finally, analyse the transactions involving related parties and potential conflicts of interest, as well as the communications on irregularities.

The Audit Committee regularly supervises and follows the activity exercised by the Bank's Statutory Auditor and External Auditor, Deloitte & Associados - SROC, S.A. ('Deloitte'), discussing the relevant audit issues when appraising the quarterly, half-yearly and annual financial statements, and receiving the additional report to the supervisory body. The Committee is also responsible for promoting the annual assessment of the Statutory Auditor (ROC) and External Auditor and its independence and objectivity in the exercise of its functions.

III - Activities carried out

The year 2023 was marked by the impact on the Bank's activity of the current economic situation featured by rising prices and high interest rates. Within this context, the Audit Committee monitored the performance of the most relevant risks resulting from the geopolitical end economic crisis in Portugal and in the remaining countries where the Group operates, particularly in what concerns the monitoring of the credit risk in the sectors that are most vulnerable to the current conjuncture and the update of the macroeconomic scenarios, and interest rate risk, in particular the effects of rising interest rates on the bank's earnings and net worth.

In 2023 the Committee held 21 meetings with the participation of all its members, in person or via video conference, and minutes were made and approved of those meetings.

From the activities developed by the Audit Committee in the 2023 financial year, we may point out the following ones:

A. Follow-up and supervision of the Bank's management

As part of the activity of monitoring and supervising the Bank's management, the Audit Committee, throughout 2023, followed the activity carried out by the Executive Committee, taking cognizance of its minutes of meeting.

At the Committee's meetings also participated, regularly, as guests, the Executive Director in charge of the Financial Area, the Executive Director in charge of the Compliance and Risk areas, the Bank's Statutory and External Auditor, the Risk Officer, the Compliance Officer, the coordinating-manager of the Audit Division, the coordinating-manager of the Research, Planning and ALM Division, the coordinating-manager of the Marketing and Network Support Division, responsible for the analysis and handling of claims and complaints. In the course of 2023, the Committee also summoned to take part in its meetings, whenever it deemed necessary, other members of the Bank's Executive Committee, as well as the Chief Operations Officer, especially for the follow-up of the implementation of the Strategy and recommendations on IT internal control, the project for the special audit of data quality and the strategy and recommendations for internal cybersecurity control, and met quarterly with the coordinating managers of the Accounting and Consolidation and Tax Advisory Divisions.

In addition and based on the power it has to convoke any employee of the Bank that it wishes to consult, with the purpose of getting information on the activity developed by the respective areas, the Committee met with the coordinating-managers of the Specialised Monitoring, IT and Technology and Information Security. The Committee also met with the coordinating-manager of the Human Resources Division to assess the organizational and internal control environment of the Bank and to assess the implementation of the Group's remuneration policies.

The Audit Committee, with the aim of monitoring the policy, strategy, and risks of ESG – Environmental, Social and Corporate Governance, met with the coordinating manager of the Economic Studies, Sustainability and Cryptoassets Division (DESC), to analyse the status of the implementation of the bank's policy on the environment, sustainability, and corporate governance in progress.

The members of the Committee also participated in the meetings of the Committee for Risk Assessment, in which the strategy and review of the indicators adopted within the scope of the process of identifying and defining the Bank's risk metrics, RAS – Risk Appetite Statement, limit breaches, as well as plans to reduce Non-Performing Assets (NPA) and Corporate Restructuring Funds (FRE) were analysed.

While performing its functions, the Committee requested and obtained all the data and clarifications relevant for that purpose, which included the timely and appropriate monitoring of the compliance with the articles of association and with the applicable legal and regulatory provisions, meeting no constraints to its actions.

B. Supervision of the process of preparation and disclosure of financial information

The Committee assessed the main accounting policies adopted, especially those reflected in the financial statements of the Bank and of its subsidiaries.

In 2023, the Committee monitored the introduction of international accounting standards - IFRS 17 and IFRS 9 - in the insurance business, and the impacts are already reflected in the bank's annual financial statements, regarding the stake in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

The Committee regularly monitored the evolution of the largest credit exposures and impairments, at individual and collective level, as well as their calculation methodologies, including the methodology for calculating the provision for loans indexed to the Swiss franc granted by Bank Millennium (‘BM’).

The amount and recoverability of deferred tax assets ('DTAs') were also analysed and discussed by the Committee, being noteworthy the decrease in the amount of DTAs throughout 2023, in particular of DTAs protected by the special regime applicable to DTAs. By the end of 2023, the net amount of DTAs in the Bank’s balance sheet amounts to around 2,5 billion euros and the recoverability analysis of these assets is based on projections and estimates; the Bank concluded that the same are totally recoverable.

The increase in value of real estate properties classified as non-current assets held for sale, as well as those held through participation units in Real Estate investment Funds in which the Bank is the majority participant, were also regularly monitored by the Committee throughout the year.

In particular, the Committee monitored the evolution of the Corporate Restructuring Funds and their valuation, as well as the Bank's efforts to reduce them, in particular regarding a number of assets excluded from the Crow Project transaction, referred to as carved-out assets, and the amount of provisions allocated by the Bank to these assets in "other provisions for risks and charges".

The Committee also analysed regularly the information on the pensions Fund of Group Banco Comercial Português and the actuarial assumptions used to determine the liabilities with retirement pensions, especially those resulting from changes in interest rate and, consequently, from the discount rate.

The Committee also kept itself informed about the developments inherent to the Resolution Fund, the fine imposed by the Competition Authority and its potential impacts.

Every month, the Committee appraised the information on the individual and consolidate financial statements, as well as the earnings and main financial indicators of the Group’s companies. It also periodically analysed the Bank's liquidity, cost-to-income, and solvency ratios.

The Committee assessed the Director's Report and Financial Statements with reference to the 2022 financial year and the Legal Certification of Accounts, and the Audit Reports of Deloitte, on the financial statements, on an individual and consolidated basis and issued without reservations or emphases. In accordance with article 420 (5) of the Companies Code, the Committee confirmed that the Corporate Governance Report, included in the Bank's Annual Report, with reference to 2022, contains the data mentioned in article 245-A of the Securities Code.

Pursuant to the analysis made on March 24, 2023, the Committee issued a favourable opinion on the approval by the General Meeting of Shareholders of the Bank of the Director's Report and other financial statements with reference to the 2022 financial year and on the proposal for the application of individual net income and the reserve for stabilization of dividends submitted by the Board of Directors.

In 2024, because of the review of the Bank's financial statements, the Committee observes that, in 2023, the results on a consolidated basis amounted to €856 million, due to the positive contribution of 85% from the activity in Portugal (+€725 million), and 15% of the international activity (+€131 million). The positive results in the international activity were greatly impacted by the positive on-off effects resulting from the recovery of 65% of Proindicus' credit in Mozambique and positive on-off effects resulting from the transaction related to the sale of the insurer's operation in Poland, despite the negative impact of the high volume of provisions made for loans indexed to Swiss francs in the BM, which was partly mitigated by the positive effect of rising interest rates on the Bank's core activity.

In relation to the activity in Portugal, on the income side, we highlight the sharp increase in net interest income, driven by the rise in interest rates and offset by the rise in the cost of deposits, the value of fees, stable but conditioned by a lower volume of credit and recent legislative changes, positive operating and trading results; and, on the cost side, a favourable impairment behaviour for credit offset by an increase in provisions for other risks and charges; culminating in a positive evolution of the cost-to-income and cost-to-core income ratios. In addition, the Audit Committee also monitored, throughout 2023, the impacts of rising interest rates on the Bank's balance sheet, where we highlight the increase of €1.174 billion compared to the same period of the previous year, which benefited from the positive effects of the bank's earnings, the fair value reserves of the securities portfolio and the positive effects of cash flow hedging, offset by a negative deviation resulting from net actuarial losses due to the decrease in the discount rate from 4.17% to 3.53%, and increasing the assumptions of the growth rate of wages and pensions.

As for activity abroad, in 2023 the negative impact of the reinforcement of provisions for loans indexed to the Swiss Franc in the BM was accentuated. In view of the evolution of the BM's financial situation, a plan to recover the bank's capital was activated in 2022, with a set of additional measures to strengthen capital, which was implemented by the bank in the course of 2023, as planned.

By the end of 2023, the Committee appraised the proposal for the Group's budget for 2024, focusing the analysis on the assumptions used, on the expected evolution of earnings and activity indicators, on risk factors, on market shares, on investments and on the evolution of own funds, as well as on the different scenarios and sensitivity analysis prepared, which presented a set of adverse scenarios. As a result of the analysis carried out, the Audit Committee issued a favourable opinion in relation to the final proposal for the 2024 budget.

C. Follow-up of international operations

Throughout the year, the Committee regularly monitored the performance of the international operations, namely due to its size and relevance for the Group, BM in Poland and Banco Internacional de Moçambique (BIM). It also monitored the activity of Banco Millennium Atlântico (BMA), an entity in which BCP holds a 22.5% stake.

The Committee received monthly updates on the evolution of the activity of the foreign subsidiaries, the respective financial statements and the main business indicators, paying particular attention to monitoring the processes arising from the loans indexed to the Swiss Franc at BM and the reinforcement of the respective provision, as well as monitoring the losses incurred in out-of-court negotiations with Customers.

Poland's positive results were influenced by the positive performance of net interest income, the one-off effect of the sale of 80% of the insurance company's operations, exemptions from special contributions from the banking sector and IPS, which made it possible to absorb the high amounts of provisions for loans indexed to the Swiss Franc.

In the meantime, the uncertainty remains as to the decision of the courts regarding the loans indexed to the Swiss Franc, notwithstanding the opinion already issued by the Advocate-General of the European Union Court of Justice pointing towards a solution of non-remuneration of the loans in question.

The Committee also monitored the activity and the economic and financial situation of BIM, in particular the evolution of its loan portfolio and the corresponding impairments and it should be noted that in 2023, the results generated by BIM made a positive contribution to the Group's consolidated result, while they were negatively influenced by the increase in contributions to mandatory reserves (40%), and by a better performance of the credit impairment line, resulting from the recovery of 65% of the Proindicus loan as well as more hedges.

The evolution of the value of the financial stake in BMA was also monitored on a regular basis.

Additionally, and whenever justified, the Committee analysed with the executive directors the main risks of each operation and country.

D. Supervision of the effectiveness of the internal control system, including risk management, compliance, and internal audit

The Audit Committee monitored the preparation of the Report on the Prevention of Money Laundering and Terrorism Financing with reference to 28 February 2023, prepared in accordance with the terms provided for in Banco de Portugal Notice no. 1/2022 and on which it issued an opinion addressed to the Board of Directors, and took note of the conclusions of the support work by an external consultant on the internal control system for the prevention of money laundering and terrorism financing.

The Committee also monitored the work to review the internal control system as a whole, which included an analysis and assessment carried out by Deloitte, as part of consultancy services contracted specifically for this purpose, and analysed and discussed the group perimeter defined to identify the Group entities covered by the obligation to issue Annual Self-Assessment Reports. Additionally, it monitored the preparation of these reports with reference to 30 November 2023, which include the self-assessments of the independence of the Risk Office, the Compliance Office and the Audit Division, and issued a report addressed to the Board of Directors that includes the Audit Committee's assessment and opinion regarding the Bank's governance model, organisational culture and internal control system, as foreseen in Banco de Portugal's Notice no. 3/2020.

Throughout 2023, the Audit Committee monitored the implementation of the recommendations reported in the Annual Self-Assessment Reports and the Report on the Prevention of Money Laundering and Terrorism Financing. The Committee also monitored the implementation of the action plans drawn up to carry out the recommendations issued by the European Central

Bank and Banco de Portugal, with particular emphasis on the internal control system, including the component on the prevention of money laundering.

In relation to the risk management system, the Committee appraised the activity developed by the Risk Office, and monitored the evolution of the main risk indicators, which contain, namely, information on credit, liquidity, market, operational, compliance and reputational risks, for all the Group's operations. Of particular importance is the special monitoring of non-performing exposures, the Corporate Restructuring Funds, the Pension Fund, the cost-to-core income ratio, the stock of court proceedings relating to loans indexed to the Swiss Franc, the exposure to Mozambique risk and the value of the financial holding in BMA. Equally, the Committee monitored the evolution of the Bank's loan portfolio, particularly in the most vulnerable sectors of activity, and its potential impacts on the Bank's impairment and default levels.

The Committee took note of the operations approved by the Executive Committee for increased-risk debtors, having obtained the clarifications requested regarding such operations, whenever deemed necessary.

The Audit Committee supervised monthly the activity developed by the Audit Division, whose coordinating manager also informed the Committee on a monthly basis on the prudential inspection actions carried out by the supervisory entities and on the status of implementation of the recommendations arising thereof.

The Committee analysed and approved the proposal to revise the Audit Division's Activity Plan for 2023, and discussed and analysed the proposed changes to the deficiency risk classification matrix, as of 2024. It approved the activity plan developed by this Division in the fourth quarter of 2023 and the quarterly activity reports for 2023, the last of which will be in 2024, and monitored the progress of the implementation of the recommendations issued because of the internal audit actions carried out.

At the end of 2023, the Committee reviewed and approved the Multi-Annual Plan of the Audit Division for 2024-2026, which includes the Activity Plan of that division for 2024.

Throughout 2023, the Compliance Officer reported monthly to the Audit Committee on the activities of the Bank's compliance function, as well as on the behavioural inspection actions carried out by the supervisory bodies and the status of implementation of the recommendations resulting thereof. The Audit Committee analysed and approved the annual report of the activity developed by this area in 2023 and the quarterly reports on the activity developed in 2023 and, already in 2024, analysed and approved the Compliance Office Activity Plan for 2024, as well as the annual report of the activity developed by this area in 2023.

Under the policy of accepting donations, the Committee took note of and decided on donations communicated by the Bank's employees, as well as by the members of the governing bodies.

The Committee also monitored the irregularities reported through the "Report Irregularities" channel. Detailed information on the reports received using this channel and how they are processed is presented in a separate report, under the terms set out in Banco de Portugal Instruction 18/2020 and other applicable legislation.

Throughout the year of 2023 the Committee was regularly aware of the correspondence exchanged between the Bank and the supervisory entities, requesting from the Executive Committee and the relevant areas of the Bank additional information and clarifications regarding the matters covered in that correspondence whenever deemed necessary.

The Commission has also kept itself informed of major legislative and regulatory changes and has provided an opinion on group codes on which its opinion has been sought or is required by law. In addition, the Committee monitored the transposition of group codes in the subsidiaries abroad, ending 2023 with 100% transposition in all geographies.

E. Complaints and claims

The Committee was regularly informed and monitored the handling of customer complaints and claims by the Client's Ombudsman Office and the Marketing and network Support Division.

F. Supervision and monitoring of the activity of the Statutory Auditor and External Auditor

In 2023 the Committee reviewed the conclusions of the audit of the financial statements for 2022 on an individual and consolidated basis by Deloitte, the Bank's Statutory and External Auditor, and the corresponding statutory audit certifications and audit reports, as well as the conclusions of the desktop review of the financial statements for the first quarter of 2023 and the limited reviews of the interim financial statements for the first half and third quarter of that year.

Concerning other work carried out by Deloitte, the Committee analysed: (i) the Statutory Auditor's opinion on the adequacy and effectiveness of the internal control system underlying the financial information preparation and disclosure process; (ii) the External Auditor's reports on the impairment of the loan portfolio with reference to December 2022 and June 2023; and (iii) the External Auditor's report on the safeguarding of client assets; (iv) the reports on the assets eligible for collateral for credit operations within the Eurosystem; and (v) the report on compliance with the legal and regulatory requirements applicable to covered bond issues.

The Committee discussed with the External Auditor, among other matters, the evolution of customer credit with the recording of impairments, the expected recoverability of deferred tax assets, the effect of rising interest rates on Pension Fund liabilities, and the evolution of non-current assets held for sale and matters relating to the Resolution Fund. In addition, the Committee discussed with the External Auditor its interaction with the external auditors of the subsidiaries abroad, especially the methodology for calculating the provision relating to Swiss franc loans at BM and its impacts.

The Committee, in carrying out its duties, has continually evaluated Deloitte's performance, particularly its independence. From the evaluation made of its work as Statutory Auditor and External Auditor throughout the 2022 financial year, the Audit Committee concluded that the Statutory Auditor and External Auditor carried out their work with independence, objectivity and professional scepticism. A summary report of the assessment was drawn up and discussed with Deloitte.

Throughout 2023, the Committee also appraised the proposals for contracting additional services from the External Auditor that were presented to it and their compliance with GR0022 - Selection and Appointment of the Statutory Auditor/Audit Firm and the Hiring of Non-Audit Services,

G. Issuance of opinions on credit operations and other contracts with related parties

Throughout the year, the Committee expressed its opinion on 19 credit operation proposals (including reviews of lines and limits) and 9 proposals for contracting goods and services associated with related parties, subsequently submitted for approval by the Board of Directors.

The Committee followed the evolution of the Bank's exposure to holders of qualifying stakes and entities with which it is in a control or group relationship, ensuring compliance with the prudential limits defined in Article 109 of the Legal Framework for Credit Institutions and Financial Companies.

IV – Acknowledgements

The Committee expresses its gratitude to the other Corporate Bodies and the Bank's Services with whom it contacted and worked throughout 2023, particularly the Support Office of the Board of Directors, for all the collaboration and commitment provided in the performance of its duties.

Porto Salvo, 25 March 2024

Cidália Mota Lopes	Valter Barros	Fernando da Costa Lima

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Opinion of the Audit Committee on the Annual Report of 2023

OPINION OF THE AUDIT COMMITTEE ON THE ANNUAL REPORT OF 2023

1. Within the scope of its statutory and regulatory powers, the Audit Committee appraised the Management Report and Accounts of Banco Comercial Português, S.A. (the Bank) for the financial year 2023, prepared by the Executive Committee, and the Legal Certifications of the Accounts and Audit Reports, as well as the Additional Report to the Supervisory Body, prepared by the External Auditor and Statutory Auditor of the Bank, Deloitte & Associados - SROC, S.A. (Deloitte), on the Bank's financial statements on an individual and consolidated basis, issued without reservations and without emphasis.

2. This opinion is issued under the terms and for the purposes set out in Article 423-F(1)(g) of the Companies Code and should be read in conjunction with the "Annual Report of the Audit Committee" drawn up in accordance with the same legal provision.

3. In order to prepare the opinion given herein, the Audit Committee met with the Executive Committee, with the Director responsible for financial matters, with the heads of the Bank's relevant divisions, in particular the Accounting and Consolidation Division, the Tax Advisory Division, the Research, Planning and AML Division, the Audit Division, the Risk Office and the Compliance Office, as well as with the Company Secretary and with Deloitte, in its capacity as External Auditor and Statutory Auditor, requesting all relevant information and clarifications for the performance of its duties, which included, namely, the verifications deemed opportune and appropriate regarding compliance with the applicable legal and statutory rules.

4. The underwriters declare to the best of their knowledge that the financial information analysed was drawn up in compliance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, of the financial situation and of the earnings of the Bank and of the companies consolidated by it, and that the annual report truthfully shows the evolution of the business, the performance and position of the Bank and of the

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companies consolidated by it, containing a description of the main risks and uncertainties faced by them.

5. The Legal Certifications of Accounts and Audit Reports, made according to the formats resulting from the UE Regulation no. 537/2014, dated 16 April and from Law 140/2015, dated 7 September, include the denominated "Audit Relevant Matters" which, concerning the Bank, Deloitte identifies as being:
    a. Loan impairment;
    b. Deferred tax Assets;
    c. Pensions;
    d. Real Estate Properties; and
    e. Bank Millennium - Loans indexed to Swiss francs.

   In addition to the relevant matters listed above, Deloitte monitored other issues that require attention due to the risk they entail, including the Resolution Fund, as well as various Bank Millennium issues, especially related to legal contingencies and the evolution of the Corporate Restructuring Funds (CRF), the notification process from the Competition Authority, the impact of the transition to IFRS 17 and IFRS 9 in Millennium Ageas Grupo Segurador, as well as the report from the statutory auditors of the Group's components, which were monitored throughout the year by the Audit Committee, which was kept up to date on them by the Executive Committee, the Bank's relevant divisions and Deloitte.

6. Considering the result of the work carried out, the Audit Committee concurs with the contents of the Legal Certifications of Accounts and Audit Reports made by KPMG & Associados - SROC, S.A. and issues a favourable opinion on the Bank's Annual Report, which includes the financial statements, on an individual and consolidated basis, of the financial year ended on the 31 December 2023, approved on 25 March 2024 by the Board of Directors, of which the members of the Audit Committee are part.

7. Pursuant to what is stated above, it is our opinion that the General Meeting of Shareholders of Banco Comercial Português S.A. should approve:
    a) The directors report and other documents pertaining to the individual and consolidated financial statements for the financial year ended on 31 December 2023;

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b) The proposal of the Board of Directors to apply the positive net profit calculated in the individual balance sheet for the financial year 2023, in the amount of € 680,275,978.32, as follows:

   i) For the reinforcement of legal reserve, € 68.027.597,84;

   ii) For distribution to shareholders as dividends, € 256,937,829.19; and

   iii) The remainder, that is, € 355,310,551.29 to Retained Earnings.

Porto Salvo, 25 March 2024

Cidália Maria da Mota Lopes	Valter Rui Dias de Barros	Fernando
Cidália Mota Lopes	Valter Barros	Fernando da Costa Lima

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Summary of the Self-Assessment Report

Banco Comercial Português, S.A.

Summary of the Self-Assessment Report (Group)

This summary is presented in accordance with the provisions of Article 60 of Notice of Banco de Portugal No 3/2020 ('Notice').

The Self-Assessment Report ('Report'), prepared in accordance with Article 55 of the 2020 Notice and Instruction of Banco de Portugal No 18/2020 ('Instruction'), contains the results of the assessment carried out regarding the adequacy and effectiveness of the internal control system of Grupo Banco Comercial Português, S.A. ('Group') to ensure compliance with the requirements set out in Article 51 of the Notice, as well as in relation to the consistency between the internal control systems of the subsidiaries and the internal control system of the parent company, Banco Comercial Português, S.A. ('Parent-company or 'Bank'). The assessment was carried out with reference to the period from 1 December 2022 to 30 November 2023 ('the reference period').

To ensure effective management of the risks associated with the activity of the Bank and of the Group, it is the responsibility of the Bank's Board of Directors BoD, as parent company, to ensure that all subsidiaries of the Group, including subsidiaries in third countries, implement internal control systems that are consistent with each other and are in accordance with the requirements set out in the Notice.

The BoD of the Bank, as parent company, shall ensure that its control functions are appropriate to the size and nature of the Group and that its control functions and those of the subsidiaries interact with each other in order to ensure that the Bank's supervisory functions, as parent company, have the information necessary for the full performance of their responsibilities, including by ensuring that there are direct reporting lines between the internal control functions of the subsidiaries and those of the Bank.

The structure and content of the Report reflect the provisions of Article 4 of the Instruction and aim to demonstrate the relevance that the Group attaches to internal control system as a fundamental component of its business and organization.

The Report includes a description of the organisational structure of the Group and the governance model of the parent company, as well as a summary of the actions taken and the measures implemented, in the Bank and in the subsidiaries, to address both the deficiencies detected in the reporting period and those detected in previous periods whose implementation was not yet completed. as well as to remedy the gaps identified in the process of implementing the Notice in relation to the requirements set forth therein.

Some open deficiencies with an impact on the Group's internal control system were identified, all with risk level F2 (Medium) and F1 (Low), except for 37, classified as risk level F3 (High), and 2 with risk level F4 (Severe). Corrective actions have been defined for all identified deficiencies and deadlines for their correction.

With reference to 30 November 2023, individual self-assessment reports of the Bank and the subsidiaries included in the group perimeter defined as part of the preparation of the Report have been prepared, which include the annual reports of those responsible for the

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risk management, compliance and internal audit functions, prepared in accordance with Article 27 (1) (s), 28 (1) (p) and 32 (1) (d) of the Notice, respectively. These reports confirm the independence of each of the internal control functions.

The Report also includes the conclusions of the assessment carried out by the Bank's management and supervisory bodies, as parent company, pursuant to the provisions of Articles 56 and 57 of the Notice, respectively.

As part of that assessment, as a result of the work carried out and the cumulative evidence collected, weighing the current and potential impacts of the deficiencies that remain open, and with the exception of the aspects relating to the deficiencies identified, the Audit Committee concluded that the financial group's internal control system is adequate and effective, as well as that the internal control systems of the subsidiaries are consistent with the Bank's internal control system, in all material respects, in accordance with the requirements set out in the Notice.

The Board of Directors also concluded that the Bank's and the Group's internal control system is globally adequate and effective, with an adequate organizational culture of risk and internal control, as well as an adequate and coherent remuneration policy, considering the information contained in the report and based on the monitoring it carries out on the activities of the internal control areas and on the documents received from the supervisory and of the external auditor, as well as the in-depth analyses carried out by the Committees of the Board of Directors, and in particular the Audit Committee.

Nevertheless, the above-mentioned, the Board of Directors understood that there are still deficiencies that have not been overcome, and undertook, together with the Audit Committee and the Executive Committee, to continue to act diligently with a view to their prompt rectification.

Cidália Mota Lopes	Valter Barros	Fernando da Costa Lima

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Banco Comercial Português, S.A.

Summary of the Individual Self-Assessment Report

This summary is presented in accordance with the provisions of Article 60 of Notice of Banco de Portugal No 3/2020 ('Notice').

The Self-Assessment Report ('Report'), prepared in accordance with the provisions of Article 55 of the Notice and of Instruction 18/2020 of Banco de Portugal ('Instruction'), contains the results of the assessment made by Banco Comercial Português ('Bank') in relation to the adequacy and effectiveness of the Bank's organisational culture and its governance and internal control systems, including remuneration practices and policies. The assessment was carried out with reference to the period from 1 December 2022 to 30 November 2023 ('the reference period').

The Bank's Board of Directors has established an internal control system whose purpose is to reasonably guarantee the orderly and efficient conduct of the business model, including the internal governance structure, adherence to management policies, safeguarding of assets, prevention of fraud and errors, prevention and management of conflicts of interest and reporting of irregularities, relationships and transactions with related parties, remuneration policies and practices, the rigour of accounting records, compliance with applicable laws and regulations and the timely preparation of comprehensive, relevant and reliable financial, non-financial and prudential information.

The internal control system in place covers the entire Bank, including the responsibilities and functions of the Board of Directors and the Committees that emanate from it, as well as the Audit Committee, all its business segments, structural units, namely internal control functions, subcontracted activities, and product distribution channels.

In this context, the Bank has continuously strengthened the controls implemented in the activity of the first line of defence, and those exercised by the second and third lines of defence, for a continuous improvement of the internal control system, and with a view to reducing incidents, the necessary continuity of the audit work in progress, as well as the measures implemented by the Board of Directors, together with the Audit Committee and the Executive Committee, to closely monitor the implementation of recommendations classified as F4 or F3 and to promote an internal culture of focus on their resolution.

The structure and content of the Report translate the provisions of Article 2 of the Instruction and aim to demonstrate the relevance that the Bank attaches to the various aspects related to organizational culture and governance and internal control systems, namely as a fundamental component of its business and organization.

The Report shall include a description of the organisational structure of the Bank, as well as a summary of the actions taken, and the measures implemented to address both the deficiencies detected in the reporting period and those detected in previous periods for which implementation was not yet completed.

Over the reference period, there was an increase in the overall number of open recommendations compared to the same period of the previous year, with a particular impact on recommendations with risk level F1, largely justified by the introduction, in the reference period, of the recommendations issued by the Office for Monitoring and Validation of Models. On the other hand, there has been a decrease in the number of older recommendations. Of the recommendations open at the date to which the information included in the Report refers, there are 28 considered to be at risk level F3 (High) and 2 considered to be at risk level F4 (Severe). The Board of Directors analysed, with the Executive Committee, the Audit Committee, the other committees of the Board of Directors and the internal control functions, the plans defined to address the deficiencies identified and the deadlines defined for their implementation, and monitored their implementation, as well as any readjustments to the deadlines set for their completion. From the analysis carried out, it is the conviction of the Board of Directors that an effort has been made to improve the Bank's response capacity, strengthening the control processes.

With reference to 30 November 2023, the annual reports of those responsible for the risk management, compliance and internal audit functions referred to in Articles 27 (1) (s), 28 (1) (p) and 32 (1) (d) of the Notice were also prepared, which are included in the Report. In these reports, each internal control function describes its composition and main competencies and responsibilities, and its independence is confirmed by the respective individual in charge. In addition, each report identifies open deficiencies in relation to the corresponding internal control function.

The Report also includes the conclusions of the assessment carried out by the Bank's supervisory and management bodies, pursuant to Articles 56 and 57 of the Notice, respectively.

As part of that assessment, as a result of the work carried out, considering the current and potential impacts of the remaining deficiencies, the Audit Committee concluded that the Bank's organisational culture and its governance and internal control systems were adequate and effective in all material respects, underlining the need for the Bank to continue to ensure and maintain the effective implementation of the open recommendations.

The Board of Directors assessed the adequacy and effectiveness of the organisational culture and its governance and internal control systems and remuneration practices and policies, and concluded that, based on the information collected and the monitoring it carries out on the activities of the internal control areas and on the documents received from the supervisory entities and the external auditor, as well as the in-depth analyses that the Board of Directors' Committees, and in particular the Audit Committee, also carry out on these matters, the Bank's internal control system is globally adequate and effective, with an adequate organizational culture of risk and internal control in place, as well as an adequate and coherent remuneration policy.

Nevertheless, the Board of Directors understood that there are still deficiencies that have not been overcome, and undertook, together with the Audit Committee and the Executive Committee, to continue to act diligently with a view to their prompt rectification.

2/3

Cidália Maria da Mota Lopes — Valter Rui Dias de Barros — Fernando

Cidália Mota Lopes	Valter Barros	Fernando da Costa Lima

3/3

External Auditors' Report

STATUTORY AUDITOR'S REPORT AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Comercial Português, S.A. ("Bank") and its subsidiaries ("Group"), which comprise the consolidated balance sheet as at 31 December 2023 (that presents a total of 94,379,778 t.euros and total consolidated equity of 7,299,498 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 856,050 t.euros), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including material information about the accounting policy.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco Comercial Português, S.A. and its subsidiaries as at 31 December 2023 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.C, 1.Y6.2, 11, 14, 22, 39, 54 – Credit Risk)	
Accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded in the consolidated balance sheet of the Group as at 31 December 2023 amount to 1,582,650 t.euros and 121,574 t.euros, respectively. Impairment losses for credit risk represent the estimate of the Management of the Bank of the expected losses on its credit portfolio at the reference date of the financial statements, considering the requirements of IFRS 9 - "Financial instruments". Impairment losses are determined through individual analysis for clients with high exposure and/or risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section "Accounting policies" of the Notes to the consolidated financial statements. The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and estimating the present value of the amount that the Bank expects to recover from the loan, which also incorporates assumptions about future events that may not occur as expected and reflects Management's intentions at each moment regarding management and future holding of the loans.	• Analysis of the relevant control activities implemented by the Group in the process of identification and determination of impairment losses for its loans portfolio, determined through individual and collective analysis. • Selection of a sample of clients subject to individual analysis of impairment by the Bank and its subsidiaries, which included exposures that presented higher risk-indicative characteristics, as well as randomly selected exposures. • For the selected sample of clients subject to individual analysis of impairment by the Bank and its subsidiaries, analysis of the reasonableness of the estimate of impairment losses for credit risk recorded in the consolidated financial statements based on the review of the Bank and its subsidiaries' judgments on the information available regarding the economic and financial situation of the clients, valuation of the collaterals they provided and perspectives on the evolution of their activity and also the intentions of Management regarding management and future holding of these loans.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.C, 1.Y6.2, 11, 14, 22, 39, 54 – Credit Risk)</td></tr>
<tr><td>Impairment losses for credit risk determined through collective analysis are based on a complex model, as it incorporates in the calculation of impairment several variables, namely characteristics of operations, classification of credit exposures in stages, including the assessment of the existence of significant increase in credit risk since the initial recognition and evidence of impairment, value of collaterals and risk parameters, such as the probability of default and loss given default, and the definition of macroeconomic scenarios and probabilities of occurrence.

The context of uncertainty that persists, influenced by the effects of several geopolitical crises, and by the constraints that still exist with regard to economic growth, inflationary pressures and the high level of reference interest rates, gives rise to increased levels of complexity and uncertainty associated with the estimation of impairment losses for credit risk, including with regard to identification of situations of significant increase in credit risk and signs of impairment, definition of macroeconomic scenarios and probabilities of occurrence. In this context, impairment losses for credit risk recognized by the Group as at 31 December 2023 include additional impairments compared to those resulting from individual analysis and from the collective impairment model (overlays), determined through methodologies based on judgments from Management, namely for the identification of complementary situations of significant increase in credit risk and evidence of impairment and determination of the corresponding expected losses.

Different methodologies, judgements or assumptions used in the impairment analysis and different recovery strategies affect the estimation of the recovery cash flows and their expected timing, and may have a significant impact on the determination of impairment losses for credit risk.</td><td>• Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Group; (ii) validation, on a sample basis, of the inputs used to calculate the most relevant risk parameters of the model and the value of collaterals considered in the determination of impairment losses for credit risk; (iii) analysis, on a sample basis, of the calculation of the risk parameters of the model and the classification of credit exposures in stages; (iv) analysis of the main macroeconomic variables considered in the scenarios defined by the Bank and its subsidiaries; and (v) reperformance, on a sample basis, of the collective impairment, considering the risk parameters determined by the Bank and its subsidiaries and the stages in which the exposures are classified.

• Analysis of the methodologies defined by Management to determine additional impairments compared to those resulting from individual analysis and from the collective impairment model (overlays). Validation, on a sample basis, of the inputs used, and reperformance on a sample basis of these impairments, considering the inputs determined by the Bank and the methodologies defined by Management.

• Review of the disclosures included in the consolidated financial statements related to these matters, considering the applicable accounting framework.</td></tr>
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<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Recoverability of deferred tax assets (Notes 1.S, 1.Y3 and 31)</td></tr>
<tr><td>As at 31 December 2023 the balance of "Deferred tax assets" amounts to 2,554,331 t.euros, of which 2,439,081 t.euros are related to the non-consolidated activity of the Bank. Deferred tax assets related to the non-consolidated activity include a net value of 844,547 t.euros that are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred tax assets, approved by Law no. 61/2014, of 26 August), including 157,450 t.euros resulting from tax losses.

In accordance with IAS 12 – "Income Taxes" deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal.

The Bank prepared an estimate of its future taxable results to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax results and its interpretation of the tax legislation.

To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated future taxable results.

Eventual deviations from the estimate of future results or changes in the assumptions used in their determination, as well as changes on tax legislation or its interpretation, may have a material impact on deferred tax assets.</td><td>• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets.

• Understanding and analysis of the methodology and main assumptions considered by the Bank to estimate the evolution of pre-tax results and taxable results of its non-consolidated activity.

• Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank's Management in the estimation of future taxable results.

• Review of the calculations made by the Bank to support the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above.

• Analysis of the consistency of the estimate of pre-tax results with the budget approved by the Bank's Management.

• Review of the disclosures included in the consolidated financial statements for these matters, considering the applicable accounting framework.</td></tr>
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<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Valuation of properties classified as non-current assets held for sale and as other assets (Notes 1.G, 1.Y4, 27 and 32)</td></tr>
<tr><td>As at 31 December 2023 the net book value of properties classified as “Non-current assets held for sale” and “Other assets” amount to 63,914 t.euros and 188,980 t.euros, respectively, which are recorded at the lowest between book value and fair value less costs to sell.

The valuation of these assets, and consequently the impairment losses, recorded in the Group’s accounts as at 31 December 2023 is supported by appraisals carried out by external appraisers, which incorporate several assumptions, namely sale price per square meter, construction costs, discount rate, property best use, and expectations regarding the development of real estate projects, as applicable, and also considers the historical experience of the Bank in sales of properties, Management’ prospects about the evolution of the real estate market and its intentions regarding the commercialization of these assets.

The use of different assumptions, in particular as a consequence of the evolution of the real estate market or changes in the sales strategy, may have significant impacts on the valuation of these properties and therefore on the determination of impairment losses.</td><td>• Analysis of the relevant control activities implemented by the Group in the process of valuing properties classified as non-current assets held for sale or as other assets.

• Analysis, for a selected sample of properties, of the reasonableness of the valuation recorded in the consolidated accounts, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, interactions held with the external appraisers, as applicable, historical experience of the Bank in sales of properties and understanding of the strategy defined by Management for those assets, including the existence of any promissory purchase and sale contracts. For the selected sample of properties, analysis of the most recent available Real Estate Registration Certificate (“Certidão de Teor da Conservatória do Registo Predial”).

• Verification, for the selected sample of properties, of the registration of the external appraisers in the Portuguese Securities Market Commission (“Comissão do Mercado de Valores Mobiliários” (CMVM)) and analysis of their independence.

• Analysis, for a selected sample of sales of properties occurred in 2023, of the respective sales contracts.

• Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Liabilities with retirement pensions (Notes 1.R, 1.Y5 and 50)	
The Group has assumed the responsibility of paying, to its employees and pensioners, retirement pensions under the terms defined in collective labour agreements. As at 31 December 2023, the liabilities of the Group for past services with retirement pensions and other associated benefits amount to 3,079,575 t.euros. The referred liabilities were determined by the responsible actuary, using the "Projected Unit Credit" method provided for in IAS 19 – Employee Benefits ("IAS 19"), and considering a set of actuarial assumptions, including the discount rate, growth rates of wages and pensions and mortality tables. Regarding the discount rate, it is determined on the basis of the market rates available on the reference date of the financial statements, for corporate bonds considered to be of high quality, denominated in euros and of similar maturity to that of retirement pensions and other associated benefits. Eventual changes in actuarial assumptions may have a significant impact on liabilities for past services related to pensions.	• Analysis of the relevant control activities implemented by the Group regarding the calculation of liabilities for past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2023 sent to ASF. • Reading of the actuarial study with reference to 31 December 2023 and discussion with the responsible actuary on the evolution of responsibilities for past services related to pensions, including the main actuarial assumptions used. • Review of the methodology used in the determination of the liabilities for past services related to pensions and its adequacy in relation to the provisions of IAS 19. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into account: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review, on a sample basis, of the calculation of liabilities for past services related to pensions, considering the actuarial assumptions used in its quantification. • Validation, on a sample basis, of data relating to employees and pensioners, used in the calculation of liabilities for past services related to pensions. • Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.U, 1.Y7, 22, 39 and 57)</td></tr>
<tr><td>The Group has a 50.1% stake in the subsidiary Bank Millennium, S.A. (Bank Millennium), based in Poland, which is included in the consolidated financial statements by the full consolidation method.

Bank Millennium has granted in the past foreign currency mortgage loans indexed to the Swiss Franc (“CHF loans”).

As described in more detail in Note 57, several lawsuits against Bank Millennium are ongoing in the courts, which include cases in which it is claimed the partial invalidity of the CHF loans contracts, in relation to the indexation clauses, or the total invalidity of the contracts.

As at 31 December 2023, the CHF loans portfolio has a gross value equivalent to approximately 2,218,947 t.euros.

The provisions estimated by Bank Millennium to address the legal risk of the CHF loans portfolio as at 31 December 2023 amount to approximately 1,812,231 t.euros, of which 1,500,209 t.euros are presented in assets, as a deduction from the gross value of the CHF loans portfolio, and 312,022 t.euros are presented in the caption “Provisions” of liabilities.

The determination of the estimate of the provisions to address the legal risk of this loan portfolio requires a significant judgment from Management, namely in what regards the assumptions about: (i) the probabilities associated with the different scenarios considered and the occurrence of different court decisions, in ongoing and future lawsuits; (ii) the estimate of the potential volume of future lawsuits that will be filed against Bank Millennium and the number of amicable settlements with customers, and their distribution over time; and (iii) the estimate of the amount of losses in the event of different types of unfavorable decisions of the courts in ongoing lawsuits, and those resulting from amicable settlements with customers.

These judgments and assumptions are uncertain by nature and may change in the future, also as a result of the evolution of the court decisions, with a potentially relevant impact on the estimation of the provisions for the legal risk of the CHF loans portfolio.</td><td>• Understanding of the process and the relevant control activities implemented by Bank Millennium to estimate the provisions for legal contingencies related to CHF loans and assessment of the design and implementation of controls associated with the model used to calculate these provisions.

• Analysis of the methodology used by Bank Millennium to estimate the provisions for legal contingencies of lawsuits and amicable settlements with customers related to CHF loans, as well as the reasonableness of the main assumptions assumed by Management and adequacy of the main inputs used, namely: (i) the probabilities associated with the different scenarios considered and the occurrence of different court decisions, in ongoing lawsuits; (ii) the potential volume of future lawsuits that will be filed against Bank Millennium and the number of amicable settlements with customers, and their distribution over time; and (iii) the amount of losses in the event of different types of unfavorable decisions of the courts in ongoing and future lawsuits, and those resulting from amicable settlements with customers.

• Validation, on a sample basis, of the data used to calculate the provision.

• Review of the calculation of the provisions for legal contingencies related to CHF loans.

• Analysis of the adequacy of the provisions for lawsuits filed against Bank Millennium taking into account the available legal documentation, and analysis of the sensitivity of the provisions to changes in the main assumptions used by Bank Millennium.

• Involvement of legal experts in reviewing available information on current and expected court rulings associated with CHF loans.

• Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.U, 1.Y7, 22, 39 and 57)	
It should be noted that the Judgement of the Court of Justice of the European Union ("CJEU") of 3 October 2019 on case No. C-260/18, related to a CHF loan involving another Polish financial institution, increased the uncertainty related to the estimation of these provisions. In addition, as described in Note 57, the CJEU interpreted the causes and effects of the invalidity of mortgage loans in foreign currency. The future jurisprudential guidelines of the Polish courts will play an important role in the application of the CJEU's interpretative guidelines, as the CJEU recognizes that there are issues that, considering the scope of the CJEU's competences, are subject to Polish jurisprudence. Developments related to these events may also have a relevant impact on the legal contingencies associated with the CHF loans portfolio, and consequently on the estimation of the respective impacts.	

Responsibilities of Management and Supervisory Body for the consolidated financial statements

The Management of the Bank is responsible for:

- the preparation of consolidated financial statements that present true and fairly the consolidated financial position, financial performance and cash flows of the Group in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;
- the preparation of the Management report, the corporate governance report, the non-financial statement and the remuneration report under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system to allow the preparation of consolidated financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body of the Bank is responsible for overseeing the Group's financial closing and reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether those consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;

- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;

- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the actions taken to eliminate the threats or the applicable safeguards applied.

Our responsibility includes also the verification of the consistency of the information included in the Management report with the consolidated financial statements and the verifications provided for in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais") related to corporate governance, as well as the verification that the non-financial statement and the remunerations report were presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the European Single Electronic Format (ESEF)

The consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2023 must comply with the applicable requirements set out in Commission's Delegated Regulation (EU) 2019/815 of 17 December 2018 (ESEF Regulation).

Management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements, included in the annual report, are presented, for the material respects, in accordance with the requirements set out in the ESEF Regulation.

Our procedures were performed according to the Technical Application Guidance ("Guia de Aplicação Técnica") of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), on reporting in ESEF and included, among others:

- gaining an understanding of the financial reporting process, including the presentation of the annual report in valid XHTML format;

- identifying and assessing the risks of material misstatement associated with the tagging of consolidated financial statement information in XBRL format using iXBRL technology. This assessment was based on an understanding of the process implemented by the Bank to tag the information.

In our opinion, the consolidated financial statements, included in the annual report, are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material respects, the Management report was prepared in accordance with the current applicable law and regulations, the financial information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge of the Group, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion does not apply to the non-financial statement included in the Management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Group under the terms of article 29-H of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and l) of the number 1 of the referred article.

About the non-financial statement provided for in article 508-G of the Portuguese Commercial Code

In compliance with article 451, number 6, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Group included in the Management report the non-financial statement provided for in article 508-G of the Portuguese Commercial Code.

About the remuneration report

In compliance with article 26-G, number 6 of the Portuguese Securities Code ("Código dos Valores Mobiliários"), we hereby inform that the Bank has included in an autonomous chapter of its corporate governance report, the informations referred in paragraph 2 of the referred article.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. (parent-company of the Group) for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018. In the Shareholders' General Meeting that took place on 22 May 2019, we have been appointed for a second mandate covering the period between 2019 and 2020. In the Shareholders' General Meeting that took place on 20 May 2021, we have been appointed for a third mandate covering the period between 2021 and 2023.

- Management has confirmed to us that they are unaware of the occurrence of any fraud or suspected fraud with a material effect in the consolidated financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional skepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we have prepared and delivered to the Supervisory Body of the Bank on this same date.

- We declare that we have not rendered any prohibited services under the terms of article 5, number 1, of Regulation (UE) 537/2014, and that we kept our independence from the Group during the execution of the audit.

Lisbon, 25 March 2024

Deloitte & Associados, SROC S.A.
Represented by João Carlos Henriques Gomes Ferreira, ROC
Registration in OROC n.º 1129
Registration in CMVM n.º 20160741

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1.A)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Banco Comercial Português, S.A. ("Bank"), which comprise the separate balance sheet as at 31 December 2023 (that presents a total of 61,519,392 t.euros and total equity of 6,127,916 t.euros, including a net profit of 680,276 t.euros), the separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying notes to the separate financial statements, including material information about the accounting policy.

In our opinion, the accompanying separate financial statements present true and fairly, in all material respects, the non-consolidated financial position of Banco Comercial Português, S.A. as at 31 December 2023 and its non-consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the separate financial statements" section. We are independent from the Bank in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. Those matters were addressed in the context of the audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.B1, 1.X4.2, 10, 13, 19, 35, 48 – Credit Risk)	
Accumulated impairment losses for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments ("impairment losses for credit risk") recorded in the separate balance sheet of the Bank as at 31 December 2023 amount to 972,137 t.euros and 109,616 t.euros, respectively. Impairment losses for credit risk represent the estimate of the Management of the Bank of the expected losses on its credit portfolio at the reference date of the financial statements, considering the requirements of IFRS 9 - "Financial instruments". Impairment losses are determined through individual analysis for clients with high exposure and/or risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section "Accounting policies" of the Notes to the financial statements. The determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and estimating the present value of the amount that the Bank expects to recover from the loan, which also incorporates assumptions about future events that may not occur as expected and reflects Management's intentions at each moment regarding management and future holding of the loans.	• Analysis of the relevant control activities implemented by the Bank in the process of identification and determination of impairment losses for its loans portfolio, determined through individual and collective analysis. • Selection of a sample of clients subject to individual analysis of impairment by the Bank, which included exposures that presented higher risk-indicative characteristics as well as randomly selected exposures. • For the selected sample of clients subject to individual analysis of impairment by the Bank, analysis of the reasonableness of the estimate of impairment losses for credit risk recorded in the financial statements based on the review of the Bank's judgments on the information available regarding the economic and financial situation of the clients, valuation of the collaterals they provided and perspectives on the evolution of their activity and also the intentions of Management regarding management and future holding of these loans.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Impairment for financial assets at amortised cost – loans to customers and provisions for guarantees and other commitments (Notes 1.B1, 1.X4.2, 10, 13, 19, 35, 48 – Credit Risk)</td></tr>
<tr><td>Impairment losses for credit risk determined through collective analysis are based on a complex model, as it incorporates in the calculation of impairment several variables, namely characteristics of operations, classification of credit exposures in stages, including the assessment of the existence of significant increase in credit risk since the initial recognition and evidence of impairment, value of collaterals and risk parameters, such as the probability of default and loss given default, and the definition of macroeconomic scenarios and probabilities of occurrence.

The context of uncertainty that persists, influenced by the effects of several geopolitical crises, and by the constraints that still exist with regard to economic growth, inflationary pressures and the high level of reference interest rates, gives rise to increased levels of complexity and uncertainty associated with the estimation of impairment losses for credit risk, including with regard to identification of situations of significant increase in credit risk and signs of impairment, definition of macroeconomic scenarios and probabilities of occurrence. In this context, impairment losses for credit risk recognized by the Bank as at 31 December 2023 include additional impairments compared to those resulting from individual analysis and from the collective impairment model (overlays), determined through methodologies based on judgments from Management, namely for the identification of complementary situations of significant increase in credit risk and evidence of impairment and determination of the corresponding expected losses.

Different methodologies, judgements or assumptions used in the impairment analysis and different recovery strategies affect the estimation of the recovery cash flows and their expected timing, and may have a significant impact on the determination of impairment losses for credit risk.</td><td>• Regarding collective impairment (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Bank; (ii) validation, on a sample basis, of the inputs used to calculate the most relevant risk parameters of the model and the value of collaterals considered in the determination of impairment losses for credit risk; (iii) analysis, on a sample basis, of the calculation of the risk parameters of the model and the classification of credit exposures in stages; (iv) analysis of the main macroeconomic variables considered in the scenarios defined by the Bank; and (v) reperformance, on a sample basis, of the collective impairment, considering the risk parameters determined by the Bank and the stages in which the exposures are classified.

• Analysis of the methodologies defined by Management to determine additional impairments compared to those resulting from individual analysis and from the collective impairment model (overlays). Validation, on a sample basis, of the inputs used, and reperformance, on a sample basis, of these impairments, considering the inputs determined by the Bank and the methodologies defined by Management.

• Review of the disclosures included in the separate financial statements related to these matters, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Recoverability of deferred tax assets (Notes 1.S, 1.X1 and 27)	
As at 31 December 2023 the balance of "Deferred tax assets" amounts to 2,439,081 t.euros, of which a net value of 844,547 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred tax assets, approved by Law no. 61/2014, of 26 August), including 157,450 t.euros resulting from tax losses. In accordance with IAS 12 - "Income Taxes" deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. The Bank prepared an estimate of its future taxable results to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions used by Management to calculate the evolution of pre-tax results and its interpretation of the tax legislation. To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated future taxable results. Eventual deviations from the estimate of future results or changes in the assumptions used in their determination, as well as changes on tax legislation or its interpretation, may have a material impact on deferred tax assets.	• Analysis of the relevant control activities implemented by the Bank in the context of the estimate of the recoverability of deferred tax assets. • Understanding and analysis of the methodology and main assumptions considered by the Bank to estimate the evolution of pre-tax results and taxable results of its non-consolidated activity. • Review of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank's Management in the estimation of future taxable results. • Review of the calculations made by the Bank to support the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. • Analysis of the consistency of the estimate of pre-tax results with the budget approved by the Bank's Management. • Review of the disclosures included in the separate financial statements for these matters, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Valuation of properties classified as non-current assets held for sale or as other assets and properties held by real estate investment funds in which the Bank owns the majority of the participating units (Notes 1.B1.1.2, 1.B1.1.3, 1.G, 1.X2, 1.X4.2, 21, 24 and 28)</td></tr>
<tr><td>As at 31 December 2023 the captions "Non-current assets held for sale" and "Other assets" include 40,339 t.euros and 60,708 t.euros, respectively, related to properties held directly by the Bank. At that date, "Non-current assets held for sale" also includes 56,596 t.euros of investments in real estate companies which main assets are properties.

In addition, the captions "Financial assets not held for trading mandatorily at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income" include 213,072 t.euros and 17,948 t.euros, respectively, of participating units in real estate investment funds in which the Bank owns the majority of the units, with a provision for other risks and charges recorded in the amount of 85,228 t.euros related to the properties held by those funds.

These assets are recorded in accordance with applicable accounting standards (at the lowest between book value and fair value less costs to sell in the case of non-current assets held for sale and other assets, and in accordance with IFRS 9 for financial assets not held for trading mandatorily at fair value through profit or loss and financial assets at fair value through other comprehensive income).

The valuation of these assets recorded in the Bank's accounts as at 31 December 2023 is supported by appraisals carried out by external appraisers, which incorporate several assumptions, namely sale price per square meter, construction costs, discount rate, property best use, and expectations regarding the development of real estate projects, as applicable, and also considers the historical experience of the Bank in sales of properties, Management' prospects about the evolution of the real estate market and its intentions regarding the commercialization of these assets.

In addition, the valuation of the participating units in real estate investment funds was based on information available regarding their respective Net Asset Value, which depends on the appraisals carried out by external appraisers of the properties held by these funds.</td><td>• Analysis of the relevant control activities implemented by the Bank in the process of valuing properties classified as non-current assets held for sale or as other assets and properties held by real estate investment funds in which the Bank owns the majority of the participating units.

• Analysis, for a selected sample of properties, of the reasonableness of the valuation recorded in the separate accounts, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used, interactions held with the external appraisers, as applicable, historical experience of the Bank in sales of properties and understanding of the strategy defined by Management for those assets. For the selected sample of properties, analysis of the most recent available Real Estate Registration Certificate ("Certidão de Teor da Conservatória do Registo Predial").

• Verification, for the selected sample of properties, of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence.

• Analysis, for a selected sample of sales of properties occurred in 2023, of the respective sales contracts.

• Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Valuation of properties classified as non-current assets held for sale or as other assets and properties held by real estate investment funds in which the Bank owns the majority of the participating units (Notes 1.B1.1.2, 1.B1.1.3, 1.G, 1.X2, 1.X4.2, 5, 21, 24 and 28)	
The use of different assumptions, in particular as a consequence of the evolution of the real estate market, or changes in the sales strategy, may have significant impacts on the valuation of these properties and therefore on the determination of impairment losses.	

Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the most significant risks of material misstatement identified
Liabilities with retirement pensions - (Notes 1.R, 1.X3 and 45)	
The Bank has assumed the responsibility of paying, to its employees and pensioners, retirement pensions under the terms defined in collective labour agreements. As at 31 December 2023, the liabilities of the Bank for past services with retirement pensions and other associated benefits amount to 3,060,056 t.euros. The referred liabilities were determined by the responsible actuary, using the "Projected Unit Credit" method provided for in IAS 19 – Employee Benefits ("IAS 19"), and considering a set of actuarial assumptions, including the discount rate, growth rates of wages and pensions and mortality tables. Regarding the discount rate, it is determined on the basis of the market rates available on the reference date of the financial statements, for corporate bonds considered to be of high quality, denominated in euros and of similar maturity to that of retirement pensions and other associated benefits. Eventual changes in actuarial assumptions may have a significant impact on liabilities for past services related to pensions.	• Analysis of the relevant control activities implemented by the Bank regarding the calculation of liabilities for past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and analysis of its independence statement included in the actuarial study of 31 December 2023 sent to ASF. • Reading of the actuarial study with reference to 31 December 2023 and discussion with the responsible actuary on the evolution of responsibilities for past services related to pensions, including the main actuarial assumptions used. • Review of the methodology used in the determination of the liabilities for past services related to pensions and its adequacy in relation to the provisions of IAS 19. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into account: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by Management. • Review, on a sample basis, of the calculation of liabilities for past services related to pensions, considering the actuarial assumptions used in its quantification. • Validation, on a sample basis, of data relating to employees and pensioners, used in the calculation of liabilities for past services related to pensions. • Review of the disclosures included in the financial statements for this matter, considering the applicable accounting framework.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s response to the most significant risks of material misstatement identified</th></tr>
<tr><td colspan="2">Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.F, 1.X, 23 and 50)</td></tr>
<tr><td>The Bank has a 50.1% stake in the subsidiary Bank Millennium, S.A. (“Bank Millennium”), based in Poland, which is recorded in the separate financial statements at the lowest between the acquisition cost and its recoverable value. As at 31 December 2023 the Bank's assets include an amount of 608,564 t.euros related to Bank Millennium (Note 23).

Bank Millennium has granted in the past foreign currency mortgage loans indexed to the Swiss Franc (“CHF loans”).

As described in more detail in Note 50, several lawsuits against Bank Millennium are ongoing in the courts, which include cases in which it is claimed the partial invalidity of the CHF loans contracts, in relation to the indexation clauses, or the total invalidity of the contracts.

As at 31 December 2023, the CHF loans portfolio has a gross value equivalent to approximately 2,218,947 t.euros.

The provisions estimated by Bank Millennium to address the legal risk of the CHF loans portfolio as at 31 December 2023 amount to approximately 1,812,231 t.euros, of which 1,500,209 t.euros are presented in Bank Millennium’s assets, as a deduction from the gross value of the CHF loans portfolio, and 312,022 t.euros are presented in the caption “Provisions” of Bank Millennium’s liabilities.

The determination of the estimate of the provisions to address the legal risk of this loan portfolio requires a significant judgment from Management, namely in what regards the assumptions about: (i) the probabilities associated with the different scenarios considered and the occurrence of different court decisions, in ongoing lawsuits; (ii) the estimate of the potential volume of future lawsuits that will be filed against Bank Millennium and the number of amicable settlements with customers, and their distribution over time; and (iii) the estimate of the amount of losses in the event of different types of unfavorable decisions of the courts in ongoing and future lawsuits, and those resulting from amicable settlements with customers.</td><td>• Understanding of the process and relevant control activities implemented by Bank Millennium to estimate the provisions for legal contingencies related to CHF loans and assessment of the design and implementation of controls associated with the model used to calculate these provisions.

• Analysis of the methodology used by Bank Millennium to estimate the provisions for legal contingencies of lawsuits and amicable settlements with customers related to CHF loans, as well as the reasonableness of the main assumptions assumed by Management and adequacy of the main inputs used, namely: (i) probabilities associated with different scenarios considered and the occurrence of different court decisions, in ongoing lawsuits; (ii) the potential volume of future lawsuits that will be filed against Bank Millennium and the number of amicable settlements with customers, and their distribution over time; and (iii) the amount of losses in the event of different types of unfavorable decisions of the courts in ongoing and future lawsuits, and those resulting from amicable settlements with customers.

• Validation, on a sample basis, of the data used to calculate the provision.

• Review of the calculation of the provision for legal contingencies related to CHF loans.

• Analysis of the adequacy of the provisions for lawsuits filed against Bank Millennium taking into account the available legal documentation, and analysis of the sensitivity of the provisions to changes in the main assumptions used by Bank Millennium.

• Involvement of legal experts in reviewing available information on current and expected court rulings associated with CHF loans.

• Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the most significant risks of material misstatement identified**
Legal contingencies related to loans indexed to the Swiss Franc granted by the subsidiary Bank Millennium, S.A. (Notes 1.F, 1.X, 23 and 50)	
These judgments and assumptions are uncertain by nature and may change in the future, also as a result of the evolution of court decisions, with a potentially relevant impact on the estimation of the provisions for the legal risk of the CHF loans portfolio. It should be noted that the Judgement of the Court of Justice of the European Union ("CJEU") of 3 October 2019 on case No. C-260/18, related to a CHF loan involving another Polish financial institution, increased the uncertainty related to the estimation of these provisions. In addition, as described in Note 50, the CJEU interpreted the causes and effects of the invalidity of mortgage loans in foreign currency. The future jurisprudential guidelines of the Polish courts will play an important role in the application of the CJEU's interpretative guidelines, as the CJEU recognizes that there are issues that, considering the scope of the CJEU's competences, are subject to Polish jurisprudence. Developments related to these events may also have a significant impact on the legal contingencies associated with the CHF loans portfolio and, consequently on the estimation of the respective impacts.	

Other matters

The accompanying separate financial statements refer to the activity of Banco Comercial Português, S.A. at the non-consolidated level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 1.F, financial investments in subsidiaries and associated entities are recorded at acquisition cost less impairment losses. The accompanying separate financial statements do not include the effect of full consolidation, nor the application of the equity method, which will be done in consolidated financial statements to be approved and published separately. Additional information on subsidiary and associated entities is provided in Notes 23 and 52.

Responsibilities of Management and Supervisory Body for the separate financial statements

The Management is responsible for:

- the preparation of separate financial statements that present true and fairly the financial position, financial performance and cash flows of the Bank in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;

- the preparation of the Management report, the corporate governance report, the non-financial statement and the remuneration report, under the applicable legal and regulatory terms;

- the implementation and maintenance of an appropriate internal control system to allow the preparation of separate financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Bank's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body of the Bank is responsible for overseeing the Bank's financial closing and reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our responsibility consists in obtaining reasonable assurance on whether the separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we should draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether those separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and which are the key audit matters. We describe these matters in our report unless law or regulation precludes its public disclosure;

- declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may be perceived to threat our independence, and where applicable, the actions taken to eliminate the threats or the applicable safeguards applied.

Our responsibility includes also the verification of the consistency of the information included in the Management report with the separate financial statements and the verifications provided for in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais") related to corporate governance, as well as the verification that the non-financial statement and the remunerations report were presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the European Single Electronic Format (ESEF)

The separate financial statements of the Bank for the year ended 31 December 2023 must comply with the applicable requirements set out in Commission's Delegated Regulation (EU) 2019/815 of 17 December 2018 (ESEF Regulation).

Management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the separate financial statements, included in the annual report, are presented, for the material respects, in accordance with the requirements set out in the ESEF Regulation.

Our procedures were performed according to the Technical Application Guidance ("Guia de Aplicação Técnica") of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas") on reporting in ESEF and included namely gaining an understanding of the financial reporting process, including the presentation of the annual report in valid XHTML format.

In our opinion, the separate financial statements, included in the annual report, are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

About the Management report

In compliance with article 451, number 3, item e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that, for the material respects, the Management report was prepared in accordance with the current applicable law and regulations, and the financial information included therein is in agreement with the audited separate financial statements, and considering our knowledge of the Bank, we did not identify material misstatements. In accordance with article 451, number 7 of the Portuguese Commercial Code, this conclusion does not apply to the non-financial statement included in the Management report.

About the corporate governance report

In compliance with article 451, number 4 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Bank under the terms of article 29-H of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and l) of the number 1 of the referred article.

About the non-financial statement provided for in article 66-B of the Portuguese Commercial Code

In compliance with article 451, number 6 of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we hereby inform that the Bank included in the Management report the non-financial statement provided for in article 66-B of the Portuguese Commercial Code.

About the remuneration report

In compliance with article 26-G, number 6 of the Portuguese Securities Code ("Código dos Valores Mobiliários"), we inform that the Bank has included in an autonomous chapter of its corporate governance report, the information referred in paragraph 2 of the referred article.

About the additional elements provided for in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed auditors of Banco Comercial Português, S.A. for the first time in the Shareholders' General Meeting that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018. In the Shareholders' General Meeting that took place on 22 May 2019, we have been appointed for a second mandate covering the period between 2019 and 2020. In the Shareholders' General Meeting that took place on 20 May 2021, we have been appointed for a third mandate covering the period between 2021 and 2023.

- Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the separate financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the separate financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we have prepared and delivered to the Supervisory Body of the Bank on this same date.

- We declare that we have not rendered any prohibited services under the terms of article 5, number 1, of Regulation (UE) 537/2014, and that we kept our independence from the Bank during the execution of the audit.

Lisbon, 25 March 2024

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Deloitte & Associados, SROC S.A.
Represented by João Carlos Henriques Gomes Ferreira, ROC
Registration in OROC n.º 1129
Registration in CMVM n.º 20160741

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

CORPORATE GOVERNANCE REPORT

Introduction

Banco Comercial Português, S.A., (hereinafter referred to as "Company", "Bank", "BCP" or "Millennium bcp") structured this Corporate Governance Report regarding the 2023 financial year (hereinafter referred to as "Report"), in compliance with the provisions of the annex to the CMVM Regulations no 4/2013 of 1 August 2013, of the Securities Code and of the Circular Letter 005/024 of February 20, as well as with the principles and recommendations of the Corporate Governance Code issued by Instituto Português de Corporate Governance ("IPCG") of 2018, in the version revised in 2023.

Were also considered, among other, the following regulations: the Legal Framework for Credit Institutions (LFCIFC), the Securities Code (SC), the Companies Code, the Notice 3/2020 of Banco de Portugal, the Law 62/2017 of 1 August, the CMVM Regulation 1/2023, the Directive 2023/36/EU and the Regulation 575/2013, both from the European Parliament and the Council of 26 June 2013, Regulation/EU) 596/2014 of April 16, 2014, the Execution Regulation (EU) 2016/523 of the Commission of March 10, 2016, the Delegated-Regulation (EU) 2021/923, of the Commission of 25 March, 2021, and the joint Guidelines of ESMA 35-36-2319 and EBA/GL/2021/05, of July 2, 2021.

This Report only considers the individual BCP and is composed by two parts and three annexes, with the following structure:

PART I – Items 1 to 92 containing information on the shareholding structure and corporate governance responding to the requirements of the Securities Code and of the CMVM Regulation 4/2013 of August 1, 2013, and the recommendations of the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG), as well as the Notice 3/2000 of Banco de Portugal (art. 316 of the Companies Code).

PART II – Evaluation of the Compliance with the Recommendations and sub-recommendations from the Corporate Governance Code from IPCG.

Annex I – CV of the members of the Board of Directors of the Bank

Annex II – CV of the members of the Remunerations and Welfare Board

Annex III – CV of the members of the Board of the General Meeting of Shareholders

Part I

Bearing in mind that Banco Comercial Português, S.A. adopts a one-tier management and supervisory model, composed of a Board of Directors, which includes an Audit Committee made up solely of non-executive directors and an Executive Committee (the Bank's day-to-day management body) and the Statutory Auditor, the preparation of this report, in particular the chapters resulting from CMVM Regulation no. 4/2013, has taken into account the model adopted by the Bank.

A. SHAREHOLDING STRUCTURE (Organization and Corporate Governance)

I. Capital Structure

1. The capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (Article 29-H (1) (a) of the Securities Code).

At the date of approval of this Report (March 2024, as well as on 31 December 2023), the Bank's share capital is 3,000,000,000.00 euros, represented by 15.113.989.952 single-class, registered, book-entry shares with no nominal value, fully subscribed and paid up, all admitted to trading on regulated market (Euronext Lisbon). These shares represent 100% of the share capital, confer identical rights and are fungible between them.

According to the information provided by Interbolsa, on 31 December 2023, the number of Shareholders of Banco Comercial Português totalled 129,765.

On 31 December 2023, the Bank's shareholding structure continued dispersed, with two shareholders owning more than 5% of the share capital. As a whole, the shareholders with stakes exceeding 5%, represented 45% of the share capital.

On the same date, shareholders with more than 5 million shares and less than 5% of the share capital, totalled 141 and represented, on 31 December of 2023, 31.47% of the share capital and voting rights.

In terms of geographic distribution, special mention should be made of the weight of the shareholders with Portuguese nationality or with registered office in Portugal, which accounted for 29.06% of the share capital and voting rights.

Although pursuant to its articles of association, the Bank has the ability to issue shares with special rights, namely preferential with or without voting rights, redeemable with or without premium or not redeemable, it did not resort to this ability.

The issue of this type of shares would depend on a specific resolution adopted by the Shareholders at a General Meeting of Shareholders by a majority of 2/3 of the votes cast.

2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (current article 29-H (1) (b) of the Securities Code)

There are no clauses in the articles of association with these features. The shares representing the share capital of the Bank are freely transmissible and there are no limits on the ownership of shares.

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that would correspond to own shares (current article 29-H, (1) (a) of the Securities Code)

On December 31, 2023, the Bank did not hold its own shares recorded in its «own portfolio».

4. Important agreements to which the company is a party and that come into effect, are amended or terminated in cases in case of a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements. (art. 29-H, (1) (j) of the Securities Code)

The Bank is not a party to significant agreements, namely agreements that enter into effect, are altered, or terminated in the event of change of control, following a public takeover bid, or change of composition of the governing bodies and which might hinder the financial interest in the free transferability of shares and the free appraisal by the shareholders of the performance of directors.

Within the scope of its activity, the Bank has negotiated three bilateral funding contracts with the European Investment Bank (EIB) in the overall amount of around two hundred and sixty five million Euros, which include clauses that confer the counterparty, under certain verifiable circumstances and in line with what is usual in the type of operations in question, the right to trigger the early repayment of these values, in the event of a change to the Bank's shareholder control.

None of these contracts harms the economic interest in the transfer of shares and the free appraisal by the shareholders of the Director's performance.

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

The Article 26 of the Bank's Articles of Association establishes that votes cast by a single shareholder and its related entities, under the terms of number 1 of article 20 of the Securities Code, representing more than 30% of the votes of the total share capital, shall not be counted.

On the date this report was approved, there were no shareholders reaching the above-mentioned limit of 30%. The amendment of this statutory provision requires the approval by 2/3 of the votes cast at the General Meeting.

The Bank's Articles of Association do not foresee the periodic review of the statutory rule that establishes the limitation of votes. However, under the terms of article 13-C of the LFCIFC, these limits will automatically expire at the end of each five-year period if no resolution is adopted by the General Meeting of Shareholders to expressly maintain them.

When this proposal for the maintenance or revocation of this limitation is made by the Board of Directors, its approval is not subject to any limits, to the holding or exercise of voting rights, nor to super quorum or majority requirements than the legally established ones.

At the General Meeting of Shareholders held on 20 May 2021, The Board of Directors proposed the maintenance of the limitation of the counting of votes mentioned earlier and the proposal was approved by a majority of 82.26% of the votes cast and, therefore, the same, except if the General Meeting resolves otherwise, remains valid until 20 May 2026.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (current Art. 29-H (1) (g) of the Securities Code).

The Bank is not aware of the existence of any shareholders' agreement relative to the exercise of corporate rights or transferability of the Bank's shares.

II. Shares and Bonds Held

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (current Art. 29-H, (c and d) and Art.16 of the Securities Code), with details of the percentage of capital and votes attributed and the source and causes of the attribution.

Under the terms of the Securities Code, the qualifying stakes in the Company's share capital as at 31 December 2023, indicating the percentage of the share capital and imputable votes, and the source and reasons of imputation, are shown in the following table:

31 December 2023

Shareholder	No. shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l (Fosun Group)	3,927,436,381	25.99%	25.99%
TOTAL FOR FOSUN GROUP	**3,927,436,381**	**25.99%**	**25.99%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	**2,946,353,914**	**19.49%**	**19.49%**
Total of Qualified Shareholdings	**6,873,790,295**	**45.48%**	**45.48%**

After the reference date of this report, Chiado (Luxembourg) S.à r.l. informed the market that on 22 January 2024 it reduced its stake in the share capital, holding on that date 3,027,936,381 BCP shares, corresponding to 20.03% of its share capital and voting rights.

8. Indication of the number of shares and bonds held by members of the governing bodies, directors and persons closely related to these categories

On this issue, please see the information provided in the Annual Report 2023, in Note 51 to the Consolidated Financial Statements.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (current Art.29-H (1) (i) of the Securities Code) with an indication as to the allocation date, time period within which said powers may be carried out, the maximum quantitative limit of the capital increase

Under the terms of article 5 (1) of the Bank's Articles of Association, the Board of Directors has powers to, when deemed convenient and after having obtained the favourable opinion of the Audit Committee, increase the share capital, once or more times, until the limit of the value of the existing share capital when the authorisation was granted or upon renewal of this authorisation, with shareholder's preference right.

In accordance with the requirements of article 456 of the Companies Code, the Board of Directors submitted to the appraisal of the General Meeting held on 20 May 2021 the renewal or the authorization to increase the capital, for a five-year term, the proposal having been approved by a 82,26% majority of the votes cast, this way renewing the authorization mentioned in article 5 (1) of the Bank's Articles of Association.

On the date the authorisation was granted, the share capital of the Bank was 4.725.000.000,00 euros.

10. Information on the existence of significant business relations between holders of qualifying stakes and the company and conditions for the respective contracting

The conclusion of business between the Bank and holders of qualifying holdings or natural or legal persons related to them, as well as between the Bank and its other related parties, as provided for in the LFCIFC and Article 33 (3) of Notice No 3/2020 of Banco de Portugal, is object of a special approval procedure, according to which the transaction is approved by a two-thirds majority of the Board of Directors, following a proposal submitted by the Executive Committee, after the prior issuance of an opinion by the Audit Committee. The procedure also depends on the issuance of prior opinions (i) from the Compliance Office, regarding the compliance of the proposed operations with the internal rules and applicable legal and regulatory provisions, namely in terms of risk and compliance with normal market conditions, and (ii) the Risk Office, which assesses and issues an opinion on the risks inherent to the operation. There are, however, simplified procedures for transactions considered to be of lower risk, which were defined considering the legal framework in force, especially the Notice 3/2020 of Banco de Portugal.

During the 2023 financial year, the Audit Committee issued a total of nineteen opinions related with the granting of credit to related parties, of which three on proposals connected with holders of qualifying stakes and entities related with them. The Audit Committee is responsible for analysing the operations within a perspective of prevention of conflicts of interest and guarantee that no special advantage is conferred to the client, ensuring that these transactions are carried out under normal market conditions, considering the opinions submitted to it.

In the financial year to which this Report relates to, the contracting of supplies and provision of services between the Bank and related parties was also analysed, with the Audit Committee issuing a total of nine opinions regarding proposals for contracting goods and services, of which two on proposals relating to holders of qualifying holdings and entities related to them.

The operations carried out in 2023, and mentioned above, are also identified in item 90 of this Report.

The Board of Directors, in accordance with the competences, conferred to it by its Regulations, reserves for itself, regarding matters connected with related parties, the following powers:

- approve the internal policy foreseeing the definition, identification and update of the parties related with the Bank, following a proposal made by the Executive Committee, and after obtaining the opinion from the Audit Committee;
- approve, complying with the legislation and with the internal regulations, transactions with related parties, following a proposal made by the Executive Committee and after obtaining the opinion from the Audit Committee;
- Ensure that the Bank identifies, in a complete and quarterly updated list, its related parties, informing the Audit Committee and, making it available to the supervisory authority whenever requested;
- approve the Policy for the Prevention and Management of Conflicts of Interest, upon proposal of the Executive Committee and after obtaining the opinion from the Audit Committee;

In what regards credit transactions, the Service Order OS0016 sets forth that the Bank is not allowed to grant loans, directly or indirectly, in any form or of any kind (including acting as guarantor) to the members of its management and supervisory bodies or to companies or legal persons directly or indirectly controlled by them.

We underline that this limitation does not apply to loans with social features or for social purposes or to loans resulting from staff management policies, as well as to loans granted due to the use of credit cards associated with the current account, under the conditions applicable to other Customers with a similar risk profile. Notwithstanding, these operations, in which the beneficiaries are members of the management and supervisory bodies of the Bank, or entities related with them, must obey to the following rules:

- In credit cards, 100% monthly payment of the amount used.
- In loans resulting from staff management policy, the conditions in force within the scope of this policy for the majority of Employees must be fully observed;

Finally, and in accordance with the provisions of the Regulations of the Board of Directors, the members of the Board of Directors and/or of the Audit Committee may not access any privileged or sensitive documentation, as well as participate in the assessment and decision of any operation or contract with which they are in conflict.

Transactions involving Related Parties depend on the prior opinions of the Compliance Office, Risk Office and Audit Committee, being finally approved by a two-thirds majority of its members who are not prevented under the terms of the previous paragraph. The Chairwoman of the Audit Committee, qualified as an independent member of the Board of Directors, communicates to the Board the content of the opinion issued by the Audit Committee on the operation, which will only afterwards be debated and voted.

As a result of the governance model adopted by the Bank, the Chairwoman and the other members of the Audit Committee, as non-executive members of the Board of Directors, also vote on the proposal, so that any autonomous communication of the resolution adopted by the Board to the Audit Committee is not justified as redundant. Each quarter, the cases involving conflicts of interest are communicated by the Compliance Office to the Audit Committee and form an integral part of the Report on Conflicts of Interest.

B. GOVERNING BODIES AND COMMITTEES

I. General Meeting

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the board of the general meeting and respective term of office (beginning and end)

Under the terms of article 20, (1) of the Bank's Articles of Association, the Board of the General Meeting is composed of a Chairperson, a Vice-Chairperson, and the Company Secretary.

The Chairperson and the Vice-Chairperson of the Board of the General Meeting were elected for a first term-of-office (2017/2019) on 10 May 2017, and were re-appointed for that position by the General Meeting of Shareholders held on 20 May 2020 for the four-year period 2020/2023.

The Board of the General Meeting, ended its term of office on 31/12/2023, remains in office until the election of new members, which will occur at the General Meeting to be held in May 2024.

The Board of the General Meeting is composed of:

Chairman:	Pedro Miguel Duarte Rebelo de Sousa (Independent)
Vice-Chairman:	Octávio Manuel de Castro Castelo Paulo (Independent)
Secretary:	Ana Patrícia Moniz Macedo

b) Exercise of Voting Rights

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 29-H (1) (f) of the Securities Code).

Under the terms of the Bank's Articles of Association, each share corresponds to one vote. Natural or legal persons that own shares which confer to them at least one vote at zero hours of the fifth trading day prior to the date of the General Meeting may participate therein, directly or through a representative.

Considering the experience acquired in previous years, as well as the reliability of the systems which were implemented, the Bank continues to carry out General Meetings which enable the simultaneous participation of shareholders, in person or using electronic means. In this last case, voting in writing, by mail or internet is permitted, provided that the vote is received by the penultimate day prior to the date of the General Meeting. The shareholders have the possibility to, during the meeting, alter the vote previously cast provided that they do so until the closing of the voting of the item in question. The entire process for the carrying out of the General Meeting is audited every year by the Bank's Audit Division.

The Bank does not have in its articles of association a rule that allows the issuance of shares with a special right to plural voting.

On these issues, please see items 5, 14 and 48.

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in Article 20 (1) of the Securities Code.

On this issue, please see item 5.

14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority, in addition to those legally provided, and details of said majority.

The Bank's Articles of Association require the presence of shareholders owning more than one third of the share capital for the General Meeting to be held at first call. The Articles of Association also require a qualified majority of three quarters of the votes cast for approval of decisions on merger, demerger, transformation and a majority of three quarters of the fully paid-up share capital for resolutions on the dissolution of the company. The amendment of articles which establish limitations to voting rights or determine majorities different from those stipulated in the law requires a qualified majority of two thirds of the votes cast.

The demand for a reinforced quorum is not intended to adopt mechanisms that will make it difficult for shareholders to adopt resolutions. On the contrary, it is aimed at protecting minorities and guaranteeing that no relevant matter is decided without the effective participation of a representative number of shareholders.

On these issues, please see items 5, and 48.

II. Management and Supervision

a) Composition

15. Identification of the endorsed governance model

The Bank adopted, since 2012, a one-tier corporate structure, composed by a Board of Directors which includes an Executive Committee and an Audit Committee (supervisory body), the latter is elected by the General Meeting of Shareholders. It also has a Remuneration and Welfare Board, also elected by the General Meeting of Shareholders.

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors and Audit Committee (current Article 29-H (1) (h) of the Securities Code).

The members of the Board of Directors are elected at the General Meeting. Should the Board of Directors co-opt any Director to fill a vacant position which occurred between general meetings, such designation must be submitted to the first General Meeting of Shareholders taking place after the co-optation, for ratification. The co-opted member shall exercise functions until the end of the term of office underway.

Elections are plural and conducted by lists, with indication by the proposing shareholders, and votes are cast based on these lists. The Bank considers and, until today, also its shareholders, that this is the way that better upholds the company's interests for being the one that guarantees coherence and the necessary complementarity in the composition of the body.

In accordance with the Bank's articles of association, one of the Directors can be elected on its own according to article 392 (1 to 5) of the Companies Code.

Under the terms of the law, and under penalty of destitution, each Annual General Meeting of Shareholders votes on a renewal of the vote of confidence in each of the members of the management and supervisory bodies and likewise in the body as a whole.

Concerning the procedures to adopt regarding the candidates to the Board of Directors, including the members of the Audit Committee and remaining Board Committees, the Bank strictly observes the provisions of article 30 and following of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC) and those of Item 6 of Chapter III of the Joint Guidelines from ESMA and from EBA - ESMA 35-36-2319 and EBA/GL/2021/06, of July 2 and of Group Code GR0043.

In the assessment carried out in this context, the Bank takes into account the individual qualitative requirements of good repute, professional qualification, independence and accumulation of positions, as well as availability for the performance of the function, together with the collective requirements of professional qualification, availability and diversity, all in compliance with the provisions of articles 30 to 33 of the LFCIFC, as well as the ECB Guide to fit and proper assessments, of December 2021, and the aforementioned Joint ESMA and EBA Guidelines on assessing the suitability of members of management bodies.

On 9 December 2021, the Board of Directors also approved the Succession Planning for the members of the Management and Supervisory Bodies and Key-Function Holders with the purpose of, previously and in abstract, setting the methodological framework and the procedures and criteria to adopt to ensure their adequate succession with the purpose of providing decision-makers with an instrument that details the procedures to be adopted and identifies potential candidates for the functions covered, also foreseeing the need to fill unforeseen vacancies. The above-mentioned Succession Planning is available on the Bank's website, in the Portuguese and English languages, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

In addition and to comply with the provisions of Notice of Banco de Portugal 3/2020 and the Guidelines of the European Banking Authority (EBA/GL/2021/05 e EBA/GL/2021/06), the Bank's Board of Directors submitted to the appraisal of the General Meeting of Shareholders held on 04 May 2022 and this one approved it by a majority of 99.80% of the votes cast, the update of the internal policy for the Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders, which is available on the Bank's website in the Portuguese and English languages, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

In view of the relevance of the theme, the Bank, as the parent company of the BCP Group, has also approved regulations which are applicable to all the Group's financial entities, defining the framework for assessing the individual suitability of persons appointed to become members of the management and supervisory bodies and other key function holders in the Group and for the collective assessment of a given composition of a management or supervisory body. It also addresses succession planning at the Group level.

17. Composition of the Board of Directors and the Audit Committee with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member.

In accordance with the Bank's Articles of Association, the Board of Directors is composed of a minimum of fifteen and a maximum of nineteen members, elected by General Meeting of Shareholders for terms of office of four years, who may be re-elected one or more times.

At the end of the financial year to which this report relates to, the Board of Directors was composed of 17 members, with 11 non- executive ones and 6 executive, having the following composition:

BOARD OF DIRECTORS (BoD): COMPOSITION, MANDATE (START AND END), POSITIONS AND QUALIFICATION OF THE MEMBERS

Composition of the BoD (Non-Executive Members)	Beginning of the term of office	Term of Office	End of the Term of Office	Appointment method	Body and Position	Capacity
Nuno Manuel da Silva Amado	04/05/2022	2022/2025	31/12/2025	Election	Board of Directors - Chairman	Independent (a)
	30/05/2018	2018/2021	31/12/2021			
	0511/2015	2015/2017	31/12/2017		Board of Directors - Vice-Chairman and Executive Committee - Chairman	
	28/02/2012	2012/2014	31/12/2014			
Jorge Manuel Baptista Magalhães Correia	04/05/2022	2022/2025	31/12/2025	Election	Board of Directors - 1st Vice-Chairman	Not Independent (b)
	30/05/2018	2018/2021	31/12/2021			
Valter Rui Dias de Barros	04/05/2022	2022/2025	31/12/2025	Election	Board of Directors - 2nd Vice-Chairman	Not Independent (b)
	30/05/2018	2018/2021	31/12/2021		Board of Directors - Vice-Chairman	
Ana Paula Alcobia Gray	04/05/2022	2022/2025	31/12/2025	Election	Board of Directors - Member	Not Independent (b)
	30/05/2018	2018/2021	31/12/2021			
Cidália Maria da Mota Lopes	04/05/2022	2022/2025	31/12/2025	Election	Board of Directors - Member	Independent
	30/05/2018	2018/2021	31/12/2021			
	11/05/2015	2015/2017	31/12/2017			
Xiao Xu (Julia Gu) (c)	04/05/2022	2022/2025	31/12/2025	Election	Board of Directors - Member	Not Independent (b)
	30/05/2018	2018/2021	31/12/2021			
Lingjiang Xu	04/05/2022	2022/2025	31/12/2025	Election	Board of Directors - Member	Not Independent (b)
	30/05/2018	2018/2021	31/12/2021			
	09/01/2017	2015/2017	31/12/2017	Co-option		
Fernando da Costa Lima	04/05/2022	2022/2025	31/12/2025	Election	Board of Directors - Member	Independent
	23/04/2019	2018/2021	31/12/2021	Co-optation		
Lingzi Yuan (Smilla Yuan)	04/05/2022	2022/2025	31/12/2025	Election	Board of Directors - Member	Independent
Altina de Fátima Sebastian Gonzalez Villamarin	11/10/2022	2022/2025	31/12/2025	Co-optation	Board of Directors - Member	Independent
José Pedro Rivera Ferreira Malaquias	11/10/2022	2022/2025	31/12/2025	Co-optation	Board of Directors - Member	Independent

(a) Since July 2023, the director concerned has been classified as independent by virtue of the expiry of the period of five years after the end of the financial year of the management functions
(b) The director in question is connected to a shareholder with a qualifying stake.
(c) The Director submitted a letter of resignation from office on 05.01.2024, effective as of February 29, 2024.

BOARD OF DIRECTORS (BoD): COMPOSITION, MANDATE (START AND END), POSITIONS AND QUALIFICATION OF THE MEMBERS

Composition of the BoD (Executive Members)	Beginning of the term of office	Term of Office	Term of Office - End	Appointment method	Body and Position	Capacity
Miguel Maya Dias Pinheiro	04/05/2022	2022/2025	31/12/2025	Election	Executive Committee - Chairman	Executive
	30/05/2018	2018/2021	21/12/2021			
	11/05/2015	2015/2017	31/12/2017		Executive Committee - Vice-Chairman	
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012			
	11/11/2009	2008/2010	31/12/2010	In replacement	Executive Board of Directors - Member	
Miguel de Campos Pereira de Bragança	04/05/2022	2022/2025	31/12/2025	Election	Executive Committee - Vice-Chairman	Executive
	30/05/2018	2018/2021	31/12/2021			
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
João Nuno de Oliveira Jorge Palma	04/05/2022	2022/2025	31/12/2025	Election	Executive Committee - Vice-Chairman	Executive
	30/05/2018	2018/2021	31/12/2021			
	09/01/2017	2015/2017	31/12/2017	Co-optation		
José Miguel Bensliman Schorcht da Silva Pessanha	04/05/2022	2022/2025	31/12/2025	Election	Executive Committee - Member	Executive
	30/05/2018	2018/2021	31/12/2021			
	11/05/2015	2015/2017	31/12/2017			
Maria José Henriques Barreto Matos de Campos	04/05/2022	2022/2025	31/12/2025	Election	Executive Committee - Member	Executive
	30/05/2018	2018/2021	31/12/2021			
Rui Manuel da Silva Teixeira	04/05/2022	2022/2025	31/12/2025	Election	Executive Committee - Member	Executive
	30/05/2018	2018/2021	31/12/2021			
	11/05/2015	2015/2017	31/12/2017			
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors - Member	

The Board of Directors in office includes 6 women, representing 35.29% of its members. The Chairperson of the Audit Committee, the Bank's supervisory body composed by three members, is a woman. This way, the Bank complies, regarding the financial year this report relates to, with the legal criteria and requirements on gender balance regarding the members of the Board of Directors which, in the governance body adopted by the Bank, includes the supervisory body.

The Bank instructs the proposals that submits to the elective General Meeting of Shareholders with documents that enable to assess the suitability of the profile, professional experience and availability of each candidate, namely the declaration of the candidate referred to in article 30 of the LFCIFC, containing relevant and necessary information for the assessment of his/her suitability, as well as the candidates' curriculum, with the Company keeping all the documentation available, for a period of ten years, on the Bank's website, in the Portuguese and English languages, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao

17.1 Description of the diversity policy applied in relation to the undertaking's management and supervisory bodies with regard to aspects such as age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period (Art.º 29-H, (1), (q) SC) and Information on the policy of actions for gender equality and increase of the under-represented gender in first-rank managers

The Board of Directors approved on December 9, 2021, a Plan for the Succession of the Members of the Management and Supervisory Bodies and Key-Function holders according to which the Chairperson of the Board of Directors, together with the Vice-Chairpersons and the Chairperson of the Committee for Nominations and Remunerations (CNR), are responsible for the preparation of the Matrix of Competences of the Board of Directors which must consider the Bank's articles of association and internal rules of the Bank, namely the profile and number of members of the Board of Directors, the structure of the different committees and diversity objectives.

The Plan for the Succession of the members of the management and supervisory bodies and key-function holders is available on the Bank's website on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

In accordance with the Group Code GR0043, on the assessment of the suitability (Fit and Proper) and Succession Plan, all Group Entities shall promote diversity among the members of the management body. The objective is to ensure a wide range of qualities and skills in the recruitment of members of the management body, with a view to obtaining a diversity of perspectives and experiences and favouring independence of opinions, and a solid decision-making within the management body.

The concern with diversity should, at the very least, refer to the following aspects: qualifications and professional background, gender, age and geographical origin, all of which are duly taken into account according to the curricular information provided in Annex I to this Corporate Governance Report.

The Bank complies with the Portuguese legislation in force, namely the Law 62/2017, of August 1 that sets forth a balanced representation regime between men and women in the management and supervisory bodies of listed companies.

In that sense, the Committee for Nominations and Remunerations considers that the policy was adequately applied in the period in question.

The representativeness of each gender in the Management and Leading positions was as follows:

	2022	2023
Board of Directors		
Women	6 (35%)	6 (35%)
Men	11 (65%)	11 (65%)
Leading positions		
Women	353 (30%)	360 (31%)
Men	829 (70%)	794 (69%)

Group BCP also has a "Policy for Diversity and Equal Opportunities", published on the institutional website that, in its guiding principles and guidelines, institutes values and performance references that include an unequivocal orientation for: the right to equality in access to jobs and at work and the prohibition of any form, direct or indirect, of discrimination.

Since 2019, BCP in Portugal defines and publishes every year a Plan for Gender Equality that corresponds to the materialisation in specific, tangible and consequent actions of the guidelines defined by this Policy and by the reference framework the same establishes in what concerns processes and practices for the management of people.

The Plan for Gender Equality made, besides making a diagnosis annually, defines a number of initiatives to be developed in six major lines of action:

- Commitment of the top management with gender diversity and equality;
- Regular monitoring of management indicators;
- Public disclosure of information related with gender diversity;
- Strict application of the remunerations and promotions policy;
- Increased participation of the gender less represented in the programs for the development of leadership skills;
- recruitment of new employees using diversity and wage equality criteria;
- support to conciliation of professional life with family and personal life;
- support and public disclosure of measures to accelerate gender diversity and inclusion.

Globally, the number of employees of the Bank in Portugal per Gender evolved as follows:

	2022	2023
Women	2,768 (44.3%)	2,809 (45.0%)
Men	3,484 (55.7%)	3,433 (55.0%)

The admission of new employees continues to respect the principle of gender equality and matches the Objectives of the Bank's Strategic Plan for the period 2021 to 2024 regarding Diversity, enabling, in the same timeframe, the percentage of women in leading positions to increase to 35%.

The admission of new employees evolved as follows:

	2022	2023
Women	87 (48%)	132 (60%)
Men	96 (52%)	89 (40%)

With a view to achieving the objective defined in the Strategic Plan regarding the percentage of women in management positions, the Bank has made a global effort to reinforce women's leadership skills and equal treatment in career promotion processes, which has allowed that in new promotions to management positions, women have a representation close to their global representation of the Bank's workforce.

Also, in compliance with this Policy and with the law, the current composition of the Board of Directors for the term-of-office 2022-2025 has 6 elements of the least represented gender, which corresponds to a 35.29% of the total number of members, placing the percentage in the supervisory body in 33%.

The Policy for Diversity and Equal Opportunities is available on the Bank's website, in the Portuguese and English languages, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/sustentabilidade/Pages/cod_internos.aspx

18. Distinction of the executive and non-executive members of the Board of Directors and, relating to the non-executive members, identification of the members who may be considered independent

The Board of Directors is composed by 17 members, 6-executive and 11 non-executive.

The Bank, based on the experience of the last mandates, considers appropriate, either the number of non-executive members of the Board of Directors, or the number of those that, amongst them are qualified as independent, as per tables of items 17 and 26.

With this composition, the Bank follows the best national and community practices followed by equivalent companies, being appropriate to the size of the company and the complexity of the risks inherent to the activity it pursues, allowing it to ensure a clear organizational structure, with lines of responsibility that the Bank observes.

All the directors were assessed by the Committee for Nominations and Remunerations for the purposes of their qualification as independent, having to that end considered the provisions of the Companies Code, the joint Guidelines of ESMA 35-36-2319 and EBA/GL/2021/06 and the “Guide to fit and proper assessments (December 2021)” of the European Central Bank, as well as the Corporate Governance Code of the IPCG.

Considering the Bank's current corporate structure and in accordance with the IPCG Governance Code, according to which the independence criterion is only applicable to non-executives, 6 members of the Board of Directors, out of a total of 11, are independent, i.e., 54.54% of the non-executive directors are independent. In view of its governance structure, the size of the company and the complexity of the business, BCP considers that the proportion of independent non-executive directors in relation to the total number of directors, is adequate. The supervisory body, which is the Audit Committee, is composed by 3 non-executive directors, 2 of them qualified as independent, including its Chairperson.

Having considered the content of Recommendations IV.2.2., IV.2.3, IV.2.4 and V.2, of the IPCG Code, Article 414 (5) (b) of the Companies Code, the provisions of Article 31-A of the LFCIFC, the European legislation, namely the joint Guidelines ESMA 35-36-2319 and EBA/GL/2021/06, of 2 July 2021, the Committee for Nominations and Remunerations considered that the composition of the Board of Directors as a whole guarantees a variety of opinions and experiences that facilitate, within the management body, the formulation of independent opinions and decision-making processes that are sound, valid and rigorous.

The characteristics and competencies of the independent directors, who represent 45.45% of the total non-executive directors, demonstrate that their autonomy is ensured, and it should also be noted that the current Chairman of the Board of Directors, qualified as independent since July 2023, has implemented the practice of holding biannual meetings with the independent members of the Board of Directors to better listen to their concerns and promote improvements at the governance level and practices of the company.

On this matter, please see the table presented in item 17.

Within the scope of competences, the Committee for Nominations and Remunerations annually assesses the collective suitability of the Board of Directors, which it did in October 2023, having concluded that the composition, both in terms of experience and training, dedication, and independence of mind, is adequate, despite the fact that areas have been identified in which it is beneficial to reinforce training.

In addition, the Board of Directors promotes, in coordination with the Audit Committee, as per the requirements of Notice of Banco de Portugal no. 3/2020, periodic and independent assessments to be carried out by an external entity on the conduct and values of the Bank, of the Board of Directors and its Committees, and Egon Zehnder was hired to carry out this assessment in 2023 and concluded with a positive assessment.

19. Professional qualifications and other relevant curricular elements of each of the members of the Board of Directors and the Audit Committee

The professional qualifications and other curricular details of the profile of each member of the Board of Directors are presented in Annex I to this Corporate Governance Report.

These data are updated whenever justified and remain available at all times at the Bank's, website, in the Portuguese and English languages, with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors and the Audit Committee with shareholders that are assigned qualifying holdings that are greater than 5% of the voting rights.

Except for those identified in the table below, there are no significant family, partner in a non-marital partnership or customary business relationships between members of the Board of Directors with shareholders owning more than 5% of the voting rights. As shown in the table presented in item 7 of this Report, the shareholders owning stakes above 5% are legal persons. Accordingly, and by nature, there are no family relations between the members of the Board of Directors and shareholders with a stake above 5%; furthermore, there are also no family relations between the members of the Bank's Board of Directors and the members of the Boards of Directors of shareholders with a stake above 5%.

The Bank favoured the interaction between the independence of behaviour of each member and the principle of being independent in the face of conflicts of interest that create obstacles to the ability to perform their duties independently and objectively. For this purpose, the Board of Directors has confirmed in its Regulations that any member of the Board of Directors that accumulates with his/her office, any management functions in any company that pursues an activity which competes with that of the Bank, or with an entity of Group BCP or in a company in which the Bank holds a significant stake, is prevented from accessing any privileged or sensitive documentation related to the company in question or participate in the debate or resolve on any content related with that company.

Moreover, and in accordance with article 6 (1) of the Regulations of the Board of Directors, the directors are not allowed to vote or take part in the debate on issues, regarding which there is a direct or indirect conflict of interests with the Bank, on their own behalf or on behalf of third parties.

The Regulations of the Board of Directors, updated in November 2023, are available on the Bank's website, in the Portuguese and English languages, in the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/normas regulamentos.aspx

The members of the Board of Directors who have professional/business relations with shareholders to whom, on 31 December 2023, a qualifying stake above 5% of the voting rights is imputable are listed in the following table:

Professional or business relationship of the members of the Board of Directors of the Bank with shareholders holding a qualified stake of more than 5% of voting rights

Members of the Bank's Board of Directors	Professional or Business Relationship	Shareholders holding a qualifying stake exceeding 5% of Voting Rights
Jorge Manuel Baptista Magalhães Correia	Chairman of the Board of Directors of Fidelidade Companhia de Seguros, S.A. and Chairman of the Board of Directors of Luz Saúde, S.A.	Fosun Group
Ana Paula Alcobia Gray		Sonangol Group
Lingjiang Xu	Non-Executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, SA	Fosun Group
Xiao Xu Gu (Júlia Gu) (*)	Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd. and Chairwoman of Fosun Financial Services Group	Fosun Group
Valter Rui Dias de Barros	Chairman of the Board of Directors of Recredit - Gestão de Activos, S.A. (Angolan State)	Sonangol Group

(*) The Director submitted a letter of resignation from office on 05.01.2024, effective as of February 29, 2024.

21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management

Pursuant to the corporate governance model adopted by the Bank - one-tier model - the Board of Directors includes an Audit Committee elected by the General Meeting of Shareholders composed solely of non-executive members, mostly qualified as independent, and an Executive Committee to which the Board of Directors has delegated the Bank's current management, as per the provisions of article 35 of the Articles of Association and articles 10 (7) and 12 (2) of its Regulations.

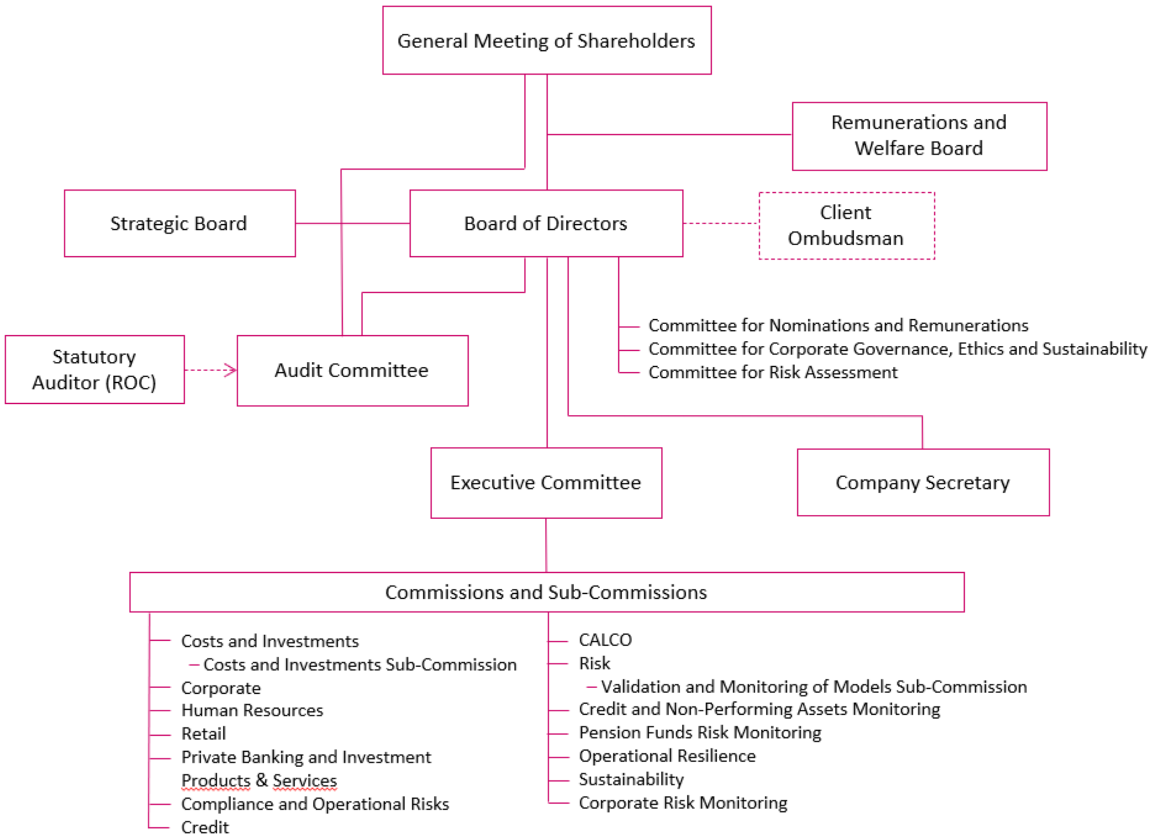
The Board of Directors also appointed three other specialised committees - the Committee for Risk Assessment, the Committee for Nominations and Remunerations and the Committee for Corporate Governance, Ethics and Sustainability - whose essential function is to permanently monitor specific and/or highly complex matters.

The powers and composition of the above- mentioned Committees are summarised below.

There is also a Remuneration and Welfare Board appointed by the General Meeting and a Strategic Board of a non-permanent advising nature, which has as members due to their functions, the Chairperson and Vice-Chairpersons of the Board of Directors, as well as the Chairperson of the Executive Committee. The Board of Directors may, on a case-by-case basis, appoint up to five ad-hoc members, to choose from among representatives of shareholders with qualified holdings and other personalities of recognized merit linked to the themes that, at any given moment, are the object of analysis by the Strategic Board and whose functions will cease simultaneously with the end of the term-of-office of the Board of Directors.

To advise it on daily management issues, the Executive Committee has also appointed different commissions and sub commissions of which, in addition to two or more Executive Directors, are also members several first-rank reporting Managers, permanently and with voting rights.

The organisational structure of the Bank's Corporate Governance Model as at 31 December 2023 is shown in the next table:



Board of Directors

The Board of Directors (BoD), as the Bank's governing body, has the broadest powers to manage and represent the Company, retaining the power to reclaim powers delegated to the Executive Committee or any of its other Specialised Committees, except for those powers attributed by law to the Committees, especially the Audit Committee, which is the Bank's supervisory body.

The BoD has all the responsibilities detailed below, in particular those related to defining the Bank's organisation and its internal control system and the Bank's strategy, which defines the medium-term objectives in line with the interests of the company, its shareholders and other stakeholders. The Bank's strategy is disclosed on the Bank's website and details both the objectives to be achieved and the resulting structural contributions: https://ind.millenniumbcp.pt/pt/Institucional/quemsomos/Pages/estrategia.aspx. Reference is also made to the Annual Report on this matter.

In the exercise of their functions, directors conduct their actions in compliance with the duties of care, loyalty and suitability, with the diligence of a judicious and orderly manager, in the interest of the Bank, devoting the necessary time and effort to the effective fulfilment of their obligations as directors.

In the exercise of their competences, directors act in a responsible and prudent manner, based on high ethical standards, contributing to reinforce the levels of trust and reputation of the company, both internally and in the relations established with employees, customers, investors, supervisory authorities and other third parties.

In the exercise of their competences, the directors are bound by the duty to work independently for the existence of an organisational culture that promotes a professional conduct abiding by the ethical values set forth in the Codes of Conduct and a culture of risk comprising all the bank’s activity areas and ensuring the identification, assessment, follow-up and control of the risks that the Bank is or may, predictability, be exposed to.

Directors shall be bound to the secrecy duty under the terms of the law concerning information of which they become aware while exercising their functions, except where disclosure is imposed by legal provision or by decision of a competent administrative or judicial authority. The duty of secrecy will persist even after they leave office.

Without damaging the provisions of the previous paragraph, the Chairperson of the Board of Directors, or the Chairperson of the Executive Committee, when they see the need of disclosing, internally or externally, resolutions or issues related with the Bank or the Group may do so, provided that in compliance with the general duty of professional secrecy, in accordance with the provisions of the Legal Framework for Credit Institutions and Financial Companies.

According to the provisions of Article 12 (3) of the Board of Directors' Regulations in force on 31.12.2023, the powers of the BoD are structured into in eight areas of action:

The General and non-delegated Competences are the following:

- choose its Chairperson, Vice-Chairpersons when these were not appointed by the General Meeting of Shareholders;
- appoint the members who are part of the Executive Committee and appoint its Chairperson and Vice-Chairpersons;
- appoint the members who are part of the Committees for Risk Assessment; Nominations and Remunerations; and Corporate Governance, Ethics and Sustainability, appointing the corresponding Chairpersons;
- appoint, for a period of time coincident with the term-of-office of the Board itself, the Company Secretary and his/her Alternate;
- appoint directors to fill in eventual vacancies;
- ask the Chairperson of the Board of the General Meeting of Shareholders to call the General Meeting of Shareholders;
- approve the proposals to be submitted to the General Meeting that are the responsibility of the management body, namely, the proposal for the appropriation of profits;
- resolve, in accordance with the law and the articles of association, on the issue of shares and other securities that imply or may imply a share capital increase by the Bank, establishing the conditions and carrying out, with them, all the operations permitted by law, abiding by any limits set by the General Meeting;

- approve the dislocation of the company's registered office into another location inside the Portuguese territory;
- approve, after listening to the Audit Committee, the company's merger, demerger and transformation projects;
- approve, after listening to the Audit Committee, the quarterly financial statements and the Half-Year and Annual Reports and Financial Statements;
- approve, after listening to the Committee for Corporate Governance, Ethics and Sustainability, the Corporate Governance Report and the Sustainability Report;
- approve the purchase, sale, and encumbrance of real estate provided that the operation implies a negative impact above 0.5% on the total regulatory consolidated equity;
- define and resolve, after obtaining the opinion from the Audit Committee, on the eventual amendments to the Group's corporate structure, namely the opening and closing of establishments which represent a 10% positive or negative variation in the number of branches in Portugal at the end of the year prior to the decision making;
- approve significant increases or reductions in the company's organization whenever these produce an impact above 5% on consolidated assets;
- provide bonds and personal or real guarantees on behalf of the company, except for those included in the Bank's current activity;
- approve or terminate non-commercial cooperation deemed to constitute lasting and relevant relationships.

Internal Governance, Organizational Structure and Strategic Planning:

- approve its own Regulations, as well as the Regulations of the EC, of the Committee for Risk Assessment, the Committee for Nominations and Remunerations and of the Committee for Corporate Governance, Ethics and Sustainability or other Committees that it decides to set up and take note of the Regulations of the Audit Committee;
- review, at least once every two years, its own regulations and those of the other Committees it has set up;
- appraise the activity reports of its Committees;
- approve the Bank's Strategic Plan;
- approve, after obtaining the opinion from the Audit Committee, the annual and pluri-annual budgets of the Bank, considering the current macroeconomic prospects;
- approve, after obtaining the opinion from the Committee for Risk Assessment, the Market Discipline Report;
- ensure and submit to the approval of the General Meeting, after obtaining the prior opinion of the Committee for Nominations and Remunerations and the Audit Committee, the Policies of Selection and Evaluation and Succession for the Members of the Management and Supervisory Bodies, as well as those with control functions;
- approve, based on a proposal from the Executive Committee or the Board Committees, the general policies of governance and organisation of the Bank and the Group, namely the Group Codes and the service orders regulating the internal control areas;
- watch over the adequate implementation of the regulations mentioned in the paragraph above, delegating this competence to the Executive Committee;
- ensure, pursuant to a proposal made by the Executive Committee, the approval of the Policy of Assessment and Succession for of Coordinating-Managers that are not included in the control functions, delegating this competence to the Committee for Nominations and Remunerations;
- ensure the existence of specific policies on recruitment and selection of employees, performance assessment, promotion and careers management, remuneration, training, and development of competences, delegating this competence to the Executive Committee;
- Approve and review, at least every two years, the internal organizational model and inherent competences and responsibilities of the different organic units, delegating its execution to the Executive Committee, which will ensure the respective day-to-day management;
- ensure the operation and communication of the organisational structure, with the appropriate detail, on the members and those responsible for corporate governance functions and structures, delegating this competence to the Executive Committee;

- ensure the existence of adequate procedures to obtain, produce and process the information disclosed to the employees or to the public and of control mechanisms able of ensuring the reliability, integrity, consistency, completeness, validity, timeliness, accessibility, and granularity of all the information produced and its periodical independent assessment by an external entity, delegating this competence to the Executive Committee;
- ensure the existence of procedures which are formal, transparent, relevant and adjusted to the Bank's needs, able of guaranteeing an efficient, opportune, comprehensive and understandable communication, facilitate the decision-making process and promote the required information flows amongst all relevant parties of a process and amongst the management and supervisory bodies and the internal control functions, and the periodical independent assessment to be made by an external entity, of the information flows established at the Bank, delegating this competence to the Executive Committee;
- ensure the internal disclosure of the Policy for the Selection and Appointment of the Statutory Auditor or Audit Firm and the Hiring of Non-Audit Services, approved by the Audit Committee and by the General Meeting of Shareholders, to all the employees, on the Bank's website;
- communicate to the Resolution Authority the decisions with a strategic nature which may have a relevant impact on the Group's resolvability and that, having been object of a prior assessment from this perspective by the Organic Unit responsible for the Resolution planning, are approved by it, delegating this competence to the Executive Committee.

Internal Control Risk Management system:

- establish and maintain an internal control system, translated into a set of strategies, policies, processes, systems and procedures with the purpose of ensuring the sustainability of the institution in the medium and long run and the prudent exercise of its activity and guarantee that the same is applied in a consistent manner in all the subsidiaries and branches of the Bank, in Portugal or abroad, abiding by the applicable legislation, delegating its execution to the Executive Committee;
- establish and maintain structures with internal control functions endowed with adequate status and authority to perform objectively and independently their responsibilities, namely, those set forth by articles 27, 28 and 32 of Notice 3/2020 of Banco de Portugal, or assigned to them in their respective service orders, following a proposal made by the Chairperson of the BoD and after obtaining the opinion of the Audit Committee, regarding Internal Audit, upon proposal of the Executive Committee and obtaining the opinion from the Audit Committee, regarding the Compliance Office, and of the Committee for Risk Assessment regarding the Risk Office, approve the correspondent service orders;
- appoint, replace, or dismiss those responsible for the internal control functions, upon proposal of the Executive Committee and after obtaining the prior non-opposition opinions of the Audit Committee for the Internal Audit and Compliance Office, of the Committee for Risk Assessment for the Risk Office, from the Committee for Nominations and Remunerations, providing them with adequate material and technical resources for the effective performance of their responsibilities;
- approve the activities plans to be executed by each one of the internal control functions, these entities keeping direct access to the Board of Directors, the respective specialized committees and to the Audit Committee, as well as to the offices providing support to these bodies, providing them with information systems suitable for the performance of their duties, and respective access to internal and external information necessary to fulfil their responsibilities with independence, as well as full access to all internal structures or activities carried out by the Bank, including outsourced activities;
- approve, considering the opinion of the Audit Committee, an annual self-assessment report on the adequacy and efficiency of the Group's organisational culture and internal control systems, and an individual report on each of the entities subject to supervision on a consolidated or sub-consolidated basis that carry out credit institution activities;
- assess the conclusions of the SREP exercise - Supervisory Review and Evaluation Process - and approve the plan to implement the obligations arising out of that exercise;
- assess the conclusions of asset quality assessment exercises or stress tests, conducted by supervisory bodies, approving the necessary measures pursuant to the recommendations issued and which fall within the scope of its intervention;
- ensure, under proposal of the Executive Committee, the existence of a risk management system formed by a number of strategies, policies, processes, systems and procedures for the identification, assessment, monitoring and control of all the risks that the Bank is or may be exposed to in the future, ensuring that such risks remain at the previously defined level and do not significantly affect the Bank's financial situation;

- define, approve and review, at least every year, by means of a proposal made by the Executive Committee and after obtaining a prior opinion from the Committee for Risk Assessment, the overall risk policy of the Bank, able of establishing its overall objectives and the specific objectives for each structural unit, with respect to the risk profile and the risk tolerance level, in particular the RAF- Risk Appetite Framework and the RAS - Risk Appetite Statement;
- ensure that the RAS - Risk Appetite Statement is disclosed to all the Divisions and all subsidiaries covered by it, delegating this competence to the Executive Committee;
- approve the Report on the Prevention of Money Laundering and Financing of Terrorism, under proposal of the Executive Committee, and after obtaining the opinion from the Audit Committee on the internal control system, in the component regarding the prevention of money laundering and financing of terrorism;
- approve the ICAAP – Internal Capital Adequacy Assessment Process and the ILAAP – Internal Liquidity Adequacy Assessment Process, under proposal of the Executive Committee, and after obtaining the opinion from the Committee for Risk Assessment;
- approve the Funding and Capital Plan, following a proposal submitted by the Executive Committee;
- approve the plan for the reduction of NPAs - Non-Performing Assets, under proposal of the Executive Committee and after obtaining the opinion from the Committee for Risk Assessment;
- approve the Recovery Plan and its eventual activation, under proposal of the Executive Committee and after obtaining the opinion from the Committee for Risk Assessment;
- monitor the application of pricing policies in the credit granting process;
- analyse the Audit Committee's Report on potential or actual deficiencies, or on improvement recommendations allowing the strengthening of the organizational culture and risk management, governance and internal control systems in relation to all matters covered by the Notice of Banco de Portugal 3/2020;
- issue an opinion on the reports issued by the risk management function, mentioned in article 27 (1) (r and s) of Banco de Portugal Notice 3/2020, after obtaining the opinion from the Audit Committee and after listening to the Committee for Risk Assessment;
- issue an opinion on the reports issued by compliance function, mentioned in article 28 (1) (o) and (p) of Banco de Portugal Notice 3/2020, after obtaining the opinion from the Audit Committee;
- issue an opinion on the reports issued by internal audit function, mentioned in article 32 (1) (c and d) of Banco de Portugal Notice 3/2020, after obtaining the opinion from the Audit Committee;
- appoint, after obtaining a favourable opinion from the Committee for Nominations and Remunerations, the Client Ombudsman, who will not have employment ties with the Bank;
- after obtaining the favourable opinion of the Committee for Nominations and Remunerations, identify the Group's key function holders;
- appoint, following a proposal made by the Executive Committee, the Managers reporting directly to the Board of Directors, who aren't part of the internal control functions, delegating this competence to the Committee for Nominations and Remunerations;
- ensure that the internal control functions have total, free and unconditional access to all the functions, activities, including outsourced functions, processes and activities, own premises or premises of the service providers, assets and employees, information, accounting records, systems, IT files and Bank's data, delegating this competence to the Executive Committee;
- ensure that all risk-taking structures make decisions considering the underlying risk and within the tolerance thresholds and adopt control mechanisms enabling the timely communication of the risks to the internal control functions, delegating this competence to the Executive Committee;
- ensure, if the case may be and complying with the applicable legislation, the existence of reporting lines between the internal control functions of the subsidiary companies and the internal control functions of the Bank, delegating this competence to the Executive Committee;
- monitor the activity of the risk management function, compliance, and the internal audit function, in coordination with the Audit Committee and the Committee for Risk Assessment in the case of the risk management function;
- ensure, at the Group's level and whenever such proves to be appropriate, the contracting for the provision of common services for the development of the responsibilities assigned to the risk management, compliance, and internal audit functions, delegating this competence to the Executive Committee.

Related Parties, Conflicts of Interests and Communication of Irregularities:

- approve the internal policy foreseeing the definition, identification and update of the parties related with the Bank, following a proposal made by the Executive Committee, and after obtaining the opinion from the Audit Committee;
- approve, complying with the legislation and with the internal regulations, transactions with related parties, following a proposal made by the Executive Committee and after obtaining the opinion from the Audit Committee;
- ensure that the Bank identifies, in a complete and quarterly updated list, its related parties, making it available to the supervisory authority whenever requested;
- approve the Policy for the Prevention and Management of Conflicts of Interest, upon proposal of the Executive Committee and after obtaining the opinion from the Audit Committee;
- approve the Policy for the Communication of Irregularities. upon proposal of the Audit Committee;

Human Resources and Remuneration Policies:

- appraise the proposal made by the Committee for Nominations and Remunerations and by the Remunerations and Welfare Board, on the remuneration policy of the Members of the Management and Supervisory bodies to be submitted every year to the General Meeting of Shareholders;
- approve and review, upon proposal of the Executive Committee and after obtaining the opinion from the Committee for Nominations and Remunerations, the employees remuneration policy, including the one of those in charge of the internal control functions;
- Ensure that a report on the appraisal of the implementation of the remuneration policies is submitted, every year, to the General Meeting of Shareholders;
- ensure that a report on the assessment and implementation of the remuneration practices of subsidiaries abroad in terms of risk, in particular capital and liquidity, is submitted, every year, to the General Meeting;
- ensure that the process for the individual assessment of the employees' performance, used in the definition of the remuneration variable component, is appropriate and consistent and communicated to the employees at a moment prior to the beginning of the assessment period, delegating its execution to the Executive Committee which, for that purpose, must obtain an opinion from the Committee for Nominations and Remunerations.

Conduct and Organizational Conduct:

- approve and review, at least every two years, the Codes of Conduct, upon proposal of the Executive Committee and after obtaining the opinion from the Audit Committee and from the Committee for Corporate Governance, Ethics and Sustainability;
- ensure, in what concerns all the members of the Board of Directors, that they are aware of the Codes of Conduct, prior to the moment they start exercising functions and promote the making of training sessions thereon;
- promote the external and internal disclosure and the application of the Codes of Conduct and guarantee that each employee expressly states that he/she is aware of the same, delegating this competence to the Executive Committee;
- ensure the discussion with senior managers on the conduct and organizational culture, delegating this competence to the Executive Committee;
- promote an organizational environment which does not adopt or tolerate aggressive management practices, delegating this competence to the Executive Committee;
- ensure the adoption of impartial, transparent, and auditable internal procedures, namely when involving services engagement, assets purchase and sale by the institution, delegating this competence to the Executive Committee;
- Promote, at least in each mandate, independent assessments, to be carried out by an external entity, concerning the conduct and values of the Bank, of the Board of Directors and its Committees, which may be carried out in articulation with the Audit Committee, delegating this competence to the Committee for Corporate Governance, Ethics and Sustainability.

Outsourcing of Services:

- approve the outsourcing of specific operational tasks of the risk management function, compliance and internal audit, delegating this competence to the Executive Committee which, for that purpose, must obtain a prior favourable opinion from the Audit Committee;
- ensure the existence and update of a registry of all outsourced operational tasks of the internal control functions, delegating this competence to the Executive Committee;

Monitoring of the Activity and Indicators:

- monitor the BCP share performance;
- monitor the performance of market shares and quality indicators;
- make, every six months, the comparative analysis of the annual indicators/earnings of the main banks of the Portuguese financial system;
- develop, every year, the IT/Digital Platform Transformation Plan;
- monitor, every year, the results achieved by the Business Areas in Portugal and in the subsidiaries abroad, delegating, for that purpose, to the Executive Committee, the making of a summary-document;
- ensure the monitoring of the events with a significant impact on the Bank's activity or on the market where it operates and of the business policies which are consequently approved;

The information supporting the Board of Directors meetings is made available, as a rule, at least 5 days before the meeting date, on a digital platform called Diligent Boards.

In accordance with the Regulations of the Board of Directors in force on 31 December 2023, any member of the Board of Directors who accumulates with his/her office the management functions in a company owning a stake equal or above 5% in the Bank's share capital or in any entity that is in a controlling or group relationship with it, is prevented from participating in the appraisal and decision-making of any operation or agreement, directly or through third parties, related with any of the above-mentioned entities.

The operations and agreements mentioned in the previous paragraph need to be approved by a majority of at least two thirds of the remaining members of the management body, after obtaining the prior favourable opinion from the Audit Committee, being the latter opinion preceded by the opinions from the Risk Office and the Compliance Office, in accordance with the applicable internal regulations.

The directors have the duty to avoid situations able of originating conflicts of interest, observing, namely in what concerns the acceptance of gifts, the provisions of the Code of Conduct.

Whenever any member of the Board of Directors is the spouse or has a similar status or is relative-in-law in a straight or collateral line up to 2nd degree of an employee of the Group, he/she will not be able to participate in any decision-making involving, personally or professionally such employee, who cannot report to him/her hierarchically.

The delegation of powers by the Board of Directors, to the specialised committees, including the Executive Committee, to which it delegates the daily management of the Bank, does not exclude the power of this corporate body to decide on the same matters, nor does it exempt, in accordance with the law, the liability of the other directors for damages that may be caused by acts or omissions arising from the exercise of duties delegated by them, to the extent that the members of the Board of Directors are ultimately responsible for the institution and its strategy and activities.

The Bank produces, keeps permanently updated and makes available to each member of the Board of Directors, upon their election or appointment, several relevant information, namely the Regulations of the Board of Directors, of the Executive Committee, of the Audit Committee, and of the other Committees of the Board of Directors, organisational structure, areas of responsibility and main internal rules that guide the activity that it pursues, of which we highlight, Code of Conduct, Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination, Compliance Policies, namely, Customer Acceptance, Prevention and Management of Conflicts and Communication of Irregularities, Policy on Related Parties, Policy relating to Sustainability and the Environment, management of claims and general principles of action, and the regulations of the Client's Ombudsman. This information is also disclosed, in the Portuguese and English version, on the internal website, on.

The Regulations of the Board of Directors, as well as most of the aforementioned internal regulations, are available on the Bank's website, in Portuguese and English, on the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

Audit Committee

The Audit Committee (AudC) is composed of a minimum of three and a maximum of five non-executive members, elected at the General Meeting of Shareholders, and the lists proposed to elect the Board of Directors must detail which individual members are to be part of the Audit Committee and indicate the respective Chairperson.

The members of the Audit Committee, as is the case of all members of the Board of Directors, are appointed for terms-of-office lasting four years and may be re-elected.

The Audit Committee was elected at the General Meeting held on May 04, 2022, for the 2022-2025 mandate. The majority of its members, including the Chairperson, are qualified as independent. Among others, they are assigned the powers laid down in Article 423-F of the Companies Code, in Banco de Portugal Notice no. 3/2020 of July 15 and in its own Regulations.

The Regulations of the Audit Committee, in force on 31 December 2023, are available on the Bank's website, in both English and Portuguese, in the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

As the Bank's supervisory body, the powers and responsibilities of the Audit Committee, in accordance with Article 5(2) of its Regulations, are structured in four areas of activity.

General supervisory powers:

- supervise the Bank’s management;
- monitor the Group's management, which is understood as covering all the entities within the Bank's consolidation perimeter, notwithstanding the powers of the supervisory bodies of the entities with autonomous legal capacity;
- call the General Meeting of Shareholders, whenever the Chairperson of the Board of the General Meeting fails to do so when he/she should;
- issue an opinion, prior to approval by the Board of Directors, on the Bank’s Annual and Multi-Annual Budgets, with special focus on the fulfilment of the objectives set out in the Bank’s Strategic Plan and on the compliance with capital requirements;
- issue an opinion, prior to approval by the Board of Directors, on share capital increases;
- issue an opinion on the suspension of directors in accordance with the law and with the Bank’s articles of association;
- issue an opinion, prior to approval by the Board of Directors, on possible changes to the corporate structure of the group, as referred to in the BoD's Regulations;
- issue a preliminary opinion to the Board of Directors on mergers, demergers and transformation operations of the Company;
- identify and assess needs in terms of its composition and organisation, which should be reassessed at least at the beginning of the mandate or whenever it deems appropriate;
- issue an opinion, prior to approval by the Board of Directors, on the selection, evaluation, and succession policies for members of the management, supervisory bodies and the holders of the control functions, taking into account the assessment of the CNR;
- issue a prior and binding opinion on matters of organisational structure, to be approved by the Board of Directors, insofar as they relate to its own organisation;
- issue an opinion prior to approval by the Board of Directors on the Code of Conduct defining, in particular, the responsibilities of the control functions, the procedures for regular verification of compliance, the measures for the prevention, identification, management, and mitigation of conflicts of interest and the associated duties applicable to Directors, including members of the CAud, members of top management, key function holders and other employees of the Bank;

- promote, at the beginning of the first year and in the last year of the term-of-office, periodic independent evaluations, to be performed by an independent entity external to the Institution on the conduct and values of the body itself, in articulation with the Committee for Corporate Governance, Ethics and Sustainability;

Powers related to financial reporting and accounting documents for legal reporting and to the Statutory Auditor and External Auditor:

- verify if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and earnings;
- supervise the process of preparation of the financial information and the key prudential indicators, and present recommendations or proposals to ensure its reliability and monitoring the process of its disclosure;
- verify legal review of the individual and consolidated financial statements, and supervise their compliance with the applicable legal framework, considering any analyses or guidelines from the relevant supervisory entity;
- holding regular meetings with the external auditors and statutory auditor and, mandatorily, at the time of the appraisal of the quarterly, half-year and annual financial statements of the Company;
- issue an opinion prior to approval by the General Meeting on a policy for selecting and appointing the statutory auditor or audit firm and for contracting non-audit services not prohibited, under the terms of the applicable legislation, and to assess the need for its revision at least every two years;
- ensure that the Executive Committee promotes adequate internal and external disclosure of the selection and appointment policy referred to in the preceding paragraph and guarantee its proper implementation;
- It is also the responsibility of the Audit Committee to present to the General Meeting two proposals for the appointment of the external auditor and the election of the Statutory Auditor, and to express a preference for one, or the renewal of the respective mandates, taking into account their technical capacity and other conditions for carrying out these functions;
- propose to the General Meeting, in compliance with the applicable legal provisions, the appointment of the Statutory Auditor and External Auditor or their reappointment, with a duly reasoned proposal, as well as their dismissal or termination of the contract for provision of their services, whenever there is just cause to do so;
- issue an opinion on the remuneration of the Statutory Auditor and of the External Auditor, and ensuring that both have all the conditions to exercise their functions;
- supervise and assess, on an annual basis, the independence and performance of the Statutory Auditor and the External Auditor, namely regarding the provision of non-audit services;
- appraise the Budgetary Control and the Financial Statements, including the quarterly, half-yearly and annual Financial Statements, considering the conclusions of the Statutory Auditor and External Auditor, issuing an opinion, prior to its approval by the Board of Directors, on the accuracy of the financial statements;
- issue an opinion on the financial statements and proposals presented by the board of directors, including the appropriation of profits, to be submitted to the General Meeting of Shareholders;
- draw up an annual report on its supervisory activity, informing the Board of Directors of the results of the audit to the financial statements, explaining how the audit contributed to the integrity of the procedure for preparing and disclosing financial information, as well as describing the role the Committee played in that procedure, clearly stating its concurrence with the contents of the legal certification of accounts, when applicable;
- approve the contracting of non-auditing services to the Bank's External Auditor or to companies belonging to the same network (for the Bank itself and for Group companies), as well as to companies in the network of external auditors of Group companies, safeguarding that such services do not jeopardise their independence, in accordance with European and national laws and regulations;
- receive the additional report to the supervisory body, prepared by the Statutory Auditor in compliance with the provisions of Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014; well as the Quality Assurance report.

Powers related to internal control:

- analyse and monitor, on a regular basis, the main prudential indicators, the risk report prepared by the Risk Office, the activity of the Compliance Office, the activity of the Internal Audit, the handling of complaints and claims and the main correspondence exchanged with the Regulatory and Supervisory Authorities;
- take cognisance of the various reports drawn up by the internal control functions, requesting any clarifications it deems necessary.
- issue an opinion, prior to approval by the Board of Directors, on Group Codes within the scope of its competence and on the Service Orders concerning the organisational structure and mission of the Audit Division, Compliance Office and Risk Office;
- ensure the existence and supervise the efficiency of the risk management, internal control system and internal audit and issue an opinion, prior to approval by the Board of Directors, on the respective design of the system. For this purpose, and as far as the risk management systems are concerned, the Committee for Risk Assessment should provide a prior evaluation;
- issue an Issue an opinion, prior to approval by the Board of Directors, on the annual activity plans of the Risk Office and Compliance Office, and the annual and multi-annual activity plans of the Internal Audit, monitoring their execution, ensuring that the internal control functions are performed independently, without any constraints, and that the material and human resources necessary to carry out a comprehensive examination of the risks to which the Bank is or may be exposed are ensured;
- in the specific case of the Risk Office and of the Compliance Office, the latter concerning only financial crime risk issues, the AudC should consider the prior assessment made by the Committee for Risk Assessment;
- hire the services of experts, subject to budgetary allocation and in coordination with the Chairperson of the Board of Directors and observing the principles of OS0003 (Authorisation of Charges, Negotiation and Award of Purchases, Authorisation of Payments, and Processing of Invoices);
- Participate in the process of assessing the performance of internal control functions and those responsible for them;
- issue a binding reasoned opinion on decisions to appoint or replace those responsible for internal control functions, based on the assessments made by the Committee for Nominations and Remunerations, and also, in the case of the Risk Office, by the Committee for Risk Assessment;
- in the specific area of overseeing the risk management function:
    - assessing the rationale considered by the Risk Office whenever it excludes certain risk categories identified in the applicable legislation, regulations and guidelines, considering the risk taxonomy adopted by the Bank;
    - issuing an opinion, prior to approval by the Board of Directors, on the policies and procedures prepared with the aim of supporting the risk management system and its effective application, taking into account the prior assessment of the Committee for Risk Assessment;
    - monitoring the review process of the Risk Strategy on an annual basis;
    - Issue an opinion prior to submission to the Board of Directors on the reports to be drawn up by the Risk Office, as provided for in Article 27(1) (r and (s) of Notice 3/2020, considering the assessment previously made by the Committee for Risk Assessment.
- within the Specific scope of supervising the compliance function, issue an opinion prior to submission to the Board of Directors on the following reports to be drawn up by the Compliance Office, as provided for in Article 28 (1) (o and (p) of Notice 3/2020.
- within the specific scope of supervising the audit function, issue an opinion prior to submission to the Board of Directors on the reports to be drawn up by the Audit Division, as provided for in Article 32 (1) (c and (d) of Notice 3/2020;
- ensure, within the scope of its supervisory functions, the reliability, integrity, consistency, completeness, validity, timeliness, accessibility and granularity of all the information provided by the Bank, both the information to be used exclusively by the Bank and the information to be disclosed to the public, including the information contained in the reports to be made to the respective supervisory authorities;

- define a multi-annual action plan, under the terms of its legal and regulatory powers, which must be approved and updated on an annual basis;
- issue prior consent for the outsourcing of operational tasks of the Internal Control Functions;
- make an assessment report on the suitability and efficiency of the organizational culture in effect at the Bank and of its governance and internal control systems that include all the formalisms mentioned in article 56 of the Notice of Banco de Portugal 3/2020, which will be part of the annual self-assessment report mentioned by article 55 of said Notice, the timely preparation of which it must ensure, together with the Board of Directors;
- prepare a summary of the self-assessment report for disclosure as an annex to the Bank's annual accounting documents, as provided for in article 60 of the Notice referred to in the previous paragraph;
- assess the adequacy of the classification attributed to deficiencies classified as ‘high’ or ‘severe’ according to the methodology defined by the Bank and issue an express statement confirming its agreement with this classification;
- assess in detail the adequacy and efficiency of the Group's internal control system, ensuring, among others, the control of risks associated with the activity of the subsidiaries; the processes and controls required to obtain relevant information for the consolidation process; the identification, evaluation and control of intra-group transactions, namely at the level of risk concentration; the consistency of the management information in the different entities of the group; and compliance, at all times, with the prudential ratios and limits on a consolidated basis, controlling the respective reporting;
- assess the consistency between the internal control systems of the subsidiaries and the Bank’s internal control system; such assessment may be based on the evaluations prepared to this purpose by the supervisory bodies of each one of the subsidiary companies;
- issue a reasoned opinion on the exclusion of subsidiaries from the self-assessment report;
- prepare a quarterly report informing the Board of Directors of the work carried out and the findings obtained, and an annual report of its activity to be submitted to the Chairperson of the Board of Directors under the terms of Article 423-F of the Companies Code, notwithstanding the duty of reporting to it all situations the Committee finds and deems to be of high risk;
- issue an opinion on the quality of the Bank’s internal control system as regards the prevention of money laundering and terrorist financing and inform in the report on the possible detection of high risk degree deficiencies in the said control.

Powers related to reporting irregularities, managing conflicts of interest, transactions with related parties and Increased Risk Debtors:

- receiving, handling, and recording the communications of irregularities (whistleblowing) related with the management, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies and remaining Portuguese and European legislation in effect, presented by shareholders, Bank employees or other;
- review the reports prepared by the internal control functions relating to situations of conflict of interest and the reporting of irregularities;
- give its opinion, prior to approval by the Board of Directors, on the proposed policy for reporting irregularities;
- issue an opinion, prior to the approval by the Board of Directors, on the internal policy of identification and approval of transactions with related parties.
- be aware of the complete and updated list, on a quarterly basis, of related parties;
- monitor the evolution of credit exposure to shareholders of qualifying stakes;
- issue an opinion prior to approval by the Board of Directors, on the assessment of transactions with related parties under the terms of the Related Parties Policy in force, validating that these are carried out under market conditions and ensuring that there are no conflicts of interest;
- take note of the credit operations to Increased-Risk Debtors.
- approve its own Regulations and inform the BoD of them.

During 2023, the Audit Committee was composed as follows:

Chairwoman:	Cidália Maria da Mota Lopes	Independent
Members:	Valter Rui Dias de Barros	Not Independent
	Fernando da Costa Lima	Independent
Alternate:	Altina de Fátima Sebastian Gonzalez Villamarin	Independent

In a universe of three members that make up the Audit Committee, two (67%) are classified as independent.

All the members of the Audit Committee have levels of responsibility and understanding of the activities conducted by the company that match the functions assigned to them, allowing them to make an unbiased evaluation of the decisions made by the management body, and to efficiently supervise activities performed by the latter. All the members of this Committee have accounting and auditing knowledge, as well as skills and experience to fully understand and monitor the risk strategy within a framework of governance coherent and compatible with the Bank's risk management, internal control and information systems.

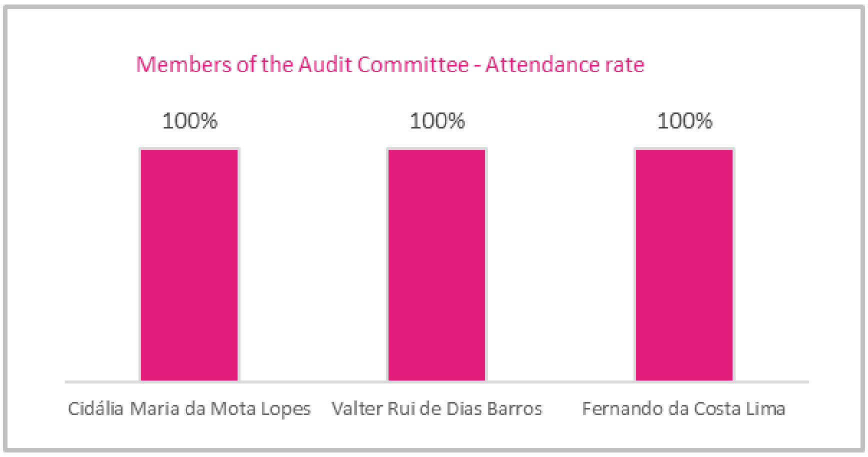
The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report. These data are updated whenever justified and remain available at all times on the Bank's, website, in the Portuguese and English languages, with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

The Audit Committee has the logistical and technical support of the Board of Directors Support Office.

During the financial year of 2023, the Audit Committee met 21 times, and the Head of the Supporting Office of the Board of Directors acted as the meeting's secretary.

The effective participation rate of each member of the of the Audit Committee is shown in the following graphic:



Executive Committee

On 5 of September 2022, and under the terms of article 407 of the Companies Code and article 35 of the Bank's Articles of Association, the Board of Directors appointed an Executive Committee, composed of six of its members. The Board of Directors has established the functioning of the Executive Committee and delegated to it the powers of day-to-day management of the Bank. It is responsible for all the Bank's management functions which the Board of Directors has not reserved for itself.

At the level of internal control and risk management, the hierarchical responsibility for the second lines of defence was attributed to one executive director, who is a member of the Board of Directors of the management and supervisory bodies of the main subsidiary companies operating abroad, this way extending the coordination and action scope of these Group's defence lines.

In accordance with the provisions of Article 2 (3) of the Regulations of the Executive Board, the executive directors perform their duties on an exclusive basis, without prejudice to the exercise of management or supervisory functions in companies of the Group and by appointment, or in the interest of the Bank. Anyway, and in accordance with the Regulations of the Executive Committee, in force on 31 December 2023, the acceptance or exercise of functions, namely of on corporate bodies of other legal persons by any member of the Executive Committee requires prior favourable approval from the Committee for Nominations and Remunerations and authorisation from Banco de Portugal and from the European Central Bank in the context of the suitability assessment process.

In its internal organisation, the Executive Committee has distributed areas of special responsibility to each one of its members.

As of 31 December 2023, the distribution of Area of Responsibility was as follows, and the areas of responsibility of the Chairman of the Board of Directors, who, although not an executive member, has allocated responsibilities, were also identified:

BOARD OF DIRECTORS (Non-executive)

Nuno Amado - Chairman

- Board of Directors' Support Office
- Company Secretary's Office
- Fundação Millennium bcp
- Hierarchical reporting functionally dependent on the Audit Committee
  - Audit Division
- Client Ombudsman's Office
- Member of Supervisory Positions of Subsidiaries
  - Bank Millennium (Poland) - (SB)
  - Millennium BIM (Mozambique) - (Non-Executive of BoD)

EXECUTIVE COMMITTEE

(In absences of Directors responsible for the areas, the respective alternate Directors shall be occasionally appointed by the CEO)

Miguel Maya - CEO (MM)

- CEO's Office
- Communication Division
- Human Resources Division
- Credit Division
- Economic Studies, Sustainability and Cryptoassets Division

Miguel Braganca - VC/CFO (MB)

- Investor Relations Division
- Accounting and Consolidation Division
- Research, Planning and ALM Division
- Management Information Division
- Legal and Litigation Advisory Division
- Tax Advisory Division
- Means of Payment and Acquiring Division

Joao Nuno Palma - VC (JNP)

- International, Treasury & Markets Division
- Investment Banking Coordination Division
- Corporate, Business & Institutional Marketing Division
- Private Banking Division
- Asian Desk
- Companies, Corporate and Large Corporate Division - North
- Companies, Corporate and Large Corporate Division - South

Rui Manuel Teixeira (RMT)

- Retail Banking Division - North
- Retail Banking Division - Centre
- Retail Banking Division - South and Islands
- Marketing and Network Support Division
- Wealth Management Division
- Specialised Credit and Real Estate Division
- Specialised Monitoring Division

Maria José Campos (MJC)

- Specialised Recovery Division
- Retail Recovery Division

José Miguel Pessanha (JMP)

- Rating Division
- Office for Regulatory and Supervision Monitoring
- Office for the Validation and Monitoring of Models
- Personal Data Protection Office
- *Hierarchical reporting functionally dependent on the Committee for Risk Assessment*
  - Risk Office
- *Hierarchical reporting functionally dependent on the Audit Committee*
  - *Compliance Office*

Direct Banking Division
Millennium Operations Division
Information and Technology Division
Procurement Logistics & Division
Information Security Division
Corporate Direct Banking Division
Digital Transformation Office
Customer Intelligence Division

Subsidiaries Companies and Invested (Management and Supervisory Bodies)

	C. Board	C. Board	C. Sup	VC Sup	Board Member	Board Member	Board Member	Sup Members	Sup Members	Sup Members
Bank Millennium (Poland)				NA				MM	MB*	JMP
Millennium BIM (Mozambique)		NA	JMP		JMP	JNP*	MM			
ActivoBank	MM	MB*			JMP					
Interfundos	RMT*									
BMA (Angola)		JMP*	JMP							
Millennium bcp Prest.Serviços	MJC*									
Millennium bcp Ageas		JMP*	JMP			RMT				
SIBS						MB*				
UNICRE						MB*				

* Director with special responsibility for monitoring the Subsidiary / Associated Company

Within the scope of the competences attributed to him/her, the Chairperson of the Executive Committee represents this Committee and convenes and conducts the respective meetings, has the casting vote and, in addition to direct accountability for the respective areas of responsibility, has the following duties:

- ensuring the correct execution of the EC's resolutions, assisted by the Director of the area for which he/she is responsible;
- deciding on all matters relating to the functioning of the Executive Committee;
- ensuring, under the terms of the internal rules and regulations of each of the bodies that comprise the Bank's governance model, that the relevant information is provided to the other members of the Board of Directors concerning the activity and resolutions of the Executive Committee.
- ensures compliance with the limits of the delegation of powers, the strategy approved for the Bank and the Group and the cooperation duties before the Board of Directors.

The Regulations of the Executive Committee are available on the Bank's website, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) Functioning

22. Existence and address where the functioning regulations may be consulted of the Board of Directors and of the Audit Committee.

The regulations of the Board of Directors, of the Executive Committee, of the Audit Committee and of the other Committees of the Board of Directors are available on the Bank's site, at the following address:

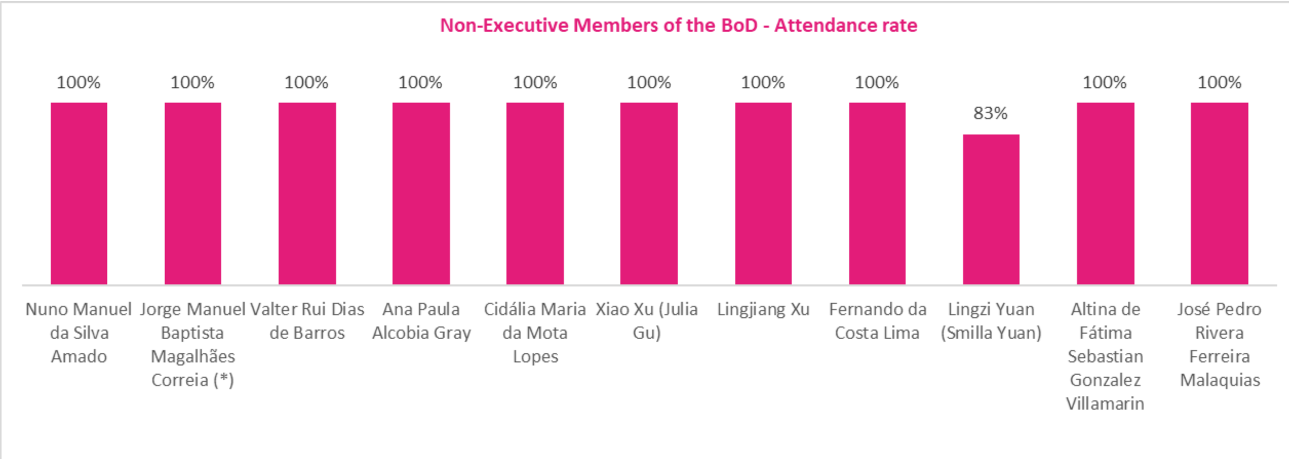
https://ind.millenniumbcp.pt/en/Institucional/governacao/

All these documents as well as others deemed necessary or appropriate for the exercise of the respective function, may be consulted by the Directors in the Bank's internal portal and at the digital platform supporting the members of the corporate bodies, Diligent Boards.

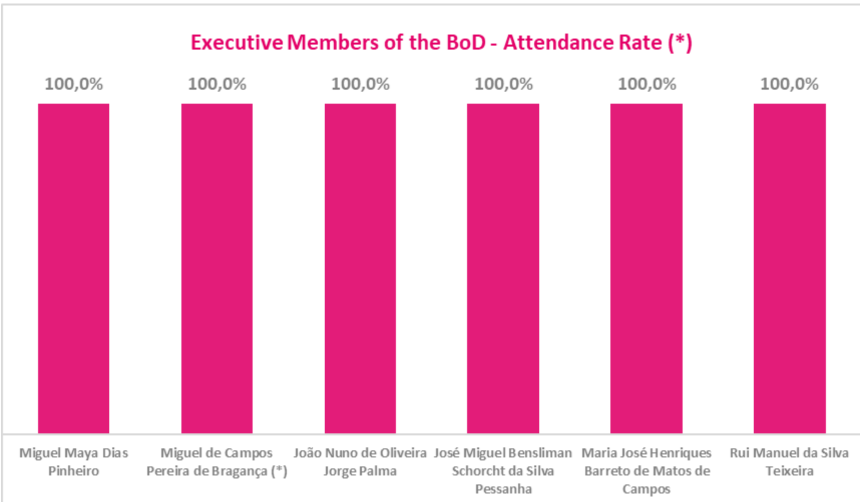
23. Number of meetings held and attendance rate of each member of the Board of Directors and of the Audit Committee in the meetings held.

During the 2023 financial year, the Board of Directors issued one unanimous written resolution and met seventeen times, with the Company Secretary acting as secretary for the meetings.

The effective attendance rate of each executive and non-executive member of the Board of Directors is shown in the following table:



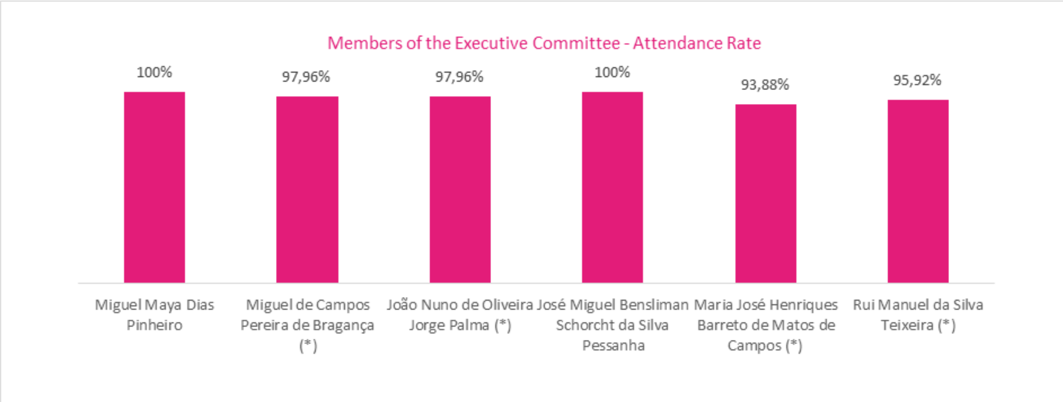
(*) 1 participation made via power of attorney



(*) Except for decisions that had impediments.

During the 2023 financial year, the Executive Committee issued eight unanimous resolutions in writing and met forty-nine times. The Company Secretary acted as the meeting's secretary and disclosed all the supporting documents to this Committee's members. The Chairpersons of the Board of Directors, Executive Committee, Audit Committee and of the Committee for Risk Assessment have access, through the Diligent Boards platform, to the agendas and the minutes of meetings of the Executive Committee and also to the respective supporting documents.

The effective participation rate of each member of the of Executive Committee is shown in the following graphic:



(*) All absences were justified for being at the Bank's service or on holiday.

24. Details of competent corporate bodies undertaking the performance evaluation of executive directors

The Committee for Nominations and Remunerations is composed of three non-executive directors, identified in Item 27. b) and assumes responsibilities in matters of evaluation of the performance of the executive directors.

Indeed, the attribution and payment of variable remuneration to executive directors depends on an assessment of the fulfilment of corporate objectives and individual objectives of each executive director. The individual objectives comprise quantitative objectives and qualitative objectives, and the assessment of the latter is the responsibility of the Committee for Nominations and Remunerations, after hearing the non-executive Chairman and Vice-Chairmen of the Board of Directors and the Chairman of the Executive Committee, who only gives his opinion on the other members of the Executive Committee.

The annual weighted evaluation of the qualitative objectives will be able of being measured and estimated in accordance with a table/questionnaire approved by the Committee for Nominations and Remunerations, after listening to the Remuneration and Welfare Board, the Compliance Officer and the person in charge of Human Resources.

The Remuneration Policy for the members of the management and supervisory bodies applicable in 2023 refers to the performance evaluation process of executive directors and is available on the Bank's website, in Portuguese and in English, on the page with the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

25. Pre-determined criteria for the assessment of the manner of appointment, profile, knowledge and performance of the executive directors and senior managers

The Bank has an internal Policy for the Selection and Assessment of the Suitability of Members of the Management and Supervisory Bodies and Key Function Holders of the Bank, approved at the General Meeting, and aligned with the European Banking Authority (EBA) Guidelines on the internal governance of institutions (EBA/GL/2021/05, of 2 July) and on the assessment of the suitability of members of the management and supervisory bodies and key function holders (EBA/GL/2021/06, of 2 July), as well as with Banco de Portugal Notice no. 3/2020. º 3/2020.

This policy identifies the methodology for the individual and collective assessment of the suitability of directors, taking into account the following criteria for individual suitability: (i) Commitment of sufficient time by the member of the management body; (ii) Adequate knowledge, skills and experience; (iii) Good repute, honesty and integrity; (iv)Assessment of independence of mind and conflicts of interest, additionally they give opinions on training, diversity, corrective measures and a succession plan.

The Bank's Internal Policy for the Selection and Assessment of the Suitability of Members of the Management and Supervisory Bodies and Holders of Key Functions is available for consultation on the Bank's website, in Portuguese and English, on the page with the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/

The Bank also has a Group Code (GR0043) which defines the framework for the individual suitability assessment of persons appointed as members of the management bodies and other key function holders in the Bank and the Group and for the collective assessment of the respective management and supervisory bodies.

The Bank also has a Succession Plan for the Board of Directors of the Bank, which is available on the Bank's site, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/BCP-Plano-de-Sucessao-CA-e-RFCI.pdf

In addition, the members of the management bodies have attended training courses provided by external entities, either on their own initiative or on the Bank's initiative, in order to maintain the necessary skills to carry out their duties, with a special focus on cybersecurity risk and ESG issues.

26. Availability of each member of the Board of Directors, with an indication of the positions held simultaneously in other companies, inside and outside the group, and other relevant activities carried out by the members of those bodies during the financial year

Within the scope of the assessments carried out in relation to each of the members of the Board of Directors, the availability of each member for the performance of their functions is assessed, considering the importance of the matters to be dealt with, determined in light of their interest for the Bank, as well as the specific tasks that each one has been assigned. For this assessment, all the positions held and identified in the following tables were considered, and it was concluded that all the members were available and dedicated enough time to perform their functions.

A - Non-Executive Members of the Board of Directors and of the Audit Committee

Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in Companies of BCP Group	Positions in companies outside the BCP Group	Exercise of Other Relevant Activities	Capacity	Cumulation of Positions (Art. 33 of the LFCIFC)
Nuno Manuel da Silva Amado	Chairman of the Board of Directors Chairman of the Committee for Corporate Governance, Ethics and Sustainability Member of the Strategy Board	Chairman of the Board of Curators of Fundação Millennium bcp Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland) Vice-Chairman of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.		Member of the Board of Auditors of Fundação Bial Chairman of the Senior Board of the Alumni Clube ISCTE Member of the Advising Board of Fórum para a Competitividade Member of the Management of the Business Roundtable Portugal Member of the General Board of AESE-Associação de Estudos Superiores de Empresa (Business School) Member of the "School Board" of Instituto Superior Técnico	Independent	Compliant

Jorge Manuel Baptista Magalhães Correia	1st Vice-Chairman of the Board of Directors Member of the Remuneration and Welfare Board Member of the Strategy Board	Chairman of the Board of Directors of Luz Saúde, S.A. Member of the Board of Directors and member of the Committee for Corporate Governance of REN - Redes Eléctricas Nacionais, SGPS, Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.		Not Independent (b)	Compliant
Valter Rui Dias de Barros	2nd Vice-Chairman of the Board of Directors Member of the Audit Committee Member of the Remuneration and Welfare Board Member of the Committee for Nominations and Remunerations Member of the Strategy Board	Chairman of the Board of Directors of Recredit - Gestão de Activos S.A. (Angola)		Not Independent (b)	Compliant
Ana Paula Alcobia Gray	Member of the Board of Directors Member of the Committee for Risk Assessment			Not Independent (b)	Compliant
Cidália Maria da Mota Lopes	Member of the Board of Directors Chairwoman of the Audit Committee	Professor at Coimbra Business School - ISCAC on tax issues Invited Professor at the Law School- Universidade de Coimbra	Member of the Scientific Board of the Portuguese Fiscal Association (AFP) Member of the Scientific Board of the Coimbra Business School- ISCAC	Independent	Compliant
Fernando da Costa Lima	Member of the Board of Directors Member of the Audit Committee Chairman of the Committee for Risk Assessment	Non-Executive Director of Euronext Lisbon Invited Professor at the School of Economics of Universidade do Porto	Chairman of the Board of the General Meeting of OBEGEF - Obsevatório de Economia e Gestão de Fraude	Independent	Compliant
Julia Gu (c)	Member of the Board of Directors	Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd. (internal functions under work agreement with Group Fosun) Non-Executive member Board of Directors - Mybank Non-executive member of Zhangxingbao (Shanghai) Network Technology Co., Ltd. Non-executive member of the Boaof Directors of Chongqing Rural Commercial Bank Co. Ltd.		Not Independent (b)	Compliant

Lingjiang Xu	Member of the Board of Directors Member of the Committee for Corporate Governance Ethics and Sustainability Member of the Committee for Nominations and Remunerations	Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Non-executive member of the Board of Directors of Fidelidade - Companhia de Seguros, S.A. Non-Executive Chairman of the Board of Directors of Logrun Portugal, SGPS, S.A. Non-executive member of the Board of Directors of Luz Saúde, S.A.		Not Independent (b)	Compliant
Lingzi Yuan (Smilla Yuan)	Member of the Board of Directors Chairwoman of the Committee for Nominations and Remunerations				Independent	Compliant
Altina de Fátima Sebastian Gonzalez Villamarin	Member of the Board of Directors Member of the Committee for Risk Assessment Alternate Member of the Audit Committee (d)		Independent Director and Member of the Audit Committee - San Jose Group Member of the Advisory Board - Expansión y Actualidad Economica Associate Professor - Financial Management and Accounting Division Invited Professor of Permanent Executive Programs for Members of the Board of Directors of Cooperative Banks - Instituto Español de Analistas Financeiros Invited Professor at Católica Lisbon Business & Economics, MBA programme, Advanced programme in Finance, Advanced programme in Banking Management	Member of the World Portuguese Network - Council of the Portuguese Diaspora	Independent	Compliant
José Pedro Rivera Ferreira Malaquias	Member of the Board of Directors of BCP Member of the Committee for Corporate Governance, Ethics and Sustainability		Partner at Abreu Advogados, Sociedade de Advogados		Independent	Compliant

(a) the administrator concerned is, since July 2023, qualified as independent in the light of the Joint Guidelines of ESMA 35-36-2319 and EBA/GL/2021/06 of 2 July 2021, as the period of five years has elapsed after the exercise of management functions.

(b) Related with a shareholder with a qualifying stake.

(c) The Director submitted a letter of resignation from office on 05.01.2024, effective as of February 29, 2024.

A - Executive Members of the Board of Directors

Executive Member of the Board of Directors	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside BCP Group	Exercise of other Relevant Activities	Capacity	Cumulation of Positions (art. 33 of the LFCIFC)
Miguel Maya Dias Pinheiro	3rd Vice-Chairman of the Board of Directors	Non-Executive Chairman of the Board of Directors of ActivoBank, S.A.		Member of the Senior Board - Alumni Clube ISCTE	Executive	Compliant
	Chairman of the Executive Committee	Member of the Supervisory Board of Bank Millennium, S.A. (Poland)		Member of the Advisory Board of BCSD Portugal - Conselho Empresarial para o Desenvolvimento Sustentável, representing BCP S.A.		
	Member of the Strategy Board	Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.		Member of the Advising Board of INDEG/ISCTE Executive Education		
		Manager of the company BCP África, SGPS, Lda.		Vice-Chairman of the Board of APB - Associação Portuguesa de Bancos (representing Banco Comercial Português, S.A.)		
		Chairman of the Remunerations and Welfare Board of BIM - Banco Internacional de Moçambique, S.A.				
		Vice-chairman of the Board of Curators of Fundação Millennium bcp				
Miguel de Campos Pereira de Bragança	Member of the Board of Directors	Manager of the company BCP África, SGPS, Lda.	Non-Executive Director of UNICRE – Instituição Financeira de Crédito, S.A., (representing Banco Comercial Português, S.A.)	Member of the General Board of AEM- Associação de Empresas Emitentes de Valores Cotados em Mercado;	Executive	Compliant
	Vice-Chairman of the Executive Committee	Manager of the company Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda	Non-executive member of the Board of Directors of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A.			
		Non-Executive Vice-Chairman of the Board of Directors of Banco ActivoBank, S.A.				
		Member of the Supervisory Board of Bank Millennium, S.A. (Poland)				
João Nuno de Oliveira Jorge Palma	Member of the Board of Directors	Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.	Member of the Board of BCSD-Conselho Empresarial para o Desenvolvimento Sustentável		Executive	Compliant
	Vice-Chairman of the Executive Committee	Chairman of the Committee for Nominations and Remunerations end member of the Remunerations and Welfare Board of BIM - Banco Internacional de Moçambique	Vice Chairman of the General Board of CIP- Confederação Empresarial de Portugal			

José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Board of Directors Member of the Executive Committee	Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Millennium bcp Ageas Grupo Segurador, SGPS, S.A. Non-Executive Member of the Board of Directors of Banco ActivoBank, S.A. Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ageas - Sociedade Gestora de Fundos de Pensões, S.A. Member of the Board of Directors and Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A. Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Banco Millennium Atlântico, S.A. Member of the Supervisory Board and of the Audit Committee of Bank Millennium, S.A. (Poland)		Executive	Compliant
Maria José Henriques Barreto Matos de Campos	Member of the Board of Directors Member of the Executive Committee	Chairwoman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE		Executive	Compliant
Rui Manuel da Silva Teixeira	Member of the Board of Directors Member of the Executive Committee	Member of the Board of Directors of Millenniumbcp Ageas - Grupo Segurador SGPS, S.A. Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A. Member of the Board of Directors of Ageas - Sociedade Gestora de Fundos de Pensões, S.A. Chairman of the Board of Directors of Interfundos – Soc. Gestora de Organismos de Investimento Coletivo, S.A.	Chairman of the Board of the General Meeting of the Associação Porto Business School in representation of Banco Comercial Português, SA	Executive	Compliant

Specialized Committees of the Board of Directors (BoD)

27. Identification of the Committees created within the Board of Directors and the place where their operating regulations can be consulted.

In addition to the Audit Committee and the Executive Committee, the Bank's Board of Directors, in order to ensure and contribute to the good and appropriate performance of the duties that are legally and statutorily entrusted to it, appointed three other specialised committees, exclusively composed by non-executive directors, which are responsible for monitoring specific matters, which are identified as follows:

a) Committee for Risk Assessment

The Committee for Risk Assessment, established in accordance the provisions of article 115-L of the LFCIFC is composed of three to five non-executive directors, appointed by the Board of Directors.

During the 2023 financial year, the Committee for Risk Assessment was composed as follows:

Chairman:	Fernando da Costa Lima	Independent
Members:	Ana Paula Alcobia Gray	Non-Independent
	Altina de Fátima Sebastian Gonzalez Villamarin	Independent

Within a universe of three members that compose the Committee for Risk Assessment, two members (67%) are qualified as independent, including its Chairman.

Under the terms of the Bank's Articles of Association, the Committee for Risk Assessment advises and assists the Board of Directors on the appetite for risk and on the general, current and future, risk strategy of the Bank and on the supervision of their respective execution, in accordance with the powers set out by the law and its Regulations.

All the members of this committee have appropriate knowledge, competences, and experience to be able to understand, analyse and monitor the specific categories of risk faced by the company, risk appetite and the defined risk strategy, as confirmed by the respective curricula attached to the present Report.

Within the scope of its activity, the Committee for Risk Assessment has the mission of assessing and allocating appropriate resources to manage the risks regulated by the LFCIFC, and other national and European legislation in force, to verify whether the products and services offered to customers take into consideration the Bank's business model and risk strategy, examine whether the incentives established in the Bank's remuneration policy take into consideration risk, capital, liquidity and expectations regarding results, and observe the public interest and prevent the management body decision-making from being dominated by any person or small group of people over the general interests of the Bank.

With regard to the management of risks related to environmental sustainability, the Committee for Risk Assessment's powers and duties also include advising the Board of Directors on the identification, management and control of ESG risk factors[CL1] , while monitoring the Group's risk appetite and underlying performance, as well as supervising the adequacy of the ESG internal control system, with a particular focus on (a) the effectiveness of the risk management system in dealing with ESG risk drivers; and (b) dealing with any case of ESG-related reputational risk with which the Group may be directly or indirectly associated.

In the collection and processing of data related to environmental and social sustainability, the Bank has processes in place to obtain data from its customers, either directly or through external information providers (data providers), integrated into a single platform for all ESG data and under a dedicated data policy.

For more information on how the Bank addresses climate change in its organisation and how it factors climate risk analysis into its decision-making processes, please see the Sustainability Report.

Among the competences of the Committee for Risk Assessment, in force on 31.12.2023, the following are highlighted:

- advise the Board of Directors on the strategy and policy regarding the assumption, identification, control and reduction of the risks to which the Bank in its group dimension is, or may be, subject, and their respective implementation;

- assess if the main products and services offered to Customers, take into consideration the Bank's business model and risk strategy;
- review, whenever justified, the principles underlying the Bank's pricing model, maintaining its consistency with the approved risk strategy;
- assess if the incentives established in the remunerations policy take into consideration the risk, capital, liquidity and expectations concerning income;
- monitor the process of managing the material risks to which the Bank is subject to, in particular the major risks, through appropriate indicators and metrics, including, among others, the new ESG risk factors;
- support the Board of Directors in the assessment of the risk strategies of the main subsidiaries abroad;
- assess the impact that eventual changes to the Group’s perimeter may have on the Bank’s risk profile and whether such changes are compatible with the approved risk appetite;
- assess the effectiveness of policies, methodologies and models used to evaluate assets, monitoring the valuation results of the respective impairment;
- monitor the Business Continuity Plan;
- periodically monitor the report on the main risk indicators;
- monitor the adequacy of the allocation of material and human resources to the management of the risks regulated in the Legal Framework for Credit Institutions and Financial Companies and with the remaining domestic and European legislation in effect;
- engage the services of experts, under the terms of Article 10 (3) of the Regulations of the BoD;
- issue an opinion, prior to approval by the Board of Directors, on the Group Codes and Service Orders within its area of responsibility;
- ensure that the risk management activities are subject to periodical reviews;
- issue an opinion, prior to approval by the Board of Directors, on the independence and adequacy of resources of the risk management function, to be performed by the Risk Office, considering the requirements established in article 27 of Notice 3/2020 of Banco de Portugal;
- assess the Risk Office's activities plan for presentation to the Audit Committee and submission to the Board of Directors;
- follow-up the Risk Office’s activity;
- monitor the conclusion of the process of identification of risks and risk strategy, in the Bank and in the Group, issuing an opinion addressed to the Board of Directors on the proposal submitted;
- issue an opinion, prior to approval by the Board of Directors, on the Market Discipline report;
- issue an opinion, prior to approval by the Board of Directors, on the proposal for the revision of the Risk Appetite Framework (RAF) of the Group;
- monitor the evolution of the indicators of the Risk Appetite Statement (RAS);
- issue an opinion, prior to approval by the Board of Directors, on the capital planning processes (ICAAP) and on liquidity (ILAAP) and respective conclusions;
- follow-up the ICAAP and ILAAP monitoring process;
- approve the scenarios proposed in the internal stress tests, and analyse the respective results;
- issue an opinion, prior to approval by the Board of Directors, on the process for the review of the Recovery Plan and its suitability;
- monitor the evolution of the process of preparation and execution of the plan for the reduction of Non-Performing Exposures (NPEs), issuing an opinion addressed to the BoD on its suitability;
- monitor the efficiency of the risk management systems;
- assess the reports prepared by the Risk Office and the Compliance Office, pursuant to Article 27 (1) (r and (s) and Article 28 (1) (o and (p) of Notice of Banco de Portugal No. 3/2020, regarding the specific risks monitored by the CAvR, and send its assessment to the CAud;
- issue a prior opinion on the decisions for the appointment or replacement of the Head of the risk function.

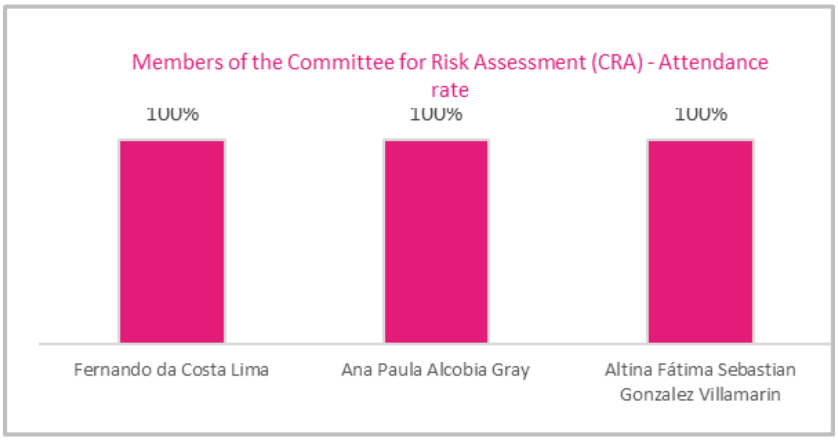
In the exercise of its functions, the Committee for Risk Assessment has as specific powers delegated by the Board of Directors, namely those identified in Item 21 - Board of Directors, in the paragraph regarding the internal control and risk management system, to which reference is made herein.

To carry out its duties, the Committee for Risk Assessment has access to information on the Bank's risk situation and may determine the nature, quantity, format and frequency of information on risks which it should receive and implements internal communication procedures with the Board of Directors and other specialised Committees created by the BoD.

The Committee will inform the Board of Directors of its activities by means of a detailed quarterly report, without prejudice to the duty of reporting to the Chairperson of the Board of Directors all situations the Committee identifies and deems to be of high risk.

During the 2023 financial year, the Committee met fourteen times, in-person or by electronic means, with the logistic and technical support from the Board of Directors' Support Office, whose head acted as the meeting's secretary. The respective minutes of the meetings were drafted and approved. Participants in the meetings, who are not members of the Committee for Risk Assessment, gave their formal agreement to the wording of the items on which they intervened, the same being attached to the documents in the minutes of the meeting.

The attendance level from each of its members in the Committee for Risk Assessment meetings is shown in the following graphic:



The Regulations of the Committee for Risk Assessment, updated in December 2022, are available on the BThe Regulations of the Committee for Risk Assessment, updated on 27 November 2023, is available on the Bank's website, in Portuguese and in English, on the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Reg_Comissao_Avaliacao_Riscos.pdf

b) Committee for Nominations and Remunerations

The Committee for Committee for Nominations and Remunerations, established in accordance with the provisions of article 115-B and H of the LFCIFC, is composed of three to five non-executive directors, appointed by the Board of Directors.

The composition of the Committee for Nominations and Remunerations is in accordance with the provisions of the Committee's Regulations since all its members are non-executive directors.

During 2023, the Committee for Nominations and Remunerations was composed as follows:

Chairwoman:	Lingzi Yuan (Smilla Yuan)	Independent
Members:	Lingjiang Xu	Non-Independent
	Valter Rui Dias de Barros	Non-Independent

Within a universe of three members that compose the Committee for Nominations and Remunerations, one member (33.33%) is qualified as independent, the latter being the Chairwoman of the Committee.

The members of the Committee for Nominations and Remunerations have, collectively, specific professional qualification and experience for the exercise of their functions, namely, appropriate professional qualification and experience in matters of remuneration policies and practices.

Among the powers set out in the Regulations of the Committee for Nominations and Remunerations, in force on 31.12.2023, in addition to those referred to in the previous item 24, to which reference is made herein, the following are of particular importance:

Policies and remuneration practices:

- define and review, at least annually, the Remuneration Policy concerning the members of the Management and Supervisory Bodies and the respective Autonomous Document and, together with the Remunerations and Welfare Board, submit the policy proposal for approval by the General Meeting;
- issue an opinion, at least annually, on the Remuneration Policy for Employees and the respective Autonomous Document, including those responsible for internal control functions, as proposed by the Executive Committee;
- approve, upon proposal made by the Executive Committee, decisions regarding the setting of corporate objectives, as well as decisions regarding the attribution of any type of remuneration to the Coordinating-Managers;
- approve upon proposal made by the Executive Committee, the amount of the Bonus-Pool of employees;
- Issue a prior opinion addressed to the Executive Committee, on the adequacy and consistency of the individual performance assessment process used to define the variable component of the remuneration;
- verify the implementation and compliance with the remuneration policies and procedures adopted;
- issue a prior opinion on the Remuneration Policies of all entities part of the Group;
- assess, annually, and issue opinion on the consistency of the global remuneration policy of subsidiaries abroad, for reporting to the Board of Directors, with a view to incorporating it into the Group's annual self-assessment report in accordance with the provisions of Notice nr. 3/2020;
- assess the mechanisms and systems implemented to ensure that the remuneration system considers all types of risks and equity, and that the overall remuneration policy is coherent and promotes a sound and efficient risk management and is in line with the Bank's strategic business plan, objectives, corporate culture and values, risk culture and long-term interests;
- monitor the existence and implementation of specific policies on recruitment and selection, assessment of performance, promotion and management of careers, remuneration, training and development of competences, and promotion of gender equality and sustainability;
- watch out for the adequacy of the information on the remuneration practices and policies provided to shareholders.

Assessment of the suitability of powers and succession

- issue an opinion, at least annually, on the Policies for the Selection, Evaluation and Succession for Members of the Management and Supervisory Bodies and holders of internal control functions;
- prepare and communicate to the BoD recommendations on candidates for members of the management and supervisory bodies of the Bank;
- ensuring and promoting the Fit & Proper process and approving the individual and collective final reports of candidates for members of the management and supervisory bodies and those responsible for internal control functions;
- approve, pursuant to a proposal made by the Executive Committee, the Assessment and Succession Policy for key functions holders who do not perform internal control functions;
- issue an opinion to the Board of Directors on the appointment, replacement or possible dismissal of those responsible for internal control functions, upon a proposal from the Executive Committee and after obtaining the binding opinion of the Audit Committee and, in the case of the person responsible for the risk management function, also obtaining the opinion of the Committee for Risk Assessment;

- appoint, under a proposal made by the Executive Committee, the Managers reporting directly to the Board of Directors, with exception of those performing functions in the internal control areas and the company secretary;
- issue an opinion, for the Board of Directors, on the appointment of the Client Ombudsman;
- resolve on the appointment of members to the corporate bodies in credit institutions and financial companies of the Group, or on the making of the lists for the corporate bodies of the most relevant subsidiary companies, before the same are submitted to the respective General Meeting and inform the Board of such appointments;
- issue an opinion on the decision to appoint, replace or dismiss the persons responsible for the internal control functions of the Group's subsidiaries, after involving the corresponding persons responsible for the respective internal control functions of BCP and issuance of an opinion, taking into account the opinion of the by the Chief Risk Officer;

The selection and election of members of the corporate bodies is the exclusive competence of the shareholders, which is preceded by an assessment of the candidates by the Committee for Nominations and Remunerations, which is made available in the preparatory documentation for the General Meeting. The performance of the duties of the members of the Bank's management and supervisory bodies is also subject to the authorisation of the European Central Bank, which also validates all the legal and regulatory requirements applicable to the level of skills required.

The curricula of candidates for members of the management and supervisory bodies and other documentation that, according to the law are disclosed to shareholders, are available on the Bank site, in Portuguese and English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/modelo_organizacional.aspx

Under the terms of Article 115-B, (2) (d) of the LFCIFC and the respective Regulations, it is also the Committee for Nominations and Remunerations's responsibility to annually assess the knowledge, skills and experience of each member of the management and supervisory bodies, as well as to carry out a collective assessment of these bodies, and to report the results to them.

According to paragraph 3 of article 4 of the Regulations of the Committee for Nominations and Remunerations, for the proper performance of its duties, the Committee may hire the services of experts.

Within the scope of its powers, the Committee for Nominations and Remunerations re-evaluated the individual Fit and Proper questionnaires of members of the Board of Directors, insofar as they communicated supervening changes subject to re-evaluation - accumulation of positions/availability.

In general, the Committee exercises all the competences attributed to the Committees for Nominations and Remunerations in the LFCIFC and other national and European legislation in force.

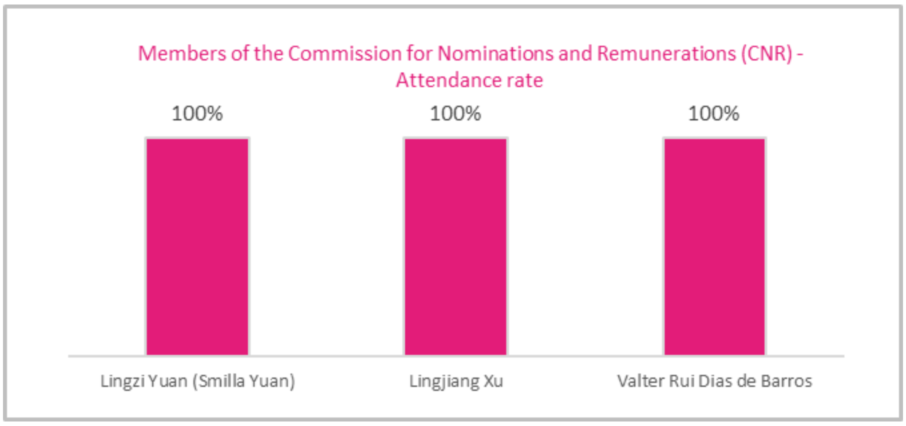
The Committee for Nominations and Remunerations, for the adequate performance of its competences, may contract the provision of services by experts, in accordance with article 10 (3) of the Regulations of the Board of Directors.

Regarding the competences of the Committee for Nominations and Remunerations to carry out the assessment of the performance of the executive directors, please see the information provided in Item 24.

During the 2023 financial year, the Committee adopted five unanimous resolutions in writing and met twelve times, in person or by electronic means.

The Committee had the logistical and technical support of the Company's Secretary, who provided the members of the Committee with all the supporting documents, which were stored on a digital platform called Diligent Boards.

The effective attendance level, in the taking of resolutions and meetings of the Committee for Nominations and Remunerations by each of its members is shown in the following table:



The Regulations of the Committee for Nominations and Remunerations is available on the Bank's website, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_CNR.pdf

c) Committee for Corporate Governance, Ethics and Sustainability

The Committee for Corporate Governance, Ethics and Sustainability is composed of three to five non-executive members, appointed by the Board of Directors.

During 2023, the Committee for Corporate Governance, Ethics and Professional Sustainability was composed as follows:

Chairman:	Nuno Manuel da Silva Amado	Independent (*)
Members:	Lingjiang Xu	Non-Independent
	José Pedro Rivera Ferreira Malaquias	Independent

(*) Since July 2023, the director concerned has been classified as independent by virtue of the expiry of the period of five years after the end of the financial year of the management functions

In an universe of the three members that compose the Committee for Corporate Governance, Ethics and Sustainability, 66.66% is qualified as independent.

All the members of the Committee for Corporate Governance, Ethics and Sustainability have professional qualifications acquired through academic qualification, professional experience or specialised training appropriate to the performance of their duties, as confirmed by the respective curricula attached to this report.

Among the competences set forth in the Regulations of the Committee for Corporate Governance, Ethics and Sustainability, in force since 31.12.2023, the following stand out:

Corporate Governance and Ethics Issues:

- Recommending to the Board of Directors the adoption of policies in line with ethical and social responsibility principles and best practices in terms of corporate governance and sustainability principles;
- supporting the Board of Directors in the evaluation of the systems that identify and solve conflicts of interests;
- Issue an opinion, addressed to the Board of Directors, on the Annual Corporate Governance Report;
- Assess, annually, the results of the monitoring of the compliance with the Corporate Governance Code;
- assess, annually, the model relative to the assessment of compliance with the parameters set for the purposes of assessing corporate governance, to be included in the RAS - Risk Appetite Statement – Governance Risk;
- monitor the implementation of supervisory authorities' recommendations on internal governance matters;

- promote, with reference to the end of the first year and the last year of the term of office, the evaluation by an external entity independent of the Bank, of the conduct and values of the Bank, of the Board of Directors and of each one of its committees, to be submitted to the Board of Directors.

Sustainability Issues:

- issue an opinion addressed to the Board of Directors on the Annual Sustainability Report, concerning issues for which it is responsible;
- issue an opinion addressed to the Board of Directors on the Sustainability Master Plan, assessing, and monitoring its degree of execution through appropriate indicators and metrics; assess the adequacy of the human and technical resources in sustainability matters;
- assess the adequacy of the human and technical resources in sustainability matters;
- evaluate the training plans on sustainability matters, especially those of the members of the Management and Supervisory Bodies;
- monitor the implementation of supervisory authorities' recommendations on sustainability.

The committee has also other responsibilities, such as:

- issue opinions on the Code of Conduct (GR0021), the Code of Good Conduct for the Prevention and fight against Harassment and for the Promotion of Equality and Non-Discrimination (GR0044), the Policy for the Prevention and Management of Conflicts of Interest (GR0038), Sustainability related Policies and Principles (GR0046), ESG management and control principles (GR0047), as well as other group codes that define principles of conduct and business sustainability;
- make, every three months, a report on the activities developed, to be appraised by the Board of Directors.

The Committee for Corporate Governance, Ethics and Sustainability, for the adequate performance of its competences, may contract the provision of services by experts, in accordance with article 10 (3) of the Regulations of the Board of Directors.

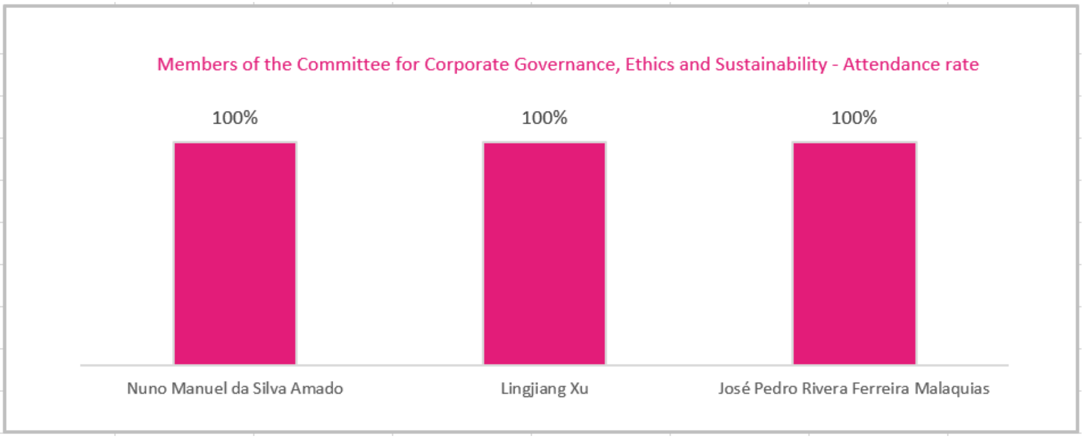
In order to carry out the periodic assessment of the conduct and values of the Board of Directors and its committees under Article 3 of Notice 3/2020, the Board of Directors, on the recommendation of this Committee, hired an independent entity in 2023, the consultancy firm Egon Zehnder, under which each of the members of the Board of Directors participated in the work supporting the assessment, either through a self-assessment questionnaire or through interviews, to ascertain their opinion on the functioning of the bodies to which they belong, including their values and practices. On the basis of this work and the analysis of Board meetings and documentary support, and taking into account the applicable rules and best market practices, Egon Zehnder produced a report evaluating the conduct and values of the Board of Directors and its Committees, and concluded with a positive assessment, with practical recommendations that were considered by the Bank.

In compliance with the internal rules established for the purpose, Egon Zehnder contractually agreed to provide independent services and undertook that until the Committee's mandate expires, it will not be hired to provide any other services to the Bank or to other companies with which it has a controlling or group relationship, without the prior authorization of the Bank's Committee.

During the 2023 financial year, the Committee met eight times, in person or by electronic means.

The Committee had the logistical and technical support of the Company's Secretary, who provided the members of the Committee with all the supporting documents, which were stored on a digital platform called Diligent Boards.

Attendance of the Committee for Corporate Governance, Ethics and Professional Goals meetings by each of its members is shown in the following graphic:



The Regulations of the Committee for the Corporate Governance Ethics and Sustainability is available on the Bank's website, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_CGSES_BCP.pdf

Sustainability and ESG at the Bank:

In view of the new challenges posed by the various parties with which the company interacts, it should be noted that the Board of Directors, in particular through the Committee for Corporate Governance, Ethics and Sustainability and the Executive Committee, is still pursuing a set of dynamic strategies that foster a culture of Corporate Social Responsibility, positively influencing the organisation's long-term value proposition, in balance with the well-being of the people, the company and the communities in which it operates and with the preservation of natural resources, the climate, biodiversity and the environment, focusing on three fundamental axes:

- Environment - implementation of measures that promote a fair and inclusive transition to decarbonised economic development models, including the incorporation of the environmental aspect in the Bank's risk models and the supply of products and services;
- Social - involvement with the external community and the internal community in establishing lasting relationships of proximity and co-operation and in creating shared value;
- Corporate governance - integration of sustainability principles in the Bank's decision-making processes and in defining its value proposition.

The Bank also undertakes a continuous dialogue with its stakeholders through the implementation of a set of corporate policies and principles, of which the following stand out:

- Sustainability Policy;
- Environmental Policy;
- Social Impact Policy;
- Human Rights Policy;
- Diversity and Equal Opportunities Policy;
- Occupational Health and Safety Policy;
- Corporate Volunteering Policy;
- Anti-Corruption and Anti-Bribery Policy;
- Principles for a responsible financing, such as excluded and conditional projects.
- Sustainability Guidelines for Suppliers.

In addition, the Bank formalises its environmental and social commitments, objectives, targets and actions in its Sustainability Master Plan (SMP), which is the responsibility of the Executive Committee, advised by the

Sustainability Commission, and its approval is the responsibility of the Board of Directors, after consulting the Committee for Corporate Governance, Ethics and Sustainability.

The structuring of the lines of action and the identification of the actions that make up the SMP are the result of extensive reflection on the management of relevant material issues, available resources and the regulatory, economic and market framework. The definition of the Plan's commitments, objectives, targets and measures, and the assessment, follow-up and monitoring of its implementation. Significant progress has also been made in implementing processes to collect and process data related to environmental and social sustainability, especially from Customers and stakeholders, and in analysing the associated risks, which are described in the Sustainability Report.

We refer in this item to the information provided in the Sustainability Report, available at https://ind.millenniumbcp.pt/pt/Institucional/sustentabilidade/Pages/relatorios_anuais.aspx

28. Composition of the executive Board and/or details of the board delegate/s, where applicable.

The Bank's Executive Committee, in the current financial year, had the following composition:

Chairman:	Miguel Maya Dias Pinheiro
Vice-Chairmen:	Miguel de Campos Pereira de Bragança
	João Nuno de Oliveira Jorge Palma
Members:	José Miguel Bensliman Schorcht da Silva Pessanha
	Maria José Henriques Barreto Matos de Campos
	Rui Manuel da Silva Teixeira

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers

The competences of each of the specialised committees created within the Board of Directors are as follows:

- Audit Committee - On this matter, please see information presented in item 21. - Audit Committee
- Executive Committee - On this matter, please see information presented in item 21. - Executive Committee
- Committee for Risk Assessment - On this matter, please see information presented in item 27. a).
- Committee for Nominations and Remunerations - On this matter, please see information presented in items 24, 25 and 27 b).
- Committee for Corporate Governance, Ethics and Sustainability - On this matter, please see information provided in item 27. c).

III. Supervision

a) Composition

30. to 32. Identification, composition and qualification concerning the independence requirement of the body and supervision - the Audit Committee

Please see the information presented in items 10, 17, 18, 21. – Audit Committee and 26.

33. Professional qualifications of the Audit Committee, and other relevant curricular elements, with the possibility of referring to the section of the report where this information is already included.

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report.

These data are updated whenever justified and remain available at all times at the Bank's site, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) Functioning

34. Existence and place where the operating regulations of the Audit Committee can be consulted, with the possibility of referring to the section of the report where this information is already included.

On this matter, please see the information presented in item 21 - Audit Committee.

35. Number of meetings held and level of attendance at meetings by each member of the Audit Committee, with the possibility of referring to the section of the report where this information is already included.

On this matter, please see the information presented in item 21 - Audit Committee.

36. Availability of each member of the Audit Committee, with an indication of the positions held simultaneously in other companies, inside and outside the group, and other relevant activities carried out by the members of those bodies during the financial year, with the possibility of referring to the section of the report where this information is already included.

On this matter, please see the information presented in item 26.

c) Competence and duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

The Bank follows best practices in terms of assured independence in the contracting of services rendered by the external auditors, namely, in international terms, Commission's Recommendation 2005/162/EC of 15 February 2005, Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, amending Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 (8th Directive), on statutory audits of annual financial statements and consolidated financial statements, Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and, at national level, the companies legislation, the recommendations and regulations of the Comissão do Mercado de Valores Mobiliários (CMVM), Law no. 248/2015 of 9 September, which approved the Legal Framework for the Supervision of Audit, and the stipulations, as specifically applicable, in the Statute of the OROC (Portuguese Chartered Accountants Association) approved by Law no. 140/2015 of 7 September, which partially transposes to the internal legal system the aforesaid Directive 2014/56/EU and assures the implementation of Regulation (EU) 537/2014. The Bank's Articles of Association explicitly list, among the competences of the Audit Committee, that of "*supervising the independence of the Statutory Auditor and External Auditor, in particular with respect to the provision of additional services*".

In accordance with article 38 of Notice 3/2020 of Banco de Portugal, the Bank's General Meeting is responsible for approving the policy for the selection and designation of the Statutory Auditor or Audit Company and for the contracting of non-prohibited non-audit services. Accordingly, the General Meeting held on 20 May 2021 approved the policy for the selection and designation of the Statutory Auditor or Statutory Audit Company and the hiring of non- prohibited non-audit services, under the terms of the legislation in force, and the same was updated at the General Meetings held on 04 May 2022 and on 24 May 2023. Additionally, the Audit Committee, within the scope of the competences set out in its Regulations, annually monitors and assesses the activity of the External Auditor in particular with regard to the following aspects: i) quality of the service provided; ii) resources allocated; iii) communication and interaction with the Bank; iv) and finally, independence, objectivity and professional scepticism.

The Audit Committee, as the supervisory body of the Bank, promoted the adoption of rules, whose compliance it evaluates and oversees on an annual basis, that ensure the independence of the external auditors in relation to the several entities of the Group and, simultaneously, prevent situations of conflict of interests within the entities that provide auditing services to the Group entities creating preventive mechanisms of approval of additional services and fee's control.

The Audit Committee is also responsible for proposing the contracting of external auditors or the renewal of its term-of-office by the Bank and by Group Banco Comercial Português, and for supervising the provision of the services foreseen in the Group Code – GR0022 – Selection and Designation of Statutory Auditors/Audit Firms and Contracting of Non-Audit Services.

Through the said Regulations that embody the principles described in the domestic and international regulations, complying with the requirements of Notice 3/2020 of Banco de Portugal, the Group adopts and systematises a set of standards relating to:

- classification of the services rendered by the external auditors:
- definition of the set of non-audit services which the external auditor is not allowed to provide to any entity of the Group;
- definition of the number of non-audit services, which may be provided to the Group under specific stipulated circumstances;
- subjection of those involved in the application of the aforementioned Group Code to regular training actions on the responsibilities granted to them;
- approval by the Audit Committee of engagement of non-audit services to be provided by the external auditor, creating different rules for the authorizations according to the type of services in question and defined limits;
- definition of a process for the selection and evaluation of proposals for the designation of the ROC/SROC, ensuring their independence and describing an evaluation methodology for the ROC/SROC proposed and carried out by the Audit Committee;
- provision to the Audit Committee of internal control information on the established principles and guidelines.

The Audit Committee also supervises and permanently monitors the effectiveness of the internal control system, the risk management system, the process of preparing and disclosing financial information, and the activity of the internal Compliance and Audit functions, giving its opinion on the work plans and resources allocated to control functions.

The Policy for the Prevention and Management of Conflicts of Interest (GR0038) is object of an annual review, for confirmation of its adequacy to the respective legal and regulatory framework, without damaging eventual further revisions when deemed justified.

38. Other duties of the supervisory body

On this matter, please see the information presented in item 21 – Audit Committee and preceding item 37.

IV. Statutory Auditor (including the Policy for the Selection and Evaluation of External Auditors and of the Statutory Auditor)

The Policy for the Selection and Evaluation of the External Auditors and of the Statutory Auditor which is part of the Group Code GR0022 - that contains the following definitions:

(i) The criteria concerning the technical and professional competence and experience in the financial sector and the process to select the statutory auditor;

(ii) The methods used by the company to communicate with the statutory auditor;

(iii) The supervisory procedures designed to ensure the independence and the absence of conflicts of interests with the Statutory Auditor;

(iv) The non-audit services, which cannot be provided by the statutory auditor.

The selection of the Statutory Auditor/Audit Firm is based on the criteria and requirements mentioned below which are taken into account by the Audit Committee in the evaluations it carries out, either within the scope of the selection of candidates to present to the General Meeting of Shareholders, or in the subsequent evaluations it makes, at least once a year, and in the situations when it intends to propose the reappointment of the Statutory Auditor.

Thus, apart from the fees proposal, are also considered:

- Technical Expertise and Quality of Service
- Resources allocated to the Audit
- Communication and Interaction
- Independence, Objectivity and Professional Scepticism

39. Identification of the statutory auditor and its representative partner statutory auditor.

The current effective Statutory Auditor is Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered in the OROC under no. 43 and in CMVM under no. 2016/ 1389, represented by João Carlos Henriques Gomes Ferreira, ROC no. 1129, who replaced, on 21.07.2022, Paulo Alexandre de Sá Fernandes, ROC, no. 1456, for having reached the limit for the exercise of functions, and alternatively by Jorge Carlos Batalha Duarte Catulo, ROC no. 992.

40. Indication of the number of years that the statutory auditor consecutively carries out duties with the company and/or group.

The company Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A was elected for the first time on 21 April 2016 and re-appointed for the 2021/2023 three-year period at the General Meeting of Shareholders held on 20 May 2021; therefore, it performs functions consecutively for 8 years and is currently in its third term-of-office.

The Statutory Auditor and the External Auditor will be elected at the General Meeting of Shareholders that will take place on 24 May 2024.

41. Description of other services rendered by the statutory auditor to the company

On this matter, please see the information presented in item 46.

V. External Auditor

The Policy for the Selection and Evaluation of External Auditors is detailed in the Group Code GR0022 already duly approached in Chapter IV and in item 37.

42. Identification of the External Auditor appointed for the purposes of article 8 and of the Statutory Auditor partner who represents him/her in the performance of these duties, as well as the respective CMVM registration number.

The Bank's External Auditor and the Statutory Auditor is Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered in the OROC under no. 43 and in CMVM with no. 2016/ 1389 represented effectively by its partner João Carlos Henriques Gomes Ferreira, ROC nº 1129 and alternatively by Jorge Carlos Batalha Duarte Catulo, ROC n.º 992.

43. Indication of the number of years in which the External Auditor and the respective Statutory Auditor partner who represents him/her in the performance of these duties have exercised functions consecutively with the company and/or the group

The company Deloitte & Associados– Sociedade de Revisores Oficiais de Contas, S.A. was elected for the first time on 21 April of 2016 and re-appointed for the 2021/2023 three-year period; therefore, it performs functions consecutively for 8 years and is currently in its third term of office.

44. Rotation policy and frequency of the External Auditor and the respective Statutory Auditor partner that represents him/her in carrying out such duties

The Bank complies with the rotation rules laid down in Article 17 of Regulation (EU) no. 537/2014 of the European Parliament and the Council, of 16 April 2014 and Article 54 of Law no. 140/2015, of 7 of September, and, therefore, its External Auditor and the Statutory Auditor that represent it will not perform functions for a period, considering the initial term of office, that exceeds the maximum duration of ten and twenty-seven years, respectively.

45. Indication of the Body responsible for assessing the external auditor and the regular intervals when the said assessment is carried out

The Audit Committee is the body responsible for annually assessing the quality of the services rendered by the external auditor and the respective Statutory Auditor partner, under the terms referred to in Items 21 and 37.

This assessment is especially focused on the professionalism of the auditors, transparency, ethics, quality control and good performance. The Audit Committee permanently monitors the activity of the external auditor and respective partner Statutory Auditor, appraising in particular the conclusions of the audit to the annual financial statements, on an individual and consolidated basis and the limited review of the half-yearly interim financial statements, also analysing the conclusions of the desktop reviews to the 1st and 3rd quarter financial statements. The Audit Committee meets with the external auditor and with the Statutory Auditor on a very regular basis and whenever necessary.

The procedures aimed at ensuring the independence of the external auditor are defined in the Policy for the Selection and Assessment of the External Auditors and in Group Code - GR0022, already approached in detail in Chapter IV and in Item 37.

The Audit Committee is the main interlocutor of the external auditor and of the statutory auditor of the bank, with whom it meets at least every month to carry out a close monitoring of their activity, and also to analyse and debate the respective reports and conclusions therein stated.

The Audit Committee is also responsible for recommending to the General Meeting of Shareholders the appointment of the external auditor and the election of the statutory auditor, or the renewal of their respective terms of office, taking into consideration the respective technical ability and remaining conditions for the exercise of those functions.

The Audit Committee annually assesses the external auditors regarding the quality of the service provided, the resources and teams allocated, communication and interaction with the Bank, as well as the independence, objectivity and critical demands shown in the performance of their duties. To this end, the Audit Committee draws up and prepares its own assessment of the External Auditor and, at the same time, uses a questionnaire in which those with managing responsibilities at the Bank who have relevant contact with the external auditor take part, in order to assess the items mentioned above.

On this matter, please see information presented in item 21 - Audit Committee.

46. Details of services, non-auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment. Besides the Audit work, which includes legal review of accounts services and other reliability assurance services, the fees charged by the External Auditor also include the payment of the following services:

In the year to which this Report refers, the following non-audit services were hired:

- tax advisory services – tax advisory services to the Group in Portugal and abroad, in which the external auditor intervenes pursuant to a legal requirement;
- services other than legal review of accounts, namely: (i) Reliability assurance services; and (ii) other services which are permitted in accordance with the defined rules of independence and subject to monitoring by the Audit Committee of BCP, which included a special audit into data quality.

Regarding the approval of the engagement of these services and indication of the reasons for their engagement, the Bank maintains a very strict policy of independence in order to prevent any conflicts of interest in the use of the services of its external auditors. As auditor of Group BCP, the company Deloitte & Associados - Sociedade de Revisores Oficiais de Contas, S.A. (hereinafter referred to as "External Auditor") complies with the rules on independence defined by the Group including Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014, by Law 148/2015 of 9 September and by Law 140/2015, of 7 September (EOROC).

To safeguard the independence of the External Auditors and the national and international good practices and standards, the Audit Committee of BCP approved a series of regulatory principles, as described below:

- The External Auditor and the companies or legal persons belonging to the same network ("Network") cannot render to the Bank or to the Group the services that may be considered forbidden under the terms of the Statute of the OROC. Although it is generally considered that the independence of the External Auditor could be affected by the provision to the Group of services unrelated to legal review or audit, the Audit Committee identified a set of services that may be undertaken by the External Auditor without jeopardising its independence. These services are validated by the Group's Compliance Office and subject to approval or ratification, depending on the amount of the fees, by the Audit Committee;
- the provision of services which are not discriminated in the above-mentioned set of services is object of specific approval by the Audit Committee prior to the signing of the contract in question. In relation to operations abroad, the Audit Committee only issues a non-opposition opinion. For that purpose, the proposals to be submitted to the appraisal of the Audit Committee of BCP must contain an opinion from the Compliance Officer of BCP, as set forth by the Group Code - GR0022 and a duly grounded decision recommendation.

On this matter, please see the information presented in item 38.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May)

The amount of the annual remuneration paid in 2023 by the Company and/or legal persons in controlling or group relations, to the External Auditor (Deloitte) and other natural or legal persons belonging to the same network, detailed with their respective percentages, is reflected in the following table:

1) FEES PAID TO DELOITTE BETWEEN 1 JANUARY AND 31 DECEMBER 2023 (amounts in eur)

1) Fees paid to Deloitte for services rendered between 1 January to 31 December 2023 (amounts in Eur)	Euros					%				
Companies in Portugal	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total	Audit	Reliability Assurance Services	Tax Advisory	Other Services	Total
Banco Comercial Português, S.A.	2,397,692	832,064		698,324	3,928,080	60.7%	21.7%		17.7%	100.0%
Banco ActivoBank, S.A.	44,112	51,108		2,899	98,119	45.0%	52.1%		3.0%	100.0%
Millennium BCP - Prestação Serviços, ACE	30,878				30,878	100.0%				100.0%
Interfundos - Soc. Gestora de Organismos de Invest. Coletivo, S.A.	16,542				16,542	100.0%				100.0%
Millennium BCP Participações Financeiras, SGPS, Soc. Unipessoal, Lda.	6,617				6,617	100.0%				100.0%
BCP África, SGPS, Lda. (formerly BII Internacional, SGPS, Lda)	15,439				15,439	100.0%				100.0%
Millennium bcp - Serviços de Comércio Electrónico, S.A.	2,757				2,757	100.0%				100.0%
Magellan 3	21,502				21,502	100.0%				
Total	**2,535,539**	**883,172**		**701,223**	**4,119,934**	**61.2%**	**21.9%**		**16.9%**	**100.0%**

2) Fees paid to Deloitte for services rendered between 1 January to 31 December 2023 (amounts in Eur)	Euros					%				
Subsidiaries abroad	Audit Committe e	Services Guarantee of reliability	Tax Advisory	Other Services	Total	Audit	Services Guarantee of reliability	Tax Advisory	Other Services	Total
Bank Millennium, S.A. (Poland)	704,371	230,845			935,216	75.3%	24.7%			100.0%
Millennium BIM, S.A. (Mozambique)		60,842		36,450	97,292		62.5%		37.5%	100.0%
BCP Finance Bank, Ltd. (Cayman)				5,000	5,000					
BCP International B.V. (Netherlands)	9,925				9,925	100.0%				100.0%
Magellan 3 (Ireland)	50,940	5,375		4,000	69,315	84.3%	9.0%		6.7%	100.1%
Total	**774,236**	**297,062**		**45,450**	**1,116,748**	**69.4%**	**26.9%**		**3.7%**	**100.0%**

Fees paid to Deloitte for services rendered between 1 January to 31 December 2023 (amounts in Eur)

	Portugal	%	Abroad	%	Total	%
Legal review of accounts	2,535,539		774,236		3,309,775	
Reliability Assurance Services	883,172		297,062		1,180,234	
1. Total Audit Services	**3,418,711**	**83.0%**	**1,071,298**	**95.9%**	**4,490,009**	**85.7%**
Tax Advisory Services	0		0		0	
Services other than legal review of accounts	701,223		45,450		746,673	
2. Total for Other Services	**701,223**	**17.0%**	**45,450**	**4.1%**	**746,673**	**3.4%**
	4,119,934	**100%**	**1,116,748**	**100%**	**5,236,682**	**100%**

C. INTERNAL ORGANISATION

I. Articles of Association

48. Rules governing amendment to the company's articles of association

Article 24 of the Bank's Articles of Association establishes the requirement of a constitutive quorum, above the legal one, of over one third of the share capital for the General Meeting of Shareholders to be able to validly meet and resolve on first call.

With regard to the quorum for resolutions, article 25 of the Articles of Association stipulates that resolutions are passed by a majority of the votes validly cast, unless a legal or statutory provision requires a qualified majority, which is the case with the amendment of the Articles of Association, which must be approved by two-thirds of the votes cast, whether the General Meeting meets on first or second call and regardless of the number of shareholders attending or represented at either meeting. In addition, the articles of association provide for a higher quorum than that required by law in the case of mergers, de-mergers and transformations of the company, which must be approved by three-quarters of the votes cast, and in relation to the dissolution of the company, for which a majority corresponding to three-quarters of the paid-up share capital is required under the terms of article 56 of the articles of association.

The Bank and the shareholders that approved the Articles of Association in force consider that, since Banco Comercial Português is one of the companies with the largest free float in the Portuguese Stock Exchange, it is important to ensure that, in any circumstance and not only in the case specifically mentioned in the law, the shareholders, regardless of their respective representativeness, receive the guarantee that, on first call, the items submitted to the appraisal of the General Meeting can only be resolved on if the capital is minimally represented.

Also regarding the deliberative quorum, the Bank and the shareholders that approved the articles of association in force, that determined structuring issues such as the merger, demerger or transformation of the company should not, for the sake of the shareholding stability and transparency in the decision-making process, such not be adopted at first call without achieving a broad consensus among the shareholders.

II. Communication of Irregularities

49. Reporting means and policy on the reporting of irregularities in the company and prevention of conflicts of interest

The Bank upholds a culture of responsibility and Compliance, preventing conflicts of interest and recognising the importance of an appropriate framework and processing of the communication of irregularities. For this purpose, BCP implements suitable means for receiving, treating and filing communications of irregularities allegedly committed by members of the corporate bodies and employees of the Bank and companies part of BCP Group.

The policy for reporting irregularities is established in an internal service order (OS0131- Communication and Reporting of Irregularities), which is in accordance with Banco de Portugal Notice no. 3/2020, and is available on the Bank's website, in Portuguese and English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/RegComunicacaoIrregularidades.pdf

According to the Bank’s policy for reporting irregularities, the following are considered irregularities: acts and omissions, wilful or negligent, completed, being executed or which, in light of the available information, may be reasonably expected to be executed, related to the administration, accounting organisation and internal supervision, serious evidence of breaches of duties provided for in the General Regime or in Regulation (EU) no. 575/2013 of the European Parliament and of the Council of July 26, 2013 or any other sphere of activity of the Bank which, in a serious manner, are liable in particular to:

- violate the law, the articles of association, the regulations and other rules in force;
- directly or indirectly cause any pecuniary damage to the Shareholders or the Bank;
- cause reputational damage to BCP.

The Bank implements the appropriate means for the reception, handling and archive of the communications of irregularities allegedly committed by members of the corporate bodies or by employees of the companies part of Group Banco Comercial Português or any other person within the scope of the provision of services to any of the companies part of Group Banco Comercial Português.

For that purpose, the Bank observes, on an ongoing basis, the principles and requirements set forth in article 305-F of the Securities Code, in article 35 of the Notice of Banco de Portugal 3/2020, and in section 13 of the guidelines issued by EBA, on internal governance (EBA/GL/2021/05) of 2 July 2021.

Hence, and in accordance with the Internal Regulations OSO131, the persons entitled to communicate irregularities, and also the subject of a communication of irregularities, are:

- the employees, agents, commissioners or any other person that renders services, either permanently or occasionally, to the Bank or to any entity of the Group;
- the shareholders;
- any other persons.

Employees have the duty to report to the Audit Committee any irregularity occurred that they are aware of, in particular, those who manage people or exercise functions in the areas of the three defence lines of the bank, internal audit, risk management or compliance.

The communication of irregularities may, as an option, be made anonymously, or not, being addressed to the Audit Committee of BCP, and must be made in writing through the channels made available for that purpose, namely the site or through any other means of written communication, addressed to: Comissão de Auditoria – Av.ª Prof. Dr. Cavaco Silva (TagusPark), Edifício 1, 2744-256 Porto Salvo, or by the e-mail: comunicar.irregularidade@millenniumbcp.pt. or through the specific channel on the Bank's website (anonymous mode).

Since 2022, and in accordance with the provisions of Notice no. 3/2020 of Banco de Portugal, the Bank has its own channel in its website, able to encrypt the personal data of the communicator - the functionality "Communicate Irregularity" with encrypted personal data, available in Corporate Services/Irregularities. In this new way of communicating irregularities anonymously, the author has the possibility of not identifying himself/herself and the anonymity of the author and his/her message is ensured. To make this possible, the Bank ensures that the logs of these communications are encrypted, so that the Audit Committee or any other entity of the Bank does not have access to any of the whistleblower's data (example: Employee identification number), except when otherwise determined by a court order.

The Audit Committee is responsible for managing the system for reporting irregularities, ensuring the confidentiality of the reports, this Committee being supported by the Compliance Office and by the Audit Division, in the treatment of the irregularities reported.

Once a communication is received, the Audit Committee shall undertake all efforts deemed necessary to assess if there are sufficient grounds to open an investigation and may establish a prior contact with the author of the communication, if known. In case the author of the communication so required, or whenever possible, the Audit Committee shall immediately communicate to him/her that the information has been received, within 7 days, at most, counting from the date the communication was received, except when the same is made anonymously. If there are sufficient grounds, the Audit Committee will develop all necessary investigations to become totally aware of all facts and it may request the support of the Audit Division, Risk Office, the Compliance Office or any other divisions or areas of the Bank. Once the investigation is over, the Audit Committee may make a report for the internal transmission of its conclusions so that the appropriate diligences may be adopted to correct the irregularity and sanction it, if need be. It must also report it to external entities whenever so is justified by the specific situation.

If the communication is made in a non-anonymous manner, the response to the whistle-blower must be given up to three months after the sending of the delivery receipt the Bank is obliged to.

The communications received, as well as the reports to which they have given rise, are mandatorily kept on paper or on another durable support that allows their complete and unaltered reproduction for a minimum period of five years, and the Bank has its own archive and database where all the communications are registered.

The policy for the communication of irregularities ensures that when the identity of the whistle-blower is known, the communication cannot serve as grounds for the initiation of any disciplinary, civil or criminal proceedings, unless it is found to be fraudulently false, nor for the adoption of legally prohibited discriminatory practices, as well as retaliatory measures, discrimination or any other type of unfair treatment.

The Bank prepares and submits to Banco de Portugal an annual report, which is an integral part of the Self-Assessment report. Additionally, and periodically, a summary of the reported cases is produced and included in the quarterly report addressed to the Audit Committee.

During 2023 (from December 2022 to November 2023), the Audit Committee received 16 reports of irregularities, 5 by letter, 4 of which anonymous, and 11 through the "Communicate Irregularity" e-mail inbox, 2 of which anonymous. From the total of the reports received, 8 were not considered as reports of irregularities under the provisions of the OS0131.

The Bank also establishes the principle of reporting irregularities in its Code of Conduct and Code of Good Conduct to Prevent and Fight against Harassment and Promote Equality and Non-Discrimination, which are available on the Bank's website in Portuguese and English, on the following address:

https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

The Bank's Code of Conduct establishes the fundamental principles and rules to be observed in the exercise of the activity developed by the entities that form the Group and the principles underlying the conduct, good practices and observance of the institutional values by the universe of people that form the Group.

In its Code of Conduct and in Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination, the Bank regulates the behaviour of the members of the corporate bodies, of employees and of the service providers of Group Banco Comercial Português, establishing therein rules targeted at excellence in behaviour and the consolidation of a brand of reference and prestige that it intends to preserve and perfect.

In the light of these rules, the Bank and its employees act according to principles of respect for people's rights, preservation of social and environmental sustainability and institutional culture and values, committing themselves to behave with integrity and honesty in all the relationships they establish with each other, their customers or any other person or entity with whom they establish a relationship.

The Code of Conduct and the Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination, also set forth the main rules concerning values, behaviour standards and corporate responsibility to be observed by all companies part of Group BCP and describe the measures aiming at preventing discriminating behaviours and harassment at work, which are better detailed in a specific document denominated Code of Conduct related with Equality, Harassment and Non-Discrimination, currently in effect.

The awareness of the Code of Conduct and of the Code of Good Conduct for the Prevention and Fight against Harassment and for the Promotion of Equality and Non-Discrimination by all their recipients is insured by the internal means of communication, by their permanent publication in a prominent location at the bank's internal communication system, via intranet, and by regular e-learning training sessions addressed to all their recipients.

The Bank's Audit Division, in its actions to supervise the Bank's functioning, guarantees the identification of irregular situations and issues recommendations to remedy the same.

The Code of Conduct of BCP Group states mandatorily that, the members of the management and supervisory bodies, as well as the employees, should avoid any situation that may give rise to conflicts of interest within the scope of their functions, so that they may act with full independence of mind, impartiality and exemption and that the members of the management and supervisory bodies cannot intervene in the appraisal and approval of operations, professional status of employees and procedures for the acquisition of goods and services in which there may be a risk of conflicts of interest.

Additionally, the Bank also has a Policy for the Prevention and Management of Conflicts of Interest (Group Code GR0038), which defines the fundamental principles and processes adopted for the identification and management of conflicts of interest occurring within the Group.

The said Policy implements, in the Bank and in BCP Group, namely, the guidelines issued by the European Banking Authority (EBA/GL/2021/05 of 2 July 2021), on internal governance, identifies the control procedure to enable an efficient and prudent management of situations of conflict of interests at an institutional or personal level, including the segregation of functions, the information barriers, in order to simultaneously defend and protect the interests of all stakeholders and the interests of the Bank and of the Group. The operations with the so-called "related parties" are subject to specific and complementary internal regulations, as described in item 10.

The Policy for the Prevention and Management of Conflicts of Interest, also sets out the governance principles applicable within the scope of the provision of services and investment activities and ancillary services identified, respectively, in articles 290 and 291 of the Securities Code and sets the governance principles applicable internally, within the scope of the policy for the management of conflicts of interests.

The Compliance Office is responsible for the development of the approaches and methods that allow the identification of real or potential conflicts of interest, in compliance with the Conflicts of Interest Policy. The Compliance Office, develops, at least one a year, a global analysis to identify and assess the materiality of the situations of conflict of interests at an institutional level and reports to the Executive Committee and to the Audit Committee the respective conclusions, identifying the measures required to correct the identified situations.

The Group Code on the Prevention and Management of Conflicts of Interests is available on the Bank's website, in English and Portuguese, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Politica-Prevencao-e-Gestao-de-Conflitos-de-Interesses.pdf

In addition, the Regulations of the Board of Directors, in its article 9 (4), determines, if any of its members considers as being prevented from voting due to any incompatibility or conflict of interests, that he/she has the duty to previously inform the Chairperson of that impediment and dictate for the minutes of meeting a statement regarding such situation.

III. Internal control and risk management

50. Individuals, bodies, or committees responsible for the internal audit and/or implementation of the internal control systems.

The Group's internal control is based upon a risk management system that identifies, evaluates, follows-up and controls the risks the Group and the Bank are exposed to. That system is supported by an efficient communication and information system and on an effective monitoring process which ensures the adequacy and efficiency of the internal control system.

Within that context, the Bank, in accordance with the principles defined in Banco de Portugal's Notice 3/2020, has specific areas to manage risk, compliance and internal audit - the Risk Office, the Compliance Office and the Audit Division.

The coordinating-managers of these Divisions are those responsible, at Group level, for the conformity of the functions of the internal control system, through which the objectives outlined in Banco de Portugal's Notice 3/2020 are achieved, namely:

- the efficiency of the performance and of the activity, ensuring that the established strategies, policies, processes systems and procedures are appropriate, duly updated, correctly applied and effectively observed;
- the identification, assessment, follow-up and control of risks which may influence the Group's strategy and goals;
- the achievement of the objectives established in the strategic planning, based on the efficient conduct of the operations, efficient use of the Group's resources and the safeguarding of its assets;
- the appropriate identification, assessment, monitoring and control of the risks to which the Group is or may become exposed in the future;
- the existence of complete, pertinent, reliable and timely financial and non-financial information;
- the adoption of sound accounting procedures;

- compliance with the legislation, regulation and guidelines that are applicable to the Group's activity, issued by the competent authorities, as well as the compliance with the internal rules, as well as with the professional and ethical regulations and practices, and with the conduct and customer relationship rules.

The Internal control system covers the entire institution, including the responsibilities and functions of the management and supervisory bodies, all its activity segments, structural units, namely the internal control functions, outsourced activities and the product distribution channels.

In addition, the Executive Committee sets up a Compliance and Operational Risks Commission. This Commission has, among others, the following powers in relation to the internal control system:

- monitor the activity of the Bank and the other Group entities, coordinating and managing the policies and obligations of the Bank and its subsidiaries on a regular basis, so as to ensure compliance with legal and internal rules, guarantee the alignment of Group strategies and the definition of priorities in compliance matters;
- monitor the operational risk management framework, which includes management of IT (Information Technologies) and Outsourcing (subcontracting) risks;
- monitor exposures to operational risks, as well as the state of implementation and effectiveness of risk mitigation measures and measures to strengthen the internal control environment;
- monitor the management and improvement of the Bank's processes, with a view to monitoring and reducing the levels of exposure to compliance and operational risks.

The divisions that are part of the internal control system have the technical and human resources that match the Bank's size and also the degree of complexity and significance of the risks inherent to the several business and business support activities.

These Divisions are also equipped to operate within the framework of an extensive volume of external and internal regulations that guide the Bank's activity within the limits of prudence, security and control defined by the regulators and the Bank's Board of Directors. Thus, when allocating resources to the mentioned areas, the Bank adopts the principle of proportionality, matching the mobilised resources to the size and granularity of the risks and other constraints of its activities, for the sake of effectiveness, business sustainability and scrupulous compliance with the established rules.

The number of employees placed in each one of the 3 areas specifically involved, under analysis, and whose functions are executed in accordance with the highest standards of independence, objectivity, impartiality, integrity and professional competence, reached, on 31 December 2023, to:

- Risk Office: 82
- Compliance Office: 106
- Audit Division: 55

A) Risk Office

The primary function of the Risk Office is to support the Executive Committee and the Board of Directors in the development and implementation of risk management and internal control policies, so that the Bank may achieve an overall view of all risks to which its activity is exposed to or may be exposed to in the future, as described in greater detail in the chapter on "Risk Management" of the Management Report 2023.

The Risk Office is an integrated area of the second line of defence of the internal control system of the BCP Group, taking on the role of supervising the commercial and business support areas, preparing and implementing risk management policies and procedures, for example, by proposing the competent bodies limits to risk-taking, and monitoring their adequate execution and compliance in order to guarantee the alignment of the Bank's global objectives and the specific objectives of the organic units with the risk profile and appetite approved by the Board of Directors.

The head of the Risk Office is appointed by the Board of Directors after obtaining the opinions from the Committee for Nominations and Remunerations, from the Committee for Risk Assessment and from the Audit Committee, being its suitability for the exercise of the functions subject to an assessment and prior authorisation, prior to his/her entrance into functions, by the competent supervisory authority.

In the performance of his/her functions, the Risk Officer reports hierarchically to the Executive Committee, namely to the Chief Risk Officer, maintaining a functional report to the Committee for Risk Assessment to facilitate the monitoring of the risks to which the Bank is exposed and the framework of the risk management function by this Committee.

Within the scope of functional reporting, the Compliance Officer regularly reports to the Executive Committee, the Audit Committee and the Board of Directors information regarding regulatory compliance, conduct and values, and the internal control system, including the prevention of money laundering, of the Bank and the Group.

The Risk Officer has direct access to the Chairmen of the Board of Directors and the Audit and Risk Assessment Committees for the purpose of reporting any situations that he/she considers pertinent in terms of the Group's risk profile. There are no impediments to interaction between the Risk Officer and the non-executive directors, either on their own initiative or on the initiative of the former.

The Audit and Risk Assessment Committees give their opinion on the annual work plan of the Risk Office, which is submitted for approval by the Board of Directors, and they are also responsible for reporting on its execution, as well as on the evolution of the resources allocated to the risk management function.

Risk Officer: Luís Miguel Manso Correia dos Santos

B) Compliance Office

The Compliance Office ensures the compliance function assigned to the "second line of defence", which includes control and regulatory compliance activities, analysing and advising the governing bodies and the Bank's various divisions prior to taking decisions involving the assumption of specific risks under the monitoring of the compliance function in compliance with the responsibilities defined by Banco de Portugal's Notice no. 3/2020.

The Compliance Office is responsible for, in particular:

- ensuring corresponding compliance by all the Group's Institutions with the relevant contractual commitments and the ethical values of the organisation, guaranteeing the existence of an internal control culture, so as to contribute towards mitigating the risk of those Institutions being subject to sanctions or suffering significant financial or reputational damage;
- promoting the preparation, approval, application, verification of compliance and periodic updating of the Code of Conduct;
- ensuring compliance with the regulatory framework on preventing and fighting money laundering and financing of terrorism (AML/CFT);
- Participate in the definition of policies and procedures regarding Conflicts of Interest, transactions with Related Parties and gifts, following their implementation and effective application;
- ensure the management and controls associated with the process of reporting irregularities;
- provide support to the Group's International Entities in the development of their activities, seeking to normalise their action principles, systems and processes, in respect of local regulatory specificities.

In the exercise of the above-mentioned competences, the performance of the Compliance Office is based on a risk approach at the level of business, customers and transactions.

Within the scope of functional reporting, the Compliance Officer regularly reports to the Executive Committee, the Audit Committee and the Board of Directors information regarding regulatory compliance, conduct and values, and the internal control system, including the prevention of money laundering, of the Bank and the Group.

The Compliance Officer informs the Chairperson of the Board of Directors, within the maximum period of two business days of any failure reputed to be of high risk.

The Compliance Office, in the exercise of its powers, adopts the necessary actions and/or makes reports to respond adequately and timely to unintended or expected, present or future non-compliances, namely through the following mechanisms and activities:

- make decisions, with binding force for their recipients. These decisions issued by the Compliance Office, within the scope of the functions attributed by law or other normative source, are binding and may only be exceeded upon authorization by the Audit Committee, with the exception of those referring to the duties of abstention, refusal and communication, provided for in Law no. 83/2017, of August 18, and all others that are shown to be legally binding and cannot be reversed;

- issue determinations under the powers assigned to it by the corporate bodies, which are also considered binding, unless there is a decision to the contrary taken by the internal decision-making bodies empowered to do so and there is no binding legal provision relating thereto;
- in the exercise of its functions and within the scope of its powers, the Compliance Office has the power to suspend any transaction or process that it considers to be contrary to the rules in force, whether external or internal.

The Compliance Office is responsible for communicating to the management and supervisory bodies any situations of non-compliance detected in the exercise of its functions that may cause the Bank to incur in an administrative offence or other, or in significant damage to its assets or reputation. It also makes and sends to the Board of Directors, at least every six months, a report identifying the situations of non-compliance that occurred and the recommendations and rulings issued to correct the identified compliance issues or deficiencies.

The Compliance Office promotes, intervenes and participates in the training of Employees, namely through compliance training sessions for the entire Group, maintaining a high level of knowledge of compliance issues, namely Anti-money laundering / countering Financing of terrorism (AML / CFT), and developing an internal control culture within the Group.

The Compliance Officer is appointed by the Board of Directors, after opinion from the Committee for Nominations and Remunerations. As head of the Compliance Office, the Compliance Officer reports directly to the Executive Committee and functionally to the Audit Committee.

The Compliance Officer is part of the Compliance Office organizational structure and does not have at any time any kind of direct or indirect functional or hierarchical responsibility in the business areas.

The Audit Committee rules on the annual activity plan of the Compliance Office, and this Committee is also the recipient of the work carried out by the compliance function, among which are those related to regulatory compliance, internal control system, including anti-money laundering and countering financing of terrorism, management of conflicts of interest, anti-corruption and detection of irregularities.

Compliance Officer: Pedro Manuel Francisco da Silva Dias

C) Audit Division

The Audit Division plays the role of the 3rd line of defence of the internal control system of Banco Comercial Português (Bank), whose main mission is to assess, as a whole, and report to its stakeholders - in particular, the Audit Committee and the Board of Directors - the suitability and effectiveness of the organizational culture, risk management process, internal control system and governance models of the Bank and Group.

The internal audit function is permanent and independent, carrying out its mission through the adoption of the guidelines of the Institute of Internal Auditors (IIA), including the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the internal audit principles defined by the IIA, resulting in the issuance of recommendations focused on strengthening the internal control system and the achievement of the Group's strategic interests, and ensuring if:

- risks are duly identified and managed, and the implemented controls are correct, suitable and proportional to their materiality;
- methodologies for evaluating the Bank’s capital and liquidity positions are adjusted and make it possible to assess their adequacy regarding the levels of exposure to the risks;
- operations are recorded correctly, and the operational and financial information is true, appropriate, material, rigorous, reliable and provided in due time;

- the safeguarding and security of the interests and assets of the Bank and of the Group, or those entrusted to them, are duly ensured;
- employees perform their functions in accordance with policies, group codes, including codes of conduct, internal standards and procedures, and applicable laws and regulations;
- goods and services required for the Bank's business are procured economically, used efficiently and protected appropriately;
- legal and regulatory matters are recognised, clearly understood and duly approached and integrated in the Bank's processes;
- programmes, plans and objectives defined by the management in the Annual Budget and in the Strategic Plan are complied with;
- the Bank's different governing bodies interact in an adequate, efficient and effective manner.

The activity of the Audit Division contributes to the pursuit of the objectives defined in Banco de Portugal Notice 3/2020, ensuring the compliance of the functions of the internal control system, guaranteeing the existence of the following:

- an adequate internal control environment;
- a suitable environment of culture, conduct and values for the management body itself and its committees;
- a solid risk management system;
- an efficient information and communication system;
- an effective monitoring process.

The head of the Audit Division regularly gives the Audit Committee, the Executive Committee and the Board of Directors information on the audits carried out, the main risks and recommendations to the Bank and the Group.

The head of the Audit Division is appointed by the Board of Directors, after obtaining the opinion of the Committee for Nominations and Remunerations and the technical opinion of the Audit Committee, and his/her suitability for the performance of his/her duties is assessed and authorised prior to his/her taking up his/her duties by the competent supervisory authority, in line with the provisions of Notice no. 3/2020 of Banco de Portugal and the EBA guidelines on the assessment of the suitability of the members of management bodies and key function holders. The head of the Audit Division reports to the Board of Directors and functionally to the Audit Committee (Committee composed of non-executive directors, the majority of whom are independent). Within the scope of reporting to the Board of Directors, the Audit Division presents directly to the Board meetings, among other information, the conclusions of the audits carried out, as well as the execution level of the approved Audit Plan and the state of implementation of the recommendations issued. The performance evaluation of the first person in charge of the Audit Division is carried out by the Chairman of the Board of Directors, after hearing the Audit Committee, and is subsequently formally assessed and decided upon by the Committee for Nominations and Remunerations, which also decides on its remuneration conditions, both in terms of the fixed and variable components.

The Strategic Plan and the Multi-Annual Activity Plan of the Audit Division are approved by the Board of Directors, after opinions from the Audit Committee and the Executive Committee.

The Audit Division submits to the Executive Committee, the Audit Committee and the Board of Directors reports on the monitoring of its activity, according to the periodicity defined at each moment, containing, namely, information on the execution of the audit plan, an overall assessment on the main deficiencies identified and respective recommendations, as well as on the status of the recommendations to be implemented and the respective implementation plans, as well as information on the activity of the subsidiaries abroad.

At least once a year, the monitoring report on the activity of the Audit Division also includes: an overall assessment of the adequacy and effectiveness of the Bank's organisational culture as a whole and of its governance and internal control systems, including the different components of both systems, and an overall assessment of the performance of the management and supervisory bodies and their supporting commissions in the aforementioned context, on which the Board of Directors must issue an opinion after hearing the opinion of the Audit Committee and the Executive Committee.

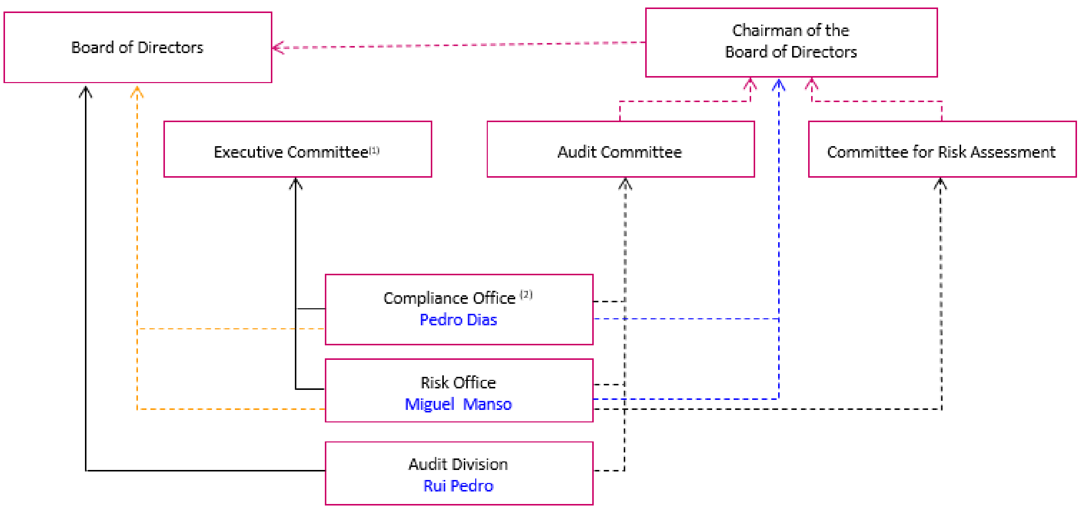
Additionally, the Audit Division informs the Chairperson of the Board of Directors, the Chairperson of the Audit Committee and the Chairperson of the Executive Committee on urgent matters under its responsibility that are materially relevant to the mission accomplishment of those bodies.

The Audit Division must also maintain and manage the Group's disability database in order to ensure the timely availability of the information provided for in Article 31(13) of Banco de Portugal's Notice no. 3/2020 and in Article 3(1) to (3) of Banco de Portugal's Instruction no. 18/2020.

Head: Rui Manuel Pereira Pedro.

51. Details, even including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company

The hierarchical and/or functional dependency of the Audit Division, the Compliance Office and the Risk Office in relation to other bodies or committees of the company, is shown in the following table:



(1) Compliance Office and Risk Office: reporting to the Executive Committee; Director in charge (Group's CRO) - José Miguel Pessanha
(2) All matters regarding professional conduct and ethical matters are reported by the Compliance Office to the Committee for Corporate Governance, Ethics and Sustainability

reporting
functional reporting
functional reporting COFF (quarterly) and ROFF (monthly)
Six-month functional reporting
one-off functional reporting

52. Existence of other functional areas with competences in risk control

In addition to the control areas that make up the risk management system - the Risk Office and the Compliance Office (as defined in Section III of Chapter IV of Banco de Portugal's Notice no. 3/2020) - and the area responsible for assessing the adequacy and effectiveness of the organisational culture and governance and internal control systems - the Audit Division (as defined in Section V of Chapter IV of Banco de Portugal's Notice no. 3/2020) - there is an information and communication system that supports decision-making and control processes, both internally and externally, within the competence of the Accounting and Consolidation, Tax Advising, Management Information, and Research, Planning and Assets and Liabilities Management Divisions; and the Economic Research, Sustainability and Cryptoassets Division, which guarantee the existence of substantive, current, coherent, timely and reliable information, enabling a global and comprehensive view of the financial situation, the activity development, the fulfilment of the strategy and objectives defined, the identification of the institution's risk profile and the behaviour and prospects for market evolution.

The financial information and management process is assisted by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institution and its subsidiaries, in accordance with the determinations and policies issued by the Executive Committee.

Thus, these areas ensure the implementation of procedures and means to obtain all relevant information for the consolidation process and information at Group level - both of an accounting nature and to support management and the monitoring and control of risks - contemplating, namely:

- the definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the Executive Committee, as well as the dates when the reporting is required;
- the identification and control of the intra-Group operations;
- assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the established objectives, as well as evaluate and control the risks incurred by each entity, both in absolute and relative terms.

Still within the scope of the risks control environment, one must mention the role performed by several specialized offices which are first line structures directly reporting to the administration:

- the Office for the Validation and Monitoring of Models is a second line of defence unit within the model risk management framework, functionally independent from the areas responsible for internal models (model owners and developers) and from the Internal Audit Division, thus ensuring an adequate functions segregation. Its mission is to monitor and validate the methodologies and internal models for risk assessment used in the Bank and the entities that integrate the Group in Portugal, as well as to ensure, in an independent manner, the assessment of the quality and adequacy of the risk management framework in terms of internal models, metrics and the completeness of the associated records.
- the Office for Regulatory and Supervision Monitoring, whose mission is to monitor issues arising from the evolution of the regulatory framework and supervisory practice, namely prudential supervision; to coordinate or participate, in articulation with other Bank divisions, in reporting exercises and/or provision of information to the supervisory authorities; to disseminate information of a regulatory nature by the Bank's competent areas and to contribute to strategic reflection on the regulatory context.
- the Personal Data Protection Office, whose primary head is the Bank's Data Protection Officer and whose mission is to monitor compliance of the Bank's policies and procedures with the General Data Protection Regulation and other EU or Member State data protection provisions - and with internal policies on the protection of personal data, including the allocation of responsibilities, awareness-raising and training of employees involved in personal data processing operations, in accordance with Regulation (EU) 2016/679 of 27 April 2016 (GDPR) and other EU or Member State data protection provisions.
- the Credit Division, responsible for performing the functions of risk assessment and control, according to its main competences: (i) appraising and giving an opinion or decision on credit proposals submitted by the Bank's business areas, as well as credit restructuring proposals submitted by the Bank's recovery areas, in accordance with the powers defined in internal regulations; (ii) monitoring and following up on the credit portfolio of Customers managed in the commercial areas, anticipating possible default situations and promoting restructuring solutions when necessary and applicable; (iii) taking the initiative and/or participating in cross-cutting Bank projects aimed at improving credit and operational risk in the underlying internal processes/procedures, including opinions on products or services with credit risk; and (iv) developing, monitoring, adjusting or implementing algorithms and automatic processes to support credit decisions, fraud detection, default prevention, collection efficiency and recovery.
- the Rating Division (RATD) that participates in the control of risks associated to loans, has as its primary responsibility the attribution of risk levels to Companies which are Bank Customers, assuring that they are permanently assessed in an appropriate way. In order to assure the sound pursuit of this responsibility, specialised competences in the assessment of particular segments were developed within the Rating Division, namely: Small, Mid and Large Corporate, Real Estate Development, Project Finance, State Business Sector and Funds segments The Rating Division carries out periodic analyses of the evolution of risk degrees in order to assess the suitability of the rating models used and to identify matters for their improvement, being the owner of the expert judgement models used by the Bank. The DRAT actively collaborates in monitoring the Bank's credit portfolio, particularly within the framework of the Corporate Risk Monitoring Commission (CARE).

- With the objective of accompanying the new requirements around ESG - Environmental Social and Governance, the Economic Research, Sustainability and Crypto-assets Division (ERSCD), gathers different areas of expertise, which include the monitoring of the macroeconomic reality, environmental, sustainability and governance issues and the crypto-active ecosystem. In particular, the ERSCD's mission is to: (i) monitor developments in the Portuguese and global economy, as well as in international financial markets, with the aim of supporting the Bank's management bodies and collaborating with the various business areas in promoting their respective activity; (ii) propose and execute global and coherent policies of sustainability and corporate social responsibility, which promote the development of the business with the incorporation of environmental, social and governance principles and enhance the growth of the institution's reputation and its capacity to add social and environmental value and respond to the needs and expectations of stakeholders and (iii) monitor the evolution of the market and regulation of cryptocurrencies, in particular regarding central bank digital currencies, in order to support the management bodies to assess the potential of this ecosystem.

The adoption of Artificial Intelligence in various areas

The adoption of AI continued to expand across the Bank, including at the decision making level, creating value through better costumer engagement and costumer experience, enabling to capture additional productivity and agility gains, while simultaneously contributing to mitigate risk.

Examples of the most relevant use cases and developments include:

- **Advanced process automation and optimization, with more complex decisions use cases, beyond simpler rule-based contexts, being supported by AI models** - the Bank enhanced its document classification, content extraction and automatic interpretation AI based capabilities, applying it to new document classes and workflows (e.g. customer information updates and more complex sales processes). As a result, the Bank was able to further increase straight through processing ratios. Smart pricing models that dynamically adapt to market conditions and demand, continued to be optimized enabling to achieve over 90% automated pricing decisions on most common mortgage loans typologies.
- **Customer targeting and engagement** – over fifty-eight different AI models deployed, covering client activation, products acquisition, churn, as well as multiple segmentation strategies. In addition, the AI based next best offer recommendation engine proved an effective tool across all distribution channels and was further optimized with the integration of new sources of data on clients' preferences and behaviours. On the companies front, the payments network model leveraging AI/ML, enables to gain actionable insights into costumers' relationships. These are being progressively applied to drive more relevant targeting across different products and services.
- **Digital money management and personalised advisory solutions for retail clients** – under its financial well-being program the Bank launched a set of AI powered digital tools. These offer clients customized insights on spending patterns, forecasted payments and balances, and deliver advisory nuggets and recommendations on products and solutions, contextually. Integration across the various digital customer journeys will scale during 2024.
- **AI-driven ´agenda´ for companies' clients** – this unique feature integrated in the new website for companies, leverages sophisticated AI-supported balance and transaction forecast models, to predict future payments and anticipate cash flows. It also gives personalized suggestions and actions (e.g. product cross-sell) designed to optimize client´s outcomes and build growing relevance for the Bank.
- **Augmented customer service and employee productivity** - through the implementation of chatbots, AI streamlines both customer support interactions and internal processes, driving efficiency and improving user experience. On the external front, a client facing chatbot solution is supporting both servicing and transactional use-cases. On the internal front, a chatbot solution leverages a rich internal knowledge exchange platform to facilitate interactions flows between front-office and back-office, and as an entry-point for service requests. The Bank is exploring Generative AI, to boost the understanding and interpretating capabilities of existing Chatbots.
- **Payments real time fraud detection** - leveraging new advanced AI algorithms, which incorporate both historical client behaviours and observed attack patterns and trends, the bank increased client's protection against increasingly sophisticated fraud attempts and digital payments scams, improving detection levels and efficiency in preventing fraudulent transactions.
- **Cyber detection and defence solutions** - the bank expanded the adoption of third-party solutions that leverage new AI based controls, to strengthen defence against targeted and dynamic attack patterns. Generative AI started to be used on this front. For instance, it was used to facilitate the design and implementation of rules to detect complex attack patterns.

Given the expanding integration of AI into its operating and business models and anticipating its further acceleration, the Bank continued to prioritize a balanced investment in its enterprise AI platform and the underlying technology architecture, with a particular focus on security, expanded data access, and enhanced data governance.

The platform combines top-tier technologies and capabilities, including a workspace for data scientists to explore and model, a processing and training platform for massive parallel processing, tools for managing the lifecycle of models, mechanisms for generating automated data services, and both online and offline feature storage capabilities.

This architecture was designed to achieve two primary goals:

- Increase productivity in AI model development and features re(use) through standardization, templating, and reusability,
- Implement effective guardrails to ensure responsible AI practices and governance are upheld.

By emphasising these objectives, the Bank aims to industrialize the adoption of AI while maintaining a strong focus on accountability and ethical practices.

The emergence of generative AI with its unique capabilities around summarisation and content creation, coupled with the ability to process vast amounts of unstructured data, promises to sharpen the outcomes of our current AI applications, while unlocking a whole new range of data-driven use cases. Recognising its enormous potential but also associated emergent risks related to hallucination, data confidentiality, bias and cybersecurity, among others, the bank is advancing a dual strategy:

Gain experience and seize low-hanging fruit

Early experiments with gen AI focused on realising productivity and efficiency gains. These targeted contact centre opportunities but also more general patterns that could be reused across multiple processes, driving relevant employee toil reduction:

- Call transcription, summarization, and classification,
- Semantic search facilitating internal knowledge base retrieval, summarization, and entity recognition (e.g., addresses).

Our experiments in these areas shown promising results. Call centre related use cases are now being scaled to production.

In addition, Microsoft Co-Pilot was made available to a pilot group of employees to test and explore individual productivity augmentation opportunities across different routine tasks and domains.

Build specialised AI platforms enforcing robust foundations to move across the adoption curve safely and effectively, from experimentation to full scale implementations:

- Agent Lab: this platform equipped with robust safeguards, enables business areas to autonomously (independently from IT) create and manage intelligent agents specialized in particular tasks. By establishing an abstraction layer above proprietary technologies and models, the Agent Lab ensures seamless integration and interoperability, fostering efficiency and future ready adaptability
- Sourcery: A dedicated platform designed to translate and generate code in more actual languages, based on existing legacy solutions. This may prove to be an effective acceleration engine to drive the Bank´s technology renewal strategy and its underlying programs. Sourcery streamlines the translation process, accelerating modernization efforts while enabling to maintain compatibility and reliability. It is being used today to migrate the Master Financial Database (golden source for risk and financial data), from a mainframe-based solution to the recently created cloud-based Enterprise Data Platform, with extremely positive first results.

The Bank will continue to expand the application of both classical and more emergent AI forms, covering a wider range of domains and use cases, while increasing adoption rhythm. The specialized platforms built early on will keep proving their foundational role, enabling simultaneously the industrialization of adoption as well as effective management of related risks. Productivity targeted applications related to operations and risk are expected to dominate 2024 agenda.

53. Details and description of the major risks (economic, financial and legal) to which the company is exposed in pursuing its business activity.

On this issue, please see the information provided in the Management Report 2023, in the Chapter under the heading “Risk Management”.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

On this issue, please see the information provided in the Annual Report 2023, in the chapter on "Risk Management".

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

Within the scope of its Internal Control System and, more specifically, the Bank's Risk Management System, the Board of Directors ensures the implementation and maintenance of the information and communication processes suited to the Bank's activity and risks, the definition of the accounting policies to be adopted by the Group through the establishment of guidelines and the definition of the options that, within the scope of these policies, must be taken in order to ensure the reliability of the financial report. The Board of Directors is responsible for approving the information produced for reporting or external disclosure.

In addition, the Board of Directors ensures that there are adequate procedures for the timely circulation and disclosure of the necessary information to its corporate bodies, the company secretary and other stakeholders, either through the Regulations of the respective bodies or through internal regulations.

Also in accordance with Banco de Portugal Notice 3/2020 and BoD Regulation 9/2020, the Bank's management and supervisory bodies are responsible for producing an annual Self-Assessment Report on the adequacy and effectiveness of the organisational culture, its governance and internal control systems, with reference to 30 November of each year, which contains, among other mandatory information, the following elements:

- assessment of the supervisory body;
- assessment of the management body;
- reports from those responsible for the risk management, compliance and internal audit functions.

It should be noted that, in this context, the supervisory body's assessment should contain a statement on the reliability of the processes for preparing information disclosed to the public by the Bank under applicable laws and regulations, including financial and prudential information.

These Reports were issued and delivered in December 2023, with reference to 30 November 2023.

The Board of Directors is also responsible for disclosing how the company integrates ESG - Environmental, Social and Governance factors into its various processes, internally through dedicated group codes, and externally through its Sustainability Report, Annual Report and Market Discipline Report.

The integration of climate and environmental risk factors into financing and investment decision-making processes is materialised in the Principles of Responsible Financing, which exclude or condition the Group's operations in sectors and/or activities with a greater environmental and social impact.

IV. Investor Support

56. Service responsible for investor support, composition, functions, the information made available by the said department and contact details

Through the Investor Relations Division, the Bank establishes permanent dialogue with the financial world – Shareholders, Investors, Analysts and Rating Agencies, as well as with the financial markets in general and respective regulatory entities.

a) Composition of the Investor Relations Division

The Investor Relations Division is composed of a head and a staff of three employees who ensure the relation with the market.

b) Duties of the Investor Relations Division

The main duties of the Investor Relations Division are:

- promoting comprehensive, rigorous, transparent, efficient and available relations with investors and analysts, as well as with the financial markets in general and respective regulatory entities, namely with respect to the disclosure of privileged information and mandatory information, including the coordination and preparation of the Bank's report and accounts;
- monitoring the update of the evolution of the shareholder structure;
- representation of the Bank in conferences and other types of events targeting investors of debt or shares;
- collaboration with the commercial areas in the provision of institutional information and disclosure of the Group's activity;
- management of the relations established with Rating Agencies, including the preparation and sending of relevant information on a regular basis or related to important events.

c) Type of information provided by the Investor Relations Division

During 2023, as in previous years, the Bank pursued broad activity related to communication with the market, adopting the recommendations of the CMVM (Portuguese stock market regulator) and the best international practices in terms of financial and institutional communication.

For purposes of compliance with the legal and regulatory obligations in terms of reporting, the Bank discloses quarterly information on the Bank's results and activity, holding press conferences and conference calls with Analysts and Investors involving the participation of members of the Board of Directors.

It also provides the Annual Report, Interim Half-year and Quarterly Reports, and publishes all the relevant and mandatory information through CMVM's information disclosure system.

In 2023, the Bank made more than 220 announcements to the market, of which around 30 related to insider information, took part in various events, having attended 5 conferences (all in person) and 8 roadshows, 4 of which were held in person, through which it made institutional presentations and held one-to-one meetings with investors and held more than 130 meetings with more than 215 investors, which is indicative of investor interest in the Bank.

In order to deepen its relations with its shareholder base, the Bank maintained a telephone line to support shareholders, free of charge and available from 09:00 to 19:00 on business days.

The relationship with the Rating Agencies consisted, in 2023, in the holding of the following meetings:

- annual meetings with Moody's (10 March), DBRS (5 May), S&P (26 May) and Fitch Ratings (19 July) and Scope Ratings (13 March), rating not requested;
- 41 meetings with the aforementioned rating agencies to address issues related to the analysis of the results disclosed to the market, legal risk in Poland, capital, as well as other issues, namely ESG, Digitalisation, Cybersecurity and others related to clarification of announcements of privileged information and other materially relevant information;
- meetings to revise the Credit Opinions, Press Releases and Rating Reports issued by the Rating Agencies in the course of the year.

All the information of relevant institutional nature disclosed to the public is available on the Bank's site, in Portuguese and English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Pages/Inv.aspx

d) Investor Relations Division contact information

Phone: + 351 21 113 10 84

Fax: + 351 21 113 69 82

Address: Av. Prof. Doutor Cavaco Silva, Edifício 1, no. 32 Piso 0 - Ala B, 2740-256 Porto Salvo, Portugal e-mail: investors@millenniumbcp.pt

The company's website: www.millenniumbcp.pt/en

57. Market Liaison Officer

The Bank's representative for market relations is Bernardo Roquette de Aragão de Portugal Collaço.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

During 2023, the Bank received, essentially via e-mail and telephone, a variety of requests for information from shareholders and investors. These requests were all handled and replied to, mostly within two business days. By the end of 2023, there were no outstanding requests for information regarding previous years.

V. Website

59. Address(es)

The Bank's website address is as follows: www.millenniumbcp.pt

60. Place where information on the company, registered office and other details referred to in Article 171 of the Commercial Companies Code is

The above information is available on the Bank' site, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/pt/info/Pages/Inf_Legal.aspx

61. Place where the articles of association and regulations on the functioning of the boards and/or Committees are available

The Bank's Articles of Association and the regulations of the governing bodies and specialised committees of the Board of Directors are available on the Bank's website at the following address:

https://www.millenniumbcp.pt//Institucional/governacao/

62. Place where information on the identity of the corporate bodies' members, the representative for relations with the market, the Investor Assistance Office or comparable structure, respective functions and contact details is available

The information on the identity of the members of the governing bodies is available on the Bank's site, in Portuguese and in English, at the following address:

https://www.millenniumbcp.pt/Institucional/governacao/

The information on the identity of the representative for market relations, the Investor Relations Division, respective duties and contact details are available on the Bank's site, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/modelo_organizacional.aspx

63. Place where the financial statements are available, which should be accessible for at least five years, as well as the half-yearly calendar on company events, published at the beginning of each semester, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly, financial statements

The information on the financial statements, relative to each financial year and semester of the last ten years (according to the provisions of article 29-G no. 1 and 29-J no. 1 of the Securities Code) is available on the Bank's site, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

The calendar of corporate events is published at the end of every year, relative to the following year, and covers the planned dates of the General Meeting and presentation of quarterly results (to the press, analysts and investors). It is available on the Bank' site, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/en/Institucional/investidores/

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed.

Whenever a General Meeting is convened and on the date of the respective call, a temporary page is created on the portal (www.millenniumbcp.pt) to support the General Meeting containing all the preparatory information and support information for participation in the Meeting, and an electronic mailbox is opened - pmag@millenniumbcp.pt - to receive correspondence of shareholders, namely letters expressing the intention to participate and proxy letters.

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital represented and voting results relating to the preceding 3 years is available

The historical records, with reference to the preceding ten years, including the call notice, the share capital represented, the proposals submitted and the voting results, are available on the Bank's site, in Portuguese and in English, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/investidores/Pages/AG.aspx

D. REMUNERATIONS

I. Competence for determination

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

The Remuneration and Welfare Board (RWB), pursuant to article 14 of the Bank's Articles of Association and under its delegated competence, for the four-year period of 2022/2025, by the General Meeting, is the competent body to determine the remuneration of the corporate bodies, as well as the terms of the supplementary retirement pensions, due to old age or disability, of the directors.

The Remuneration and Welfare Board, together with the Committee for Nominations and Remunerations, is also competent to submit, to the Bank's General Meeting, the remuneration policy for the Bank's management and supervisory bodies. It is the Bank's practice for the Chairperson of the Remuneration Board, as well as the other members, to be present at the Bank's general meeting in order to provide information or clarification to the shareholders.

The Remunerations and Welfare Board is also competent to, in accordance with the provisions of its Regulations, analyse the Supplementary Autonomous Document of the remuneration policy of the members of the governing bodies which is sent, every year, by the Committee for Nominations and Remunerations and to regularly monitor the compliance evolution with the Regulation for the Execution of the Remuneration Policy of the members of the corporate bodies, informing the Board of Directors of its conclusions.

The Board of Directors, pursuant to article 12, no. 3.5, paragraph b) of its Regulations and in accordance with the provisions of article 115-C no. 5 of the LFCIFC, is the competent body to approve and review employees' remuneration policies and practices, including that of the heads of the Bank's internal control functions. In this duty, it is assisted by the Committee for Nominations and Remunerations which formulates and issues informed and independent judgements on the remuneration policy and practices and on the incentives created for purposes of risk, capital and liquidity management.

The Bank's Audit Division validated the correct implementation of the remuneration policy, which, according to the respective Service Order OS0075, is positioned at the highest level of the Bank's organisational structures and constitutes the third line of defence of the Bank's internal control, giving it the authority and independence necessary to carry out its mission objectively and impartially.

In this context, the Audit Committee prepared a Report of factual conclusions issued within the scope of the validation of the remunerations established and received in 2023 by the members of the Bank's corporate bodies and Coordinating Managers, and concluded for the accuracy and legal conformity of the data communicated to the Remuneration and Welfare Board, the Committee for Nominations and Remunerations and the Audit Committee, as well as its conformity and adequacy to the resolutions taken by the corporate bodies with the power to do so.

II. Remuneration and Welfare Board

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and statement on the independence of each member and advisor

The remunerations committee, mentioned by article 399 of the Companies Code, is elected by the General Meeting and adopts at BCP the denomination of Remunerations and Welfare Board, being composed by three to five members.

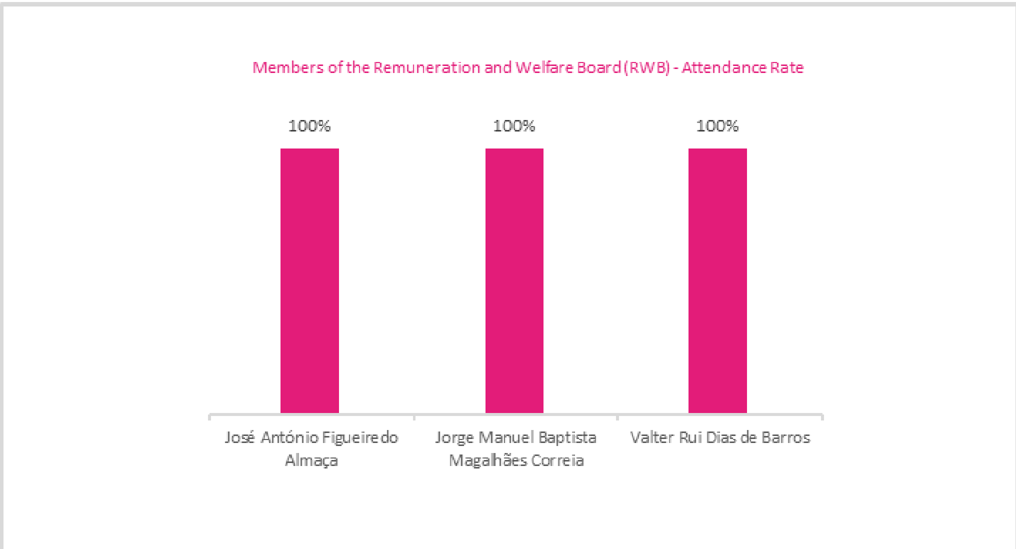
Within the scope of its activity, the Remuneration and Welfare Board (RWB) has the mission to observe the long-term interests of shareholders, investors and other stakeholders in the institution, as well as the public interest.

During 2023, the Remunerations Board was composed as follows:

Chairman:	José António Figueiredo Almaça
Members:	Jorge Manuel Baptista Magalhães Correia
	Valter Rui Dias de Barros

In the 2023 financial year, the Remuneration and Welfare Board issued two unanimous written resolutions and met four times. The respective minutes of the meetings were drafted and approved. The Remunerations and Welfare Board had the logistical and technical support of the Company Secretary's Office, being administered by the Company Secretary.

Attendance of the Remuneration and Welfare Board meetings by each of its members is shown in the following chart:



The Regulations of the Remuneration and Welfare Board are available on the Bank's site, in English and Portuguese, at the following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_CRP_BCP.pdf

Traditionally, both members of the Remunerations and Welfare Board and of the Committee for Nominations and Remunerations attend the Bank's General Meetings. At the General Meeting, held on 24 May 2023, which took place in person and by electronic means, the members of the Remuneration and Welfare Board were physically present.

All the members of the Remuneration and Welfare Board exercising functions are independent regarding the executive members of the administration body.

The General Meeting held on 4 May 2022 at which the Chairman of the Remuneration and Welfare Board, José António Figueiredo Almaça, was elected, set the respective annual remuneration at 50,000.00 euros, an amount that was paid to him in 2023. The other members, who accumulate the position of members of this Board with that of directors of the Board of Directors, do not receive any remuneration in this capacity.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

The members of the Remunerations and Welfare Board exercised, in the past, top positions in banking and financial companies or large Company companies, a fact that gives them professional experience, knowledge and the adequate profile in what concerns the remunerations policy, as may be seen in the respective curricula, namely in Annex II.

III. Structure of remunerations

69. Description of the remuneration policy for the management and supervisory bodies

Remuneration Policy of the Members of the Management and Supervisory Bodies

The Remuneration Policy transcribed below, applies to the members of the Board of Directors, including the Audit Committee and Executive Committee, and was submitted with a binding nature by the Remuneration and Welfare Board and by the Nominations and Remunerations Committee to the appraisal by the General Meeting held on May 24, 2023, having been approved by 99.27% of the votes cast, with shareholders owning 64.28% of the share capital being present or represented.

"Base Principles

This Remuneration Policy applies to the members of the management and supervisory bodies (MOAF) of Banco Comercial Português, S.A. ("BCP" or "Bank") and was made in compliance with the provisions of the Group Regulation GR0042 on remuneration policies and is based on a number of principles that aim to ensure:

a) a governance model that promotes the alignment of the interests of all stakeholders, namely in what concerns to compliance with the strategy defined for the Bank, the sustainability of short-, medium- and long-term results, together with a prudent risk management;

b) a competitive fixed remuneration that attracts and retains competent professionals and a variable remuneration intended to stimulate individual and Group performance and to reward results achieved in line with the Bank's current and future risk profile and tolerance;

c) the attribution of benefits, namely in what concerns the retirement complement, aligned with market practices;

d) the compliance with the applicable regulations and guidelines in terms of procedures and remuneration policy.

e) behaviours and commercial practices in line with the interests and needs of the Group's Customers;

f) alignment of the criteria used to assess the Bank's performance and the calculation of the variable remuneration amounts of the different Bank's Remunerations Policies.

For that purpose, the Committee for Nominations and Remunerations (CNR) is responsible for the definition and annual revision of the principles defining the Remuneration Policy of the MOAF and for submitting that policy, jointly with the Remuneration and Welfare Board (CRP), for approval by the General Meeting of Shareholders of the Bank.

It is the responsibility of the Committee for Risk Assessment (CAvR) to examine if the incentives established in the Bank's Remuneration Policy of the MOAF take into consideration the risk, capital, liquidity, and expectations concerning income at any given time.

Whenever the CNR does not have, at least, a member of the Committee for Risk Assessment in its composition, the latter must indicate a representative to participate in the meetings of the CNR having the remuneration issue in the Agenda.

For the making of the proposal on the Remuneration Policy and supervision of its implementation the CNR must obtain an opinion from the CRP and get contributions and support from BCP's different management areas of which the following should be highlighted:

a) Risk Office, which should be involved to ensure that limits are not exceeded in terms of risk, total equity, and liquidity of the institution, contributing for the definition of the measures for implementing the variable remuneration based on risk, namely ex ante and ex post measures and verify if the variable remuneration structure is in line with the Group's risk profile and culture;

b) Human Resources Division, which should contribute to the preparation and evaluation of the Policy for the Remuneration of Employees, namely regarding the structure and levels of remuneration and estimation of the amounts of AVR to attribute, taking into account strategic and budgetary goals, employee profile, retention strategies and market conditions.

c) Compliance Office, which must analyse to what extent the principles and practices of the Remuneration Policy may affect the Group BCP's capacity to comply with the legislation, regulations, rulings, internal requirements and the respect for the company's culture, as well as the absence of conflicts of interest, reporting to the RWB and to the CNR any anomalous situation which may jeopardize or compromise that compliance;

d) Internal Audit, which must develop independent annual mechanisms for the validation/revision of the design of the Remuneration Policy, its implementation, calculation and respective effects.

In the independent analysis for the implementation of the Remuneration Policy, the CNR, with the support from the Internal Audit, will verify the implementation and compliance with the remuneration policies and procedures adopted and will communicate its conclusions to the CRP.

While making the proposal for the Remuneration Policy, the CNR follows clear and transparent procedures, which are documented, the documents regarding the making of the proposal and decisions being kept by means of minutes of meetings, reports and other relevant documents.

The CNR may hire independent and qualified experts and external consultants for support, to assist one or more of its members in the performance of its functions and that contribute and support the performance of its duties.

It is considered essential that the fixed remuneration represents a sufficiently high portion of the total remuneration so as to ensure the adequate balance between the fixed and variable components of the total remuneration.

The variable remuneration is in line with the strategy defined for the Bank and with the Bank's objectives, values and long-term interests. This way, the Bank guarantees a sustainable performance, adjusted to its risk profile.

In accordance with these principles, the attribution of a variable remuneration is linked with the performance and on the sustainable growth of the Bank's income and adequacy of its capital ratios, as well as on the market conditions and on the possible risks, able of affecting the business. This way, the Bank is able to guarantee a model that is financially sustainable and does not jeopardize the institution, its depositors, employees, shareholders and remaining stakeholders.

The remuneration earned by the Director responsible for Risk and Compliance reflects the need to guarantee a greater independence versus the Bank's performance. Therefore, the Bank must privilege qualitative indicators as well as quantitative ones related with the compliance with the behavioural and prudential rules in the calculation of the variable remuneration.

The definition of deferral deadlines for the variable remuneration payment and the payment of a significant part of its value in Bank shares or other instruments is aimed at contributing to individual performance in line with the Bank's long-term and sustainability objectives, adapted to its risk profile.

Reduction (malus) and reversion (clawback) mechanisms are also foreseen, in the whole or only in a portion of the variable remuneration, to be able to comply with the legal and regulatory requirements and also observe the recommendations and guidelines issued by the competent entities.

Article 1

(Object)

This Policy establishes the rules for the attribution of the annual fixed remuneration, of the annual variable remuneration, long term variable remuneration and other benefits attributable to the members of the corporate bodies of the Company, including the Retirement Regime.

Article 2

(Definitions)

The following expressions and acronyms, when capitalised, shall have the following meaning:

i) BCP, Bank or Company – Banco Comercial Português, S.A.

ii) AudC – Audit Committee

iii) CRA – Committee for Risk Assessment

iv) CEO – Chairperson of the Executive Committee

v) CNR – Committee for Nominations and Remunerations

vi) CRO – Chief Risk Officer

vii) RWB – Remuneration and Welfare Board

viii) AVR Attribution Date – Corresponds to the date of the RWB meeting in which the AVR is fixed

ix) AVR Payment Date – Corresponds to the date of payment of the fixed remuneration, in the month following the approval of the financial statements by the Annual General Meeting of Shareholders;

x) LTVR Attribution Date – Corresponds to the date of the RWB meeting in which the LTVR is fixed;

xi) LTVR Payment Date – Corresponds to the date of payment of the fixed remuneration, in the month following the approval of the financial statements by the Annual General Meeting of Shareholders.

xii) Autonomous Document – Document stating, in the first part, the specific amounts of the remuneration of the different members of the corporate bodies approved by the RWB, and in the second part, the calculation formulas, indicators or indexes to be used for the purposes of the AVR and LTVR determination, being the latter part approved by the CNR and by the RWB.

xiii) Group or Group BCP – includes the Company and all the companies in a control or group relationship with the Company and Millenniumbcp Prestação de Serviços ACE.

xiv) AVR Evaluation Period - period of time from January 1 until 31 December 2023.

xv) LTVR Evaluation Period - period of time from January 1, 2022, to December 31, 2025.

xvi) AVR Attribution Price – corresponds to the average of the closing prices of the BCP shares or other instruments, as applicable, recorded in the previous 20 stock- exchange sessions preceding the AVR Attribution Date, or the closing price of the third business day prior to the AVR Payment Date, if lower than the average defined above;

xvii) LTRV Attribution Price – corresponds to the average of the closing prices of the BCP shares or other instruments, as applicable, recorded in the 20 stock- exchange sessions preceding the LTVR Attribution Date, or the closing price of the third business day prior to the LTVR Attribution Date, if lower than the average defined above.

xviii) PSI – Portuguese stock index – PSI Index, composed of the companies chosen, at each moment, by the competent bodies of Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.

xix) Retirement Supplement - the Retirement Supplement regime due to old age or disability to be paid by the company, foreseen in article 12 of the Company's Articles of Association.

xx) AFR - annual fixed remuneration.

xxi) AVR - annual variable remuneration.

xxii) Target AVR – annual variable remuneration corresponding to 100% compliance with the quantitative and qualitative objectives mentioned in the Autonomous Document.

xxiii) LTVR – long-term variable remuneration.

xxiv) LTVR Target - Long-term variable remuneration corresponding to 100% compliance with the objectives mentioned in the Autonomous Document.

xxv) Stoxx Europe 600 Banks Index (SX7P) – Index of shares composed by large European Banks.

xxvi) TSR – total shareholder return, estimated by means of the following equation, which data are obtained through an independent and recognized market information platform (ex: Bloomberg or Reuters): [(Average of the closing prices of the shares for the two months prior to the end of the evaluation period – Average of the closing prices of the shares for the two months prior to the beginning of the evaluation period) + Dividends per share paid to the shareholders in that period] / Average of the closing prices of the shares for the two months prior to the beginning of the evaluation period, adjusting stock prices to reflect the effects of share capital increases, incorporation of reserves or similar transactions. The dividends to consider are those that, in relation to the date of approval, have been more recently approved.

Chapter I

Members of the Company's Management and Supervisory Bodies

Article 3

(Duration of the contracts and termination conditions)

1. The duration of the contracts of the members of the Management and Supervisory Bodies (MOAF) corresponds to the period of the mandate for which they have been elected by the General Meeting of Shareholders or, in the case of co-optation, to the remaining period of the mandate in progress.

2. If any of the Members of the Management and Supervisory Bodies intends to cease his/her functions, terminating his/her contract, this will only take effect by the end of the month following the communication of his/her intention. The Board of Directors may, with the favourable opinion of the AudC, dismiss this pre-notice, without any indemnity payment.

3. The Board of Directors or the AudC may decide to end the contract of any MMSB, without the need for prior notice, and the indemnity payment in the case of a contract ended without just cause corresponds, at least, to the remuneration due until the end of the mandate, but the MMSB may waive all or part of that indemnity. If the end of the contract is based on just cause, there will be no indemnity payment.

Article 4

(Annual Fixed Remuneration, variable remuneration and benefits)

1. The establishment of the remunerations and benefits of the MOAF and of the Board of the General Meeting of Shareholders is made by the CRP and, although it is fixed for the term of office, in exceptional situations they may be reviewed by the CRP in the course of the same.

2. The members of the Executive Committee and the non-executive Directors exercising functions under an exclusive regime, are also entitled to the benefits foreseen in article 13.

Chapter II

Members of the Board of the General Meeting

Article 5

(Annual Fixed Remuneration)

1. The members of the Board of the General Meeting of the Company are entitled to an annual fixed remuneration established by the CRP, paid in four quarterly payments and to corporate bodies health insurances subscribed by the bank and at each moment in effect.

2. The remuneration referred to in the previous number fixed at each moment is shown in the Autonomous Document.

Chapter III

Non-Executive Members of the Board of Directors

Article 6

(Annual Fixed Remuneration)

1. The non-executive members of the Board of Directors of the Company are entitled to an annual fixed remuneration divided into 12 monthly payments and to the health insurance subscribed by the Bank at each moment for its Employees and Executive Directors.

2. The remuneration referred to in the previous number fixed at each moment is shown in the Autonomous Document.

3. The CRP may, at its own request, decide not to award remuneration to non-executive member(s) of the Board of Directors of the Company who are related to shareholders with qualifying holdings.

Chapter IV

Executive Members of the Board of Directors

Article 7

(Annual fixed Remuneration)

1. The members of the Executive Committee are entitled to an annual fixed remuneration paid in 14 monthly instalments, described in the Autonomous Document.

2. The Retirement Supplement due to old age and disability mentioned in article 13 does not have a discretionary nature; therefore, it is a fixed remuneration.

Article 8

(Variable Remuneration)

1. The members of the Executive Committee may also earn a variable remuneration resulting of a component attributed by the CRP by reference to the financial year to which it concerns (AVR) and of a long-term component (LTVR) attributed by reference to the entire term of office.

2. The attribution and determination of the AVR and LTVR is the responsibility of the CRP upon proposal by the CNR and after obtaining the opinion of the CAvR in matters within its competence for the purposes of the Base Principles above.

3. The calculation process of the AVR and of the LTVR, with the purpose of its subsequent approval, must be concluded by the end of March, and for this process, the amount of the Annual Variable Remuneration to be attributed to the Bank's Employees must also be taken into account.

4. The variable remuneration, both the annual component and the long-term component, may not be attributed in exceptional cases, or may be paid on a conditional basis, namely if, after hearing the AudC and the CRA, one of the following situations arises: (i) there is no solid capital base; (ii) its attribution could unduly limit the Company's ability to strengthen its own capital or (iii) the attribution of the same does not observe the applicable legislation, regulations and guidelines.

5. The sum of the annual and pluri-annual variable remuneration parts of the executive committee members due in each year may not exceed, as a whole, the amount laid down in the Bank's articles of association.

6. The attribution of the variable remuneration is subject to the positive performance of own funds under a prudential perspective (value of capital for purposes of the estimation of the CET1 of the Group), and may, by decision of the RWB, after listening to the CNR and the CRA, not be considered extraordinary operations that, for their size and/or impact, affect the capital.

7. No guaranteed variable remuneration shall be granted, except when hiring a new executive committee member and, in that case, only in the first year of activity and it will only be granted by the RWB after consulting the AudC and the CRA, and having verified that the institution has a solid and strong capital base.

8. Only for purposes of estimating the attributable variable remuneration, the amounts corresponding to the Retirement Supplementary Regime are not considered AFR.

9. The variable component of the remuneration is associated with performance, so its total value may vary between zero, if the achievement degree of the objectives is below the minimum defined, and a maximum that may, each year and in compliance with the conditions set out in this document and in the law, reach

twice the AFR, except for the CRO whose variable component of the remuneration may not, in each year, exceed the fixed component.

10. The AVR will be paid 50% in cash and 50% in BCP shares or other instruments classified as additional Level 1 own funds or Level 2 own funds or other instruments which may be converted into Level 1 core own funds or which value may be reduced in order to adequately reflect the credit rating of the Bank and be adequate to be used as payment of the variable component of the remuneration, either in the deferred or the non-deferred component. If the sum of the AVR with the LTVR, if there is LTVR payment in the same year, equals or is lower than €50,000.00 and is lower than two thirds of the total annual remuneration of the Director, payment of AVR will be 100% in cash.

11. The part of the AVR that is not paid in cash would be preferably paid in BCP shares, except if duly justified considering the long-term interests of the Bank and upon the CRP' s decision, after discussion with and issuance of a favourable opinion by the CNR.

12. Unless expressly requested by the beneficiary Director, the number of shares or other instruments to be delivered to comply with the provisions of the preceding paragraph will correspond to the amount payable in shares or other instruments gross of income tax (IRS).

13. Under no circumstances may each beneficiary be awarded a variable remuneration which, after conversion of the number of shares or other instruments (valued at the award price), totals a value higher than 200% of the corresponding AFR, either in years when there is only AVR, or in years when AVR and LTVR coexist (with the exception mentioned in paragraph 9 of this Article). To calculate the 200% limit, the share of the LTVR attributable to each financial year is considered, which for this purpose considers the amount that can be allocated in each of the years to which it refers, starting with the first year and progressively filling in the entire amount if necessary, until the last year to which it refers.

14. Whenever the variable remuneration, calculated in accordance with the previous number, exceeds the component of the value of the AFR, the amount exceeding the AFR shall only be due in the extent that it is inferior to 200% of the respective AFR and can only be paid after being approved by the General Meeting of Shareholders (under the terms provided for in article 15 of the Legal Framework for Credit Institutions and Financial Companies), pursuant a proposal made by the RWB, after listening to the CNR, the CRA, the Risk Officer and the Compliance Officer.

15. The definition of the individual quantitative indicators is made by the CNR, after consulting the CRA and is made based on the Bank's strategic goals, being also considered as an integral component of the process for the definition of the key-risk indicators so as to ensure an alignment of the risk profile of the executive committee member with the level of risk tolerated by the Bank.

16. The variable remuneration of the CRO privileges qualitative and quantitative indicators related with the compliance with the prudential and behavioural rules, as well as the performance shown by the Bank's risk profile.

17. As foreseen in no. 19 of article 115-E of the Legal Framework for Credit Institutions and Financial Companies, no relevant hedging mechanisms may be used with the purpose of attenuating the effects of alignment with the risk inherent to the types of remuneration, and no variable remuneration can be paid by means of special purpose vehicles or other methods with an equivalent effect.

Article 9

(Annual Variable Remuneration)

1. The AVR attribution depends on the verification of a weighted average equal to or greater than the percentage referred in the Autonomous Document of the execution level of the Corporative KPI's related to the Bank's overall performance which are listed below and detailed in the Autonomous Document:

i. Total Impairments and provisions, excluding CHF impairments – Group

ii. Common Equity Tier 1 (CET1) capital ratio fully implemented – Group

iii. Core Operating Profit Recurring – Group

iv.Non-performing exposure annual decrease – Group

v. Non-performing exposure ratio – Group

vi. Recurrent Cost-to-income – Group

vii.Return on Equity – Group

viii. Digital Transformation (% active mobile customers on total active clients) – Group

ix. Customer Satisfaction - BCP PT

x. Sustainability Master Plan Execution Level – BCP PT

2. The overall value of the Annual Variable Remuneration to be attributed is subject to a maximum amount (Bonus-Pool), calculated under the terms defined in the Autonomous Document, and its overall value may not exceed 1.00% of the net profit for the year to which the AVR refers. Should the sum of the calculated individual annual variable remunerations be greater than the maximum calculated value (bonus pool), an adjustment factor will be applied to the calculated individual values so that their sum does not exceed the maximum calculated value.

3. The individual AVR shall take account of the following values (without prejudice to Article 8 (13) and (14):

i) AVR Target - 42% of the respective total AFR (corresponding to 60% of the sum of the AVR Target and LTVR Target);

ii) Maximum AVR attributable - 63% of the respective AFR.

4. The RWB, in cooperation with the CNR, after consulting the CRA and the AudC - upon written request for recording in the minutes – may adjust the individual RVA values resulting from the application of the percentages foreseen in the previous paragraph, as well as an adjustment factor for the global value of the annual variable remuneration provided for in number 2 (bonus pool), with a minimum of 25% and a maximum of +25%, namely to cover possible risks, current and future ones, cost of own funds and of liquidity required by the BCP Group, as well as to translate exceptional factors affecting the performance of the Bank, or to contribute to the cohesion of the Body.

5. When the adjustment factor implies a positive or negative variation equal to or greater than 12.5%, that is 50% of that indicated in paragraph 4 above, must be the subject of written explanation.

6. The computation of the AVR amount is based on the results of the performance evaluation throughout the AVR Evaluation Period in question and results from the sum of two autonomous and independent components:

i) 80% of the amount is based on the evaluation of the achievement level of the individual quantitative objectives, except for the CRO whose percentage is 70%

ii) 20% of the amount is based on the performance evaluation of each Director regarding the qualitative objectives, except for the CRO whose percentage is 30%

7. The corporate KPIs (used for the bonus pool definition) are established, each year, by the CNR, after listening to the RWB and the CRA, based on the Business Plan or Budget for the respective period, previously approved by the Board of Directors, which will be part of the Autonomous Document.

8. The KPIs mentioned in the preceding paragraph should be in line with the goals of the activity plan and take into account the risk appetite defined by the Bank and the capital and liquidity plans, being defined KPIs for the global performance of the Bank and differentiated KPIs for each director, adjusted to his/her areas of responsibility as per chapter Corporative KPIs of the Autonomous Document.

9. The values of the corporate KPIs, and respective weights, defined for each year will be mentioned in the Autonomous Document.

10. The calculation of the amounts of the AVR shall be made by the Human Resources shall be audited by the Audit Division and, pursuant to a resolution adopted by the CRP, those estimations may be validated by an external independent entity.

11. The attribution of the AVR depends on the performance recorded for each individual quantitative KPI, being calculated as follows [notwithstanding Article 8 (13) and (14)]:

i) If the performance recorded falls under 80% of the established KPI, no AVR shall be attributed for that quantitative objective;

ii) If the performance recorded is between 80% and 90% of the established KPI, the amount situated in the interval between 70% to 80% of the AVR target of that objective is due, as per the table contained in the Autonomous Document;

iii) If the performance recorded is between 90% and 110% of the established KPI, the amount situated in the interval between 80% to 120% of the AVR target of that objective is due, as per the table contained in the Autonomous Document;

iv) If the performance recorded is between 110% and 150% of the established KPI, the amount situated in the interval between 120% to 150% of the AVR target of that objective is due, as per the table contained in the Autonomous Document;

v) If the performance recorded attains 150% of the objective or more, the amount corresponding to 150% of the AVR target of that objective is due, as per the table contained in the Autonomous Document.

12. The AVR attributed to each Executive Committee member due to the individual quantitative KPIs results from the following equation: percentage of the Target AVR based on the performance in accordance with the provision of no. 6 i).

13. The qualitative evaluation of the members of the Executive Committee will pertain to the CNR, after listening to the non-executive Chairperson and Vice-Chairpersons of the Board of Directors and the Chairperson of the Executive Committee, who will only issue an opinion concerning the remaining members of the Executive Committee.

14. The annual weighted evaluation of the qualitative objectives will be able of being measured and estimated in accordance with a table/questionnaire approved by the CNR, after listening to the RWB, the Compliance Officer and the person in charge of Human Resources.

15. The global performance of the qualitative objectives of each director is a result of the weighted average of the objectives set forth in the Autonomous Document (rounded to the unit), with the weight mentioned in no. 6 ii) of this article and according to the following parameters:

i) If the global performance recorded is lower than level 2 ("Somewhat Lower than Expected"), no excess regarding the AVR will be estimated, as such;

ii) If the performance recorded is between level 2 ("Somewhat Lower than Expected") and level 3 ("Meets the Expectations"), shall be attributed the amount placed in the interval 60% and 100% of the target AVR for that objective, as per the table contained in the Autonomous Document;

iii) If the recorded global performance is between level 3 ("Meets the Expectations") and level 4 ("Above Expectations"), shall be attributed the amount placed in the interval 100% and 130% of the Target AVR for that objective, as per the table contained in the Autonomous Document;

16. The AVR is paid on the payment date of the fixed remuneration in the month following the date of approval of accounts by the Annual General Meeting of Shareholders ("AVR Payment Date").

17. Without prejudice to the provisions of Article 8 (13) (14), the AVR will be deferred by 50% over a period of 5 years, one fifth of which will be paid in each year, on the Payment Date of the AVR, with the payment to be made 50% in cash and 50% in shares of the Company or other instruments, either in the deferred or in the non- deferred component. If the AVR equals or exceeds two thirds of the AFR of each member, 60% of that amount must be paid in a deferred manner. If the sum of the AVR with the LTVR, if there is LTVR in the same year, equals or is lower than €50,000.00 and is lower than two thirds of the total annual remuneration of the Director, payment of AVR will not be deferred.

18. The number of shares of the Company to be attributed to each Executive Committee member results from the quotient between the value of the AVR and the AVR Attribution Price. In any case, the dividends related to the shares or income from other instruments, as applicable, attributed to a Director but not paid due to being part to the deferred component, are not due and will not be paid by the Company to the Director.

19. The shares of the Company or other instruments, attributed as AVR, in accordance with paragraphs 16 and 17 above, are subject to a retention policy for a period of one year starting on the AVR Payment Date; therefore, the Executive Committee member may not sell them during the 12 months following their delivery, except as provided in the following paragraph.

20. The Executive Committee member may sell or encumber the shares or other instruments, in an amount necessary to cover all taxes and contributions payable in connection with the allocation of the shares or other instruments. As an alternative, the Director will be able to choose the "sell-to-cover" regime, through which the number of shares or other instruments that will be delivered to him/ her will already be deducted

from the number of shares or other instruments which must be sold in order to pay taxes and contributions corresponding to the total value of the shares attributed.

21. If the member of the Executive Committee is not elected for a new term-of-office, the unavailability regime foreseen in article 19 above will continue to be in effect.

22. In the event of the end-of-office of the member of the Executive Committee, for any reason, other than removal with just cause, after the end of the evaluation period but before the payment of the AVR, the AVR corresponding to that evaluation period will be paid in full, in compliance with the deferment periods and composition (cash, shares or other instruments).

23. The AVR payment corresponding to the evaluation period in which the member of the Executive Committee ceases functions will not be due, except if such cessation occurs by mutual agreement, retirement, death, disability or in any other case of termination of term-of-office for a reason not imputable or unrelated to the member of the Executive Committee, namely change of control of the Company, among others, following a takeover bid, in which cases there will be a proposal for the attribution of the AVR pro-rata temporis - after resolution by the RWB, after hearing the CNR - and the maximum amount of the compensation shall consider the AVR average of the last 3 years, or a lower number of years in case the Director has been in office for a period of less than 3 years.

24. If a new executive Director takes up his or her duties midway through his or her term of office, he or she shall be entitled to the pro-rata temporis of the AVR and the LTVR.

Article 10

(Long-Term variable remuneration)

1. The long-term variable remuneration (LTVR) is exclusively paid with the attribution of shares of the Company or other instruments classified as additional Level 1 own funds or Level 2 own funds or other instruments which may be converted into Level 1 core own funds or which value may be reduced in order to adequately reflect the credit rating of the Bank and be adequate to be used as payment of the variable component of the remuneration, taking into consideration the following benchmark values (“Target”) and maximum limits (without prejudice to the provisions of article 8 (13)(14)):

i) LTVR Target – 28% of the respective AFR of the LTVR evaluation period (corresponding to 40% of the sum of the AVR Target and LTVR Target);

ii) Maximum value of LTVR – 42% of the respective AFR of the LTVR evaluation period.

2. The LTRV would be preferably paid in BCP shares, except if duly justified considering the long-term interests of the Bank and upon the RWB’s decision, after discussion with and issuance of a favourable opinion by the CNR.

3. The CNR, after consulting the RWB, the CRA and the AudC, may apply an adjustment factor to the individual LTVR amounts resulting from applying the percentages provided for in the preceding paragraph, as well as apply an adjustment factor to the global amount of the LTVR, with a minimum of -25% and a maximum of +25%, namely to cover possible risks, current or future ones, cost of own funds and liquidity required in the BCP Group, as well as to reflect exceptional performances of the Bank.

4. When the adjustment factor implies a positive or negative variation equal to or greater than 12.5%, that is 50% of that indicated in number 2 above, must be the subject of written explanation.

5. The estimation of the number of shares or other instruments corresponding to the LTVR to attribute is based on the results of the performance evaluation made during the LTVR Evaluation Period and is determined in accordance with the Autonomous Document.

6. The attribution of LTVR regarding the performance foreseen in the previous paragraph depends on the degree of compliance with the objectives as of 31 December 2025 set forth in the Autonomous Document.

7. The performance evaluation components are of a quantitative nature and are established by the CNR, after listening to the CRP and contained in the Autonomous Document.

8. In case there is an operation changing the perimeter of BCP with relevant impact and the Board of Directors approves the alteration of the objectives of the Strategic Plan, the evaluation components must be revised accordingly by the CNR, after hearing the CRP.

9. The LTVR should be paid in the date of payment of the fixed remuneration in the month following the date of approval of accounts by the General Meeting of Shareholders ("LTVR Payment Date"), by attributing the Company's shares or other instruments in accordance with the terms and conditions foreseen in the Policy.

10. Without prejudice to Article 8 (13) (14), the LTVR shall be deferred by 50% over a period of 5 years and one fifth shall be paid in each year on the LTVR Payment Date. In the event that the LTVR is, regarding each member, equal to or greater than two-thirds of the AFRs due for the LTVR Assessment Period, the Deferred amount shall be 60%. If the sum of the LTVR with the AVR paid in the same year equals or is lower than €50,000.00 and is lower than two thirds of the total annual remuneration of the Director, the AVR payment will not be deferred.

11. The number of shares or other instruments to attribute to each executive Director results from the quotient between the value of the LTVR and the LTVR Attribution Price. In any case, the dividends or income related to the shares or other instruments, as applicable, attributed to an executive Director but not paid due to being part to the deferred component, are not due or will not be paid by the Company to the Director.

12. The payment of the LTVR requires the full exercise of the term-of-office for which the Executive Committee member was appointed, except in situations mutual agreement dismissal, retirement, death, disability or any other cause for an early cessation of the term of office due to a cause not imputable or alien to the member of the Executive Committee, namely a change in the control of the Company, among others, following a takeover bid, in which cases there will be a proposal to allocate the LTVR pro rata temporis, after resolution by the RWB, and after hearing the CNR, at the end of the period of the LTVR Evaluation Period.

13. If the member of the Executive Committee leaves office, for any reason other than removal with just cause, after the end of the evaluation period, but before payment of the LTVR, there will be payment in full, corresponding to that evaluation period, with respect to the limits and periods of deferral and composition (shares or other instruments) provided for in this Policy.

14. The shares of the Company or other instruments attributed as LTVR are subject to a retention policy for a one-year period starting from the LTVR Payment Date (mentioned in paragraph 9) so that during the 12 months following their delivery the Director is unable to sell them, except in the cases mentioned in the following paragraph.

15. The beneficiary may sell or encumber the shares in an amount necessary to cover all taxes and contributions payable arising from the allotment of the shares. As an alternative, the Director will be able to choose the sell-to-cover regime, through which the number of shares or other instruments that will be delivered to him/her will already be deducted from the number of shares or other instruments which must be sold in order to pay taxes and contributions corresponding to the total value of the shares attributed.

16. If the member of the Executive Committee is not elected for a new term-of-office, the unavailability regime foreseen in article 14 above will continue to be in effect.

17. Notwithstanding the provisions of this Article 11, the determination of the final amount of the LTVR shall consider the amount of the AVR and the limitations provided for in Article 8 (13) and (14).

Article 11

(Termination of functions before the end of the term-of-office)

1. A Director who terminates functions before the end of the term-of-office without being based on resignation or dismissal with just cause, shall be entitled to compensation to be calculated by the CNR in accordance with article 3 above and the exact amount is to be approved by the RWB after hearing the CRA.

2. The compensation to be attributed in compliance with the provisions of the preceding number shall not qualify as fixed remuneration, and its payment shall be subject to the signing of a non-competition commitment, for a period corresponding to the term of office in progress at the date of the dismissal.

3. The amounts to be attributed in compliance with the provisions of number 1 above may not exceed the overall fixed remuneration that would be due until the end of the mandate, plus, in the case of Executive Committee members, an amount corresponding to the average of the AVRs allocated to them in the years in which they were in office during the mandate in which they ceased.

Article 12

(Malus and clawback clauses)

1. The entire variable remuneration, regardless of the acquisition, or not, of vested rights, is subject to reduction or reversion mechanisms whenever it is proven that the Executive Committee member, with intent or gross negligence, participated in or was responsible for a performance that resulted into significant losses for the Group or ceased to comply with the suitability and good repute criteria until the date of the last payment of the variable remuneration in the case of the reduction mechanism and up to 3 years after payment of the deferred remuneration in the case of the reversion mechanism.

2. The ability to reduce (malus), totally or partially, the payment of deferred remuneration, the payment of which is not yet vested, and the return of variable remuneration paid, the payment of which constitutes vested rights (clawback), is limited to significant events, duly identified, in which the persons covered have had, with intent or gross negligence, an active participation.

3. The reduction or reversion of the variable remuneration should always be related with the performance or the risk and should respond to the effective results of risks or alterations in the continuing risks faced by the Group, the Bank or by the areas of the responsibility of the Executive Committee member in question and should not be based on the amount of dividends paid or on the price performance of shares or other instruments.

4. The application of the claw-back mechanism shall be supplementary to the reduction mechanism; that is, in the event of a significant event, the application of the reduction mechanism (malus) shall take priority and only when this is exhausted, is insufficient, or arises from the verification that the Director has significantly contributed to the negative financial performance of the Group or to the application of regulatory sanctions, or in the event of fraud or other serious misconduct or negligence that has caused significant losses, should recourse to the clawback mechanism be considered.

5. In any event and concerning the application of malus or claw mechanisms, the guidelines from EBA (European Banking Authority) that are in effect at the time, must always be observed and complied with.

6. The occurrence of the situations described in this article is supervised by the CNR and the application of those mechanisms shall be decided after hearing the CRP, the CAvR, the CAUD and the Chairperson of the Board of Directors.

Article 13

(Benefits)

The Executive Committee members and the non-executive directors exercising functions under an exclusive regime, are entitled to the following benefits:

i. Health insurance, credit card and mobile phone, in line with what is attributed to the remaining bank employees.

ii. Retirement Supplement

Article 14

(Supplemental retirement pension for disability or old age)

1. The directors mentioned in the previous article shall benefit from the social security regime applicable in each case.

2. The directors mentioned in the previous article also have the right to a Retirement Supplement, constituted through capitalisation insurance contracts in which each director will be the beneficiary

3. Pursuant to an agreement established with each director, the capitalization insurance contract may be replaced by contributions to pension funds with a defined contribution.

4. The annual amount of the Bank’s contributions, within the scope of the two previous numbers, shall be established by the CRP, after hearing the CNR.

5. The Bank's annual contribution for the plan set forth in the previous paragraph is equal to at least the value, before applying any income tax deductions for individuals, corresponding to 20% of the annual gross fixed remuneration defined at any given time by the CRP.

6. The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director’s functions.

7. The right to the supplement shall only become effective if the beneficiary retires due to old age or disability, under the terms of the social security regime applicable to him/her.

8. At the time of the retirement, the beneficiary may choose to redeem the capital if and to the extent that the contract underlying the alternative chosen by him/her, so allows.

9. If on the retirement date the beneficiary still performs the position that led to the retirement supplement, the plan shall only be activated when the beneficiary ceases the function that entitled him to this benefit.

10. In case of death before retirement, the right to receive the accrued capital shall remain effective pursuant to the applicable provisions established by the contract or by law.

Article 15

(Pension discretionary benefits)

The attribution of pension discretionary benefits, based on the Bank's performance or on the individual performance or on any other factors with a discretionary nature is not planned. However, the General Meeting of Shareholders may approve the attribution of an extraordinary contribution.

Article 16

(Pre-retirement)

The Bank's staff who have exercised administration functions at BCP and who, on the date and within the scope of the termination of these functions, are older than as provided for in the Work Collective Agreement to be able to benefit from the pre-retirement status, may benefit from this status by earning, between the date of pre-retirement and the effective date of retirement, 80% of the average of the 5 higher remunerations of General-Managers of the Bank at the time, having as minimum their last remuneration as employee of the Bank, provided that they have exercised the function of executive director for a period equal to or greater than 10 years and that they sign with the Bank a pact of non-competition in the financial sector.

Article 17

(Remuneration earned due to the performance of other functions related with BCP)

1. Considering that the remuneration of the executive members of the Board of Directors, as well as the one of the non-executive directors exercising functions under an exclusive regime is intended to directly compensate the activities they carry out directly at the Bank or with related companies (namely companies in a control or group relation with BCP) or in corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remunerations received annually for such duties by each executive member of the Board of Directors and each non-executive member exercising functions under an exclusive regime will be deducted from their respective AFR.

2. It is the obligation and responsibility of each member of the Board of Directors to inform the Bank of any additional compensation they may have received, for the purposes of complying with the procedure established above.

Article 18

Insurance

1. The Members of the Management and Supervisory Bodies must subscribe an insurance bond in compliance with the article 396 of the Companies Code.

2. In addition, the Bank subscribes to a Directors & Officers insurance policy following market practices.

Article 19

Entrance into force

1. This Policy shall enter into force on 1 January 2023.

2. With regard to the instruments used to pay the variable remuneration, the provisions of article 15.4, number 278 of the EBA/GL/2021/04 (EN) relating to Directive 36 of the European Union must be respected, on the date of its attribution, regardless of the year to be that concern.

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking

On this issue, see item 69. - articles no. 7 and 8.

71. Reference, where applicable, to there being a variable remuneration component and information on any potential impact of the performance evaluationl on this component.

On this issue, see item 69. - articles no. 8 to 10.

72. The deferred payment of the remuneration's variable component and specify the relevant deferral period.

On this issue, see item 69. - article no. 9, no. 17.

73. The criteria whereon the allocation of variable remuneration on shares is based, and also on maintaining company shares that the executive directors have had access to, on the possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value

On this issue, see item 69. - article no.8, 9 and 10.

74. The criteria whereon the allocation of variable remuneration on options is based and details of the deferral period and the exercise price.

During the financial year to which this report relates to, the Bank did not attribute a variable remuneration on options to the executive members of the Board of Directors.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits

The remuneration conditions for directors are set out in items 69. and 77. - A and B, with only executive directors entitled to annual and long-term variable remuneration.

With regard to non-pecuniary benefits, the Bank's directors have health insurance identical to that of all the Bank's employees, and executive directors or those with exclusive duties are also entitled to the use of a service car, credit card and mobile phone.

Some directors with employment contracts with the bank have home loans granted prior to their respective election under the conditions established in the Collective Labour Agreement (ACT) - of the BCP Group, as referred to in note 51 to the consolidated financial statements, in which the *plafonds* and conditions of the respective private credit cards are also identified.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis.

The old age or disability pension regime for members of the Executive Committee is defined in article 17 of the articles of association, in force on 31 December 2023, and in article 14 of the Remuneration Policy for the Management and Supervisory Bodies, approved at the General Meeting of 24 May 2023.

The expenses with retirement supplements paid the 2023 financial year are described in the following table:

Chairperson and Executive Members of the Board of Directors	Retirement Supplement (€)	IRS withheld from the Retirement Supplement (€)	Amount Transferred to the Pension Fund (€)
Nuno Manuel da Silva Amado (Chairman of the Board of Directors)	143,520.00	64,078.00	79,442.00
Miguel Maya Dias Pinheiro (Vice-Chairman of the BoD and Chairman of the EC)	135,199.96	59,160.00	76,039.96
Miguel de Campos Pereira de Bragança (Vice-Chairman of the EC)	108,159.96	46,690.00	61,469.96

João Nuno de Oliveira Jorge Palma (Vice-Chairman of the EC)	108,159.96	47,724.00	60,435.96
Rui Manuel da Silva Teixeira (Member of the EC)	94,640.00	41,748.40	52,891.60
José Miguel Bensliman Schorcht da Silva Pessanha (Member of the EC)	94,640.00	41,656.40	52,983.60
Maria José Henriques Barreto Matos de Campos (Member of the EC)	94,640.00	18,944.40	75,695.60
Total	**778,959.88**	**320,001.20**	**458,958.68**

IV. Disclosure of remunerations

77. Indication of the annual amount of remuneration earned, on an aggregate and individual basis, by the members of the company's management bodies, originating from the company, including fixed and variable remuneration and, with regard to the latter, reference to the different components that gave rise to it, as well as quantitative information regarding the remuneration paid to the different categories of employees provided for in Article 115-C(2) of the Legal Framework for Credit Institutions and Financial Companies

In the financial year of 2023, the amount of the fixed remuneration paid as a whole and individually to members of the Bank's Board of Directors (executive and non-executive) is shown in the following table:

A - Annual Fixed Remuneration

	Annual Fixed Remuneration			
	A	B	A + B	
Members of the Board of Directors (BoD)	**Directly paid by BCP (€)**	**Received through other Companies (€)**	**Remuneration of Corporate Bodies set by the RWB (€)**	**IRS withheld from the Fixed Remuneration (€)**
Nuno Manuel da Silva Amado (Chairman of the BoD)	691,056.08	26,543.92	717,600.00	308,464.00
Jorge Manuel Baptista Magalhães Correia (Vice-Chairman of the BoD)	114,399.96	0.00	114,399.96	43,201.00
Ana Paula Alcobia Gray (Member of the BoD)	129,999.96	0.00	129,999.96	43,666.00
Julia Gu (*) (Member of the BoD)	104,000.04	0.00	104,000.04	25,996.00
Lingjiang Xu (Member of the BoD)	129,999.96	0.00	129,999.96	50,326.00
Smilla Lingzi Yuan (Member of the BoD)	132,450.00	0.00	132,450.00	33,110.00
Altina de Fátima Sebastian Gonzalez Villamarin (Member of the BoD)	129,999.96	0.00	129,999.96	50,395.00
José Pedro Rivera Ferreira Malaquias (Member of the BoD)	129,999.96	0.00	129,999.96	50,326.00
Sub-Total	**1,561,905.92**	**26,543.92**	**1,588,449.84**	**605,484.00**
Members of the Audit Committee (AudC)				
Cidália Maria da Mota Lopes (Chairwoman of the AudC)	167,800.02	0.00	167,800.02	66,514.00
Fernando da Costa Lima (Member of the AudC)	180,000.00	0.00	180,000.00	72,336.00
Valter Rui Dias de Barros (Member of the AudC)	147,150.00	0.00	147,150.00	36,782.00
Sub-Total	**494,950.02**	**0.00**	**494,950.02**	**175,632.00**

Members of the Executive Committee (EC)				
Miguel Maya Dias Pinheiro (Vice-Chairman of the BoD and Chairman of the EC)	649,454.04	26,545.90	675,999.94	283,820.00
Miguel de Campos Pereira de Bragança (Vice-Chairman of the EC)	495,383.08	45,416.90	540,799.98	213,275.00
João Nuno de Oliveira Jorge Palma (Vice-Chairman of the EC)	540,799.98	0.00	540,799.98	238,367.00
Rui Manuel da Silva Teixeira (Member of the EC)	473,200.00	0.00	473,200.00	208,388.60
José Miguel Bensliman Schorcht da Silva Pessanha (Member of the EC)	432,190.68	41,009.32	473,200.00	189,678.60
Maria José Henriques Barreto Matos de Campos (Member of the EC)	473,200.00	0.00	473,200.00	94,620.60
Sub-Total	**3,064,227.78**	**112,972.12**	**3,177,199.90**	**1,228,149.80**
Total amounts of the Board of Directors of BCP	**5,121,083.72**	**139,516.04**	**5,260,599.76**	**2,009,265.80**

(*)At the request of the Director, she has resumed the attribution of remuneration since the beginning of 2023.

In the 2023 financial year, the amount of variable remuneration attributed to the executive members of the Board of Directors (Executive Committee) of the Bank is shown in the following table:

B - Annual Variable Remuneration

Annual Variable Remuneration (AVR) and Long-Term Variable Remuneration (LTVR)

	AVR attributed in 2023 (in respect of FY 2022)			AVR Paid in 2023 (in respect of FY 2022)			LTVR deferred in 2022 (in respect of FY 2018 to 2021)	
Members of the Executive Committee (EC)	**Value attributed in Cash (€)**	**No. of shares (c) attributed (QTY)**	**Total amount attributed (€)**	**Payment made in Cash (€)**	**No. of shares(a) made available (QTY)**	**Payment made in shares(b) (€)**	**No. of shares(c) made available (QTY)**	**Payment made in shares(b) (€)**
Miguel Maya Dias Pinheiro (Vice-Chairman of the BoD and Chairman of the EC)	202,275.64	906,659	404,551.28	101,137.82	453,330	100,865.93	240,968	53,615.38
Miguel de Campos Pereira de Bragança (Vice-Chairman of the EC)	163,303.44	731,974	326,606.87	81,651.72	365,987	81,432.11	192,774	42,892.22
João Nuno Oliveira Jorge Palma (Vice-Chairman of the EC)	147,843.59	662,679	295,687.18	73,921.80	331,340	73,723.15	192,774	42,892.22
Rui Manuel da Silva Teixeira (Member of the EC)	134,811.36	604,264	269,622.71	67,405.68	302,132	67,224.37	168,677	37,530.63
José Miguel Bensliman Schorcht da Silva Pessanha (Member of the EC)	139,316.68	624,458	278,633.35	69,658.34	312,229	69,470.95	168,677	37,530.63
Maria José Henriques Barreto de Matos de Campos (Member of the EC)	135,311.36	606,505	270,622.71	67,655.68	303,253	67,473.79	168,677	37,530.63
	922,862.05	**4,136,539.00**	**1,845,724.10**	**461,431.03**	**2,068,271.00**	**460,190.30**	**1,132,547.00**	**251,991.71**

Members of the Executive Committee (EC)	Annual Variable Remuneration deferred from previous years and paid in 2023								
	Deferred AVR of 2022 (in respect of FY 2021)			Deferred AVR of 2021 (in respect of FY 2020)			Deferred AVR of 2020 (in respect of FY 2019)		
	Payment made in Cash (€)	No. of shares (c) made available (QTY)	Payment made in shares(b) (€)	Payment made in Cash (€)	No. of shares (d) made available (QTY)	Payment made in shares(b) (€)	Payment made in Cash (€)	No. of shares (e) made available (QTY)	Payment made in shares(b) (€)
Miguel Maya Dias Pinheiro (Vice-Chairman of the BoD and Chairman of the EC)	10,887.68	69,304.00	15,420.14	6,680.00	32,906.00	7,321.59	10,400.00	42,975	9,561.94
Miguel de Campos Pereira de Bragança (Vice-Chairman of the EC)	8,406.56	53,511	11,906.20	5,800.00	28,571	6,357.05	8,200.00	33,884	7,539.19
João Nuno Oliveira Jorge Palma (Vice-Chairman of the EC)	7,927.84	50,464	11,228.24	5,760.00	28,374	6,313.22	8,200.00	33,884	7,539.19
Rui Manuel da Silva Teixeira (Member of the EC)	7,269.36	46,272	10,295.52	4,840.00	23,842	5,304.85	7,400.00	30,578	6,803.61
José Miguel Bensliman Schorcht da Silva Pessanha (Member of the EC)	7,532.36	47,946	10,667.99	4,440.00	21,872	4,866.52	7,680.00	31,736	7,061.26
Maria José Henriques Barreto de Matos de Campos (Member of the EC)	7,269.36	46,272.00	10,295.52	5,280.00	26,010.00	5,787.23	7,400.00	30,578.00	6,803.61
	49,293.16	313,769	69,813.61	32,800.00	161,575	35,950.46	49,280.00	203,635	45,308.80

(a) the lower of the average of the closing prices of BCP shares recorded in the 20 stock exchange sessions preceding 25th May 2023 and the price on the 3rd day preceding the respective payment: €0.2231

(b) closing price of BCP shares on 21-06-2023: €0.2225

(c) - average of closing prices of BCP shares recorded in the 20 stock-exchange sessions preceding 9 May 2022: €0.1571

(d) - average closing price from 1 November 2019 to 31 December 2019 of BCP shares: €0.2030

(e) - average closing price from 1 November 2018 to 31 December 2018 of BCP shares: €0.2040

During the financial year 2023, there were no remuneration reductions resulting from performance adjustments, bonuses qualified as guaranteed variable remuneration, or compensations for termination of duties awarded in previous periods.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control.

Considering the provisions in the remuneration policy for members of the Board of Directors transcribed above in item 69, which establish that the net value of the remunerations earned annually by each Executive Director, on account of duties performed in companies or governing bodies to which they have been appointed through indication or in representation of the Bank, shall be deducted from the values of the respective annual fixed remuneration, see the table above of item 77-A which quantifies these deductions.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded.

During the financial year to which this Report refers, no remuneration in the form of profit-sharing and/or bonuses was paid.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year.

In the financial year to which this report relates, no member of the management or supervisory bodies left office, so no compensation was paid or owed to former directors in this respect.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June

Given that Law 28/2009 of 19 June was revoked by Law 50/2020 of 25 August, reference is made to the table presented in item 77.A - Fixed Annual Remuneration.

82. Details of remuneration paid to the members of the Board of the General Meeting in the reference year

The Remuneration and Welfare Board, taking into consideration, for the term-of-office beginning in May 2020, market practices in relation to the main listed companies head-quartered in Portugal and of a similar size to BCP, determined the annual remuneration of the Chairperson of the Board of the General Meeting at 42,000 euros and of the Vice-Chairperson at 27,600 euros, these being the amounts paid in the 2023 financial year.

82.1 Quantitative information regarding the remuneration paid by the Bank to the different categories of employees provided for in article 115-C (2) of the Legal Framework for Credit Institutions and Financial Companies and other Employees pursuant to Article 47 of Banco de Portugal's Notice 3/2020B)

Aggregate quantitative data on remuneration, broken down by area of activity of the Bank and the amounts of deferred remuneration attributed in respect of prior performance periods, divided between the amount to be acquired during the financial year and the amount to be acquired in subsequent years, are described in the 2023 Annual Report, note 7 to the Accounts, under the Remuneration Chapter in Section b.

i. Heads of risk-taking (11 employees)

For the financial year 2023, the amount of remuneration paid by the Bank to those responsible for risk-taking is shown in the table below:

Remunerations	(Euros)
Fixed Remuneration	1,793,221.40
Annual Variable Remuneration in cash	74,913.00
Annual Variable Remuneration in shares	76,644.83
Sub-total	**1,944,779.23**
Mandatory social security expenses	
Social Security	289,077.63
SAMS / Médis	17,532.29
Supplementary Pension Plan	2,104.48
Sub-total	**308,714.40**
Remuneration Costs + Mandatory Social Security Expenses	**2,253,493.63**

ii. Heads of control functions (28 employees)

For the financial year 2023, the amount of remuneration paid by the Bank to those responsible for control functions is shown in the table below:

Remunerations	(Euros)
Fixed Remunerations	3,220,749.32
Annual Variable Remuneration in cash	209,371.50
Annual Variable Remuneration in shares	176,632.15
Sub-total	**3,606,752.97**
Mandatory social security expenses	
Social Security	643,029.06
SAMS / Médis	52,132.92
Supplementary Pension Plan	2,555.39
Sub-total	**697,717.37**
Remuneration Costs + Mandatory Social Security Expenses	**4,304,470.34**

iii. Top Management, composed of the first line managers not included in the previous items (48 Employees)

For the financial year 2023, the amount of remuneration paid by the Bank to first-line managers not included in the categories indicated in i. and ii. is shown in the table below:

Remunerations	(Euros)
Fixed Remuneration	8,154,836.76
Annual Variable Remuneration in cash	614,146.00
Annual Variable Remuneration in shares	610,012.44
Sub-total	**9,378,995.20**
Mandatory social security expenses	
Social Security	1,704,168.01
SAMS / Médis	90,208.19
Supplementary Pension Plan	10,042.72
Sub-total	**1,804,418.92**
Remuneration Costs + Mandatory Social Security Expenses	**11,183,414.12**

iv. Employees whose total remuneration places them in the same remuneration level as that envisaged for the management and supervisory bodies or any of the categories indicated in items i. to iii. above and whose professional activities have a material impact on the Bank's risk profile (2 Employee)

In the financial year 2023, the amount of remuneration paid by the Bank to Employees with total remuneration in the same remuneration level as the Employees listed in items i. to iii. and whose professional activities have a material impact on the Bank's risk profile is shown in the table below:

Remunerations		(Euros)
	Fixed Remuneration	111,402.44
	Annual Variable Remuneration in cash	9,348.00
	Annual Variable Remuneration in shares	9,497.42
	Sub-total	**130,247.86**
Mandatory Social Security Expenses		
	Social Security	38.232,78
	SAMS / Médis	3.061,35
	Supplementary Pension Plan	_
	Sub-total	**41.294,13**
Remuneration Costs + Mandatory Social Security Expenses		**171.541,99**

82.2 Remuneration policy of the employees and subsidiary companies operating in Portugal

The employee remuneration policy for 2023 is available on the Bank's website, in following address:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/Politicas-de-Remuneracao.aspx

For the subsidiaries operating in Portugal and abroad, the Bank's Board of Directors approved a revision of the group code GR0042 - Remuneration Policy Framework, on 29 July 2023, which defines the basis for uniformity of policies, and should be transposed to the different geographies, with attention to local legislative differences.

82.3 Other information on Remuneration:

1. Remuneration Report mentioned by article 26-G of the Securities Code

This Report was made in accordance and for the purposes of article 26-G of the Securities Code with the goal of providing the shareholders of Banco Comercial Português, S.A. (Bank, BCP) with a comprehensive view of the remunerations and benefits, regardless of their form, attributed to each one of the members of the Board of Directors, including the Audit Committee and the Executive Committee, in the 2023 financial year.

a) Total remuneration broken down by the different components, including the proportion relating to the fixed and variable remuneration

Members of the Board of Directors (BoD)	Annual Fixed Remuneration (€)	Weight on total Remun. (%)	Retirement Supplement (€)	Weight on total Remun. (%)	Variable remuneration attributed in 2022 (€)	Weight on total Remun. (%)	Annual Total Remuneration (€)	Total IRS withheld (€)	Deferred Variable Remuneration (€)	Total Annual Remuneration paid net of IRS withheld (€)
Nuno Manuel da Silva Amado (Chairman of the BoD)	717,600	83.3%	143,520	16.7%	n.a.	n.a.	861,120	372,542	n.a.	462,034
Jorge Manuel Baptista Magalhães Correia (Vice-Chairman of the BoD)	114,400	100.0%	0	—%	n.a.	n.a.	114,400	43,201	n.a.	71,199
Ana Paula Alcobia Gray (Member of the BoD)	130,000	100.0%	0	—%	n.a.	n.a.	130,000	43,666	n.a.	86,334
Julia Gu (Member of the BoD)	104,000	—%	0	—%	n.a.	n.a.	104,000	25,996	n.a.	78,004
Lingjiang Xu (Member of the BoD)	130,000	100.0%	0	—%	n.a.	n.a.	130,000	50,326	n.a.	79,674
Smilla Lingzi Yuan (Member of the BoD)	132,450	100.0%	0	—%	n.a.	n.a.	132,450	33,110	n.a.	99,340
Altina de Fátima Sebastian Gonzalez Villamarin (Member of the BoD)	130,000	100.0%	0	—%	n.a.	n.a.	130,000	50,395	n.a.	79,605
José Pedro Rivera Ferreira Malaquias Member of the BoD)	130,000	100.0%	0	—%	n.a.	n.a.	130,000	50,326	n.a.	79,674
Sub-total	1,588,450	91.7%	143,520	8.3%			1,731,970	669,562		1,035,864
Members of the Audit Committee (AudC)										
Cidália Maria Mota Lopes (Chairwoman of the AudC)	167,800	100.0%	0	—%	n.a.	n.a.	167,800	66,514	n.a.	101,286
Fernando da Costa Lima (Member of the AudC)	180,000	100.0%	0	0	n.a.	n.a.	180,000	72,336	n.a.	107,664
Valter Rui Dias de Barros (Member of the AudC)	147,150	100.0%	0	—%	n.a.	n.a.	147,150	36,782	n.a.	110,368
Sub-total	494,950	100.0%		—%			494,950	175,632		319,318
Members of the Executive Committee (EC)										
Miguel Maya Dias Pinheiro (Vice-Chairman of the BoD and Chairman of the EC)	676,000	55.6%	135,200	11.1%	404,551	33.3%	1,215,751	477,232	202,276	623,312
Miguel de Campos Pereira de Bragança (Vice-Chairman of the EC)	540,800	55.4%	108,160	11.1%	326,607	33.5%	975,567	369,010	163,303	488,718
João Nuno Oliveira Jorge Palma (Vice-Chairman of EC)	540,800	57.2%	108,160	11.4%	295,687	31.3%	944,647	389,643	147,844	496,823
Rui Manuel da SilvaTeixeira (Member of the EC)	473,200	56.5%	94,640	11.3%	269,623	32.2%	837,463	343,900	134,811	438,014
José Miguel Bensliman Schorcht da Silva Pessanha (Member of the EC)	473,200	55.9%	94,640	11.2%	278,633	32.9%	846,473	327,216	139,317	418,523
Maria José Henriques Barreto de Matos de Campos (Member of the EC)	473,200	56.4%	94,640	11.3%	270,623	32.3%	838,463	156,664	135,311	626,672
Sub-total	3,177,200	56.2%	635,440	11.2%	1,845,724	32.6%	5,658,364	2,063,665	922,862	3,092,062
Total Amounts Management and Supervisory Bodies	5,260,600	66.7%	778,960	9.9%	1,845,724	23.4%	7,885,284	2,908,859	922,862	4,447,244

b) The remunerations coming from companies belonging to the same group

The Chairman of the Board of Directors, the Chairman of the Executive Committee and two members of the Executive Committee received fixed remuneration from the subsidiary Bank Millennium, S.A. (Poland) in the amount shown below, noting that this amount is included in the fixed remuneration amounts indicated in the table above, since, under the terms of Article 17 of the Remuneration Policy of Members of the Management and Supervisory Bodies , which is transcribed below, is deducted from the fixed remuneration paid to them annually by the Bank.

Article 17

"1. Considering that the remuneration of the executive members of the Board of Directors, as well as the one of the non-executive directors exercising functions under an exclusive regime is intended to directly compensate the activities they carry out directly at BCP or in related companies (namely companies in a control or group relation with BCP) or in corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remunerations received annually for such duties by each executive member of the Board of Directors and each non-executive member exercising functions under an exclusive regime will be deducted from their respective AFR.

2. It is the obligation and responsibility of each member of the Board of Directors to inform the Bank of any additional compensation they may have received, for the purposes of complying with the procedure established above"

Remunerations from 2023 in euros received from Bank Millennium (Poland) and, consequently, deducted from the remuneration paid by BCP.

Members of the Board of Directors (BoD)	Annual Fixed Remuneration (€)
Nuno Manuel da Silva Amado (Chairman of the BoD)	26,543.92
Sub-total	**26,543.92**
Members of the Executive Committee (EC)	
Miguel Maya Dias Pinheiro (Vice-Chairman of the BoD and Chairman of the EC)	26,545.90
Miguel de Campos Pereira de Bragança (Vice-Chairman of the EC)	45,416.90
José Miguel Bensliman Schorcht da Silva Pessanha (Member of the EC)	41,009.32
Sub-total	**112,972.12**
Sub-total	**139,516.04**

c) Shares attributed in 2022 and the main conditions for the exercise of the rights, including the price and the date of that exercise and any alteration in those conditions

In accordance with the Remuneration Policy for Members of the Management and Supervisory Bodies, approved at the General Meeting held on 24 May 2023, the annual variable remuneration attributed to members of the Executive Committee must be paid 50% in cash and 50% in BCP shares or other instruments classified as additional Tier 1 own funds or Tier 2 own funds or other instruments which may be converted into Tier 1 core own funds or which value may be reduced in order to adequately reflect the credit rating of the Bank and be adequate to be used as payment of the variable component of the remuneration, either in the deferred or the non-deferred component. With regard to Long-Term Variable Remuneration, this is paid 100% in Bank shares or in the aforementioned instruments. In any case, it is also stated that the component not paid in cash will preferably be paid in Bank shares, unless duly justified by the Bank's long-term interests and by decision of the Remuneration and Welfare Board, after discussion and favourable opinion of the Committee for Nominations and Remunerations.

As provided for in the aforementioned Remuneration Policy, the number of shares attributed to each member of the Executive Committee in 2023 was calculated on 50% of the value of the annual variable remuneration attributed for the 2022 financial year, with the value of 0.2231 euros being adopted as the reference price for this purpose, corresponding to the lowest value of the average of the closing prices of BCP shares recorded in the 20 stock exchange sessions preceding 25 May 2023 and the price on the third day preceding the respective payment, i.e. 20 June 2023.

In 2023, the annual variable remuneration for the 2022 financial year was attributed to the Executive Committee, under the following attribution conditions defined in the Remuneration Policy:

- payment in June 2023, of 50% of the amount awarded, being 50% of that amount paid in cash and 50% in BCP shares, in a number corresponding to 50% of the number of shares attributed in 2023;

- payment deferred in the following 5 years of 50% of the amount attributed, that is, 10% of the amount attributed in each one of the following five years, in June. The annual deferred payments shall be made through the payment of 50% in cash and 50% in BCP shares, in a number corresponding to10% the number of shares attributed in 2023.

After the delivery in each year, the shares are subject to a one-year unavailability period.

The number of shares attributed in 2023 to each member of the Executive Committee regarding the annual variable remuneration of the 2022 financial year was the following:

Members of the Executive Committee (EC)	Variable remuneration attributed in 2023(€)	Variable remuneration attributed in shares (€)	No. of shares attributed (QTY)
Miguel Maya Dias Pinheiro (Vice-Chairman of the BoD and Chairman of the EC)	404,551.28	202,275.64	906,659
Miguel de Campos Pereira de Bragança (Vice-Chairman of the EC)	326,606.87	163,303.44	731,974
João Nuno Oliveira Jorge Palma (Vice-Chairman of the EC)	295,687.18	147,843.59	662,679
Rui Manuel da Silva Teixeira (Member of the EC)	269,622.71	134,811.36	604,264
José Miguel Bensliman Schorcht da Silva Pessanha (Member of the EC)	278,633.35	139,316.68	624,458
Maria José Henriques Barreto de Matos de Campos (Member of the EC)	270,622.71	135,311.36	606,505
Total	**1,845,724.10**	**922,862.05**	**4,136,539**

In June 2023, BCP shares related to the deferred component of the annual variable remuneration awarded in 2019, 2020 and 2021, and long-term variable remuneration for the period from 1 January 2018 to 31 December 2021, were also delivered to the members of the Executive Committee.

The total number of BCP shares delivered in 2023 to each Member of the Executive Committee, relative to the non-deferred components of the annual variable remuneration for 2022 , as well as to the deferred components of the variable remuneration of previous years and the long-term variable remuneration for the period from 1 January 2018 to 31 December 2021, already adjusted by the sell-to-cover regime adopted by all Members, were as follows:

Members of the Executive Committee (EC)	No of Shares (*) delivered in 2023 (quant.)
Miguel Maya Dias Pinheiro (Vice-Chairman of the BoD and Chairman of the EC)	482,703
Miguel de Campos Pereira de Bragança (Vice-Chairman of the EC)	385,270
João Nuno Oliveira Jorge Palma (Vice-Chairman of the EC)	359,176
Rui Manuel da Silva Teixeira (Member of the EC)	321,184
José Miguel Bensliman Schorcht da Silva Pessanha (Member of the EC)	327,343
Maria José Henriques Barreto Matos de Campos (Member of the EC)	459,832
Total	**2,335,508**

(*) Regime foreseen in paragraph 20 of Article 9 of the Remuneration Policy for Members of the Group's Management and Supervisory Bodies, whereby each director may opt for the sell-to-cover system, in which the number of shares to be delivered to him/her will already be deducted from the number of shares whose sale is necessary for the payment of taxes and contributions corresponding to the total value of the shares attributed.

The conditions for the attribution of shares to the members of the Executive Committee comply with the approved Remunerations Policy.

d) Variation during the last five years in remuneration, BCP performance and average remuneration of employees

The table below shows the variation over the last five years (2019 to 2023) in the remuneration of the management and supervisory bodies, the average remuneration of the Bank's employees, excluding the members of the management and supervisory bodies, and the Bank's performance, as measured by the indicators, at a consolidated level:

	Var. 19'18	Var. 20'19	Var. 21'20	Var. 22'21	Var. 23'22
Performance Indicators					
Adjusted Consolidated Net Profit (1)	8.9%	-21.2%	56.6%	45.5%	98.3%
Consolidated Operating Profit (2)	0.8%	1.5%	2.7%	46.4%	46.1%
Total Consolidated Assets	7.5%	5.1%	8.3%	-3.3%	5.0%
Net Income Activity in Portugal	25.4%	-7.1%	28.5%	98.8%	111.0%
Employees annual average remuneration	7.2%	-2.3%	-0.3%	4.2%	9.0%
Remuneration of the Members of Management and Supervisory Bodies					
Executive Committee - Potential total remuneration	-50.5%	5.9%	-11.0%	42.4%	-9.2%
of which: potential variable remuneration (3)	n.a.	14.8%	-33.4%	50.3%	49.8%
Board of Directors - Non-Executive members	55.4%	6.7%	0.3%	-2.6%	13.1%
Annual Total Remuneration	-38.3%	6.1%	-7.7%	28.2%	-3.9%
Recurring Total Annual Remuneration (4)	15.2%	6.1%	7.7%	7.3%	14.8%

Notes to the figures submitted:

(1) Net income excluding associated impacts in Swiss Francs at Bank Millennium (Poland)

(2) Income before impairments and provisions

(3) Annual Variable Remuneration for the previous year

(4) Relating to the same year and without extraordinary remuneration

The evolution of the total potential Remuneration of the Executive Committee in 2022 and 2023 was influenced the attribution in 2022 of the Long-Term Variable Remuneration related with the term-of-office 2018-2021, in the amount of 1.334,4 thousand euros. Without this effect, the evolution of the potential Total Remuneration of the Executive in 2022 would have been 11.9% and in 2023 of 15.5%, and the evolution of the Annual Total Remuneration of the members of the management and supervisory bodies would have been 7.3% in 2022 and 14.8% in 2023.

The Executive Committee was awarded Annual Variable Remuneration in the years 2019, 2020, 2021, 2022 and 2023 for performance in the previous year, respectively, and Long-Term Variable Remuneration for the year 2022 for the period 2018-2021.

The variation in the fixed remuneration of the Executive Committee between 2018 and 2019 was influenced by the attribution in 2018 of an Extraordinary Retirement Supplement, approved by the General Meeting of Shareholders.

The fixed remuneration of the non-executive Members of the Board of Directors was influenced in 2018 and 2019 by the evolution recorded by the remuneration attributed to the Chairman of the Board of Directors who took office in June 2018, under an exclusivity regime.

e) Way the total remuneration complies with the adopted remuneration policy, the way it contributes to for the performance of the company in the long run, and information on how the performance criteria were applied

The total remuneration attributed to the members of the management and supervisory bodies complies with the requirements of the Policy for the Remuneration of the members of the management and supervisory bodies in force, namely in the following principles:

- adequacy of the fixed remuneration values to the level of involvement and exclusivity of each member's functions and to the values practised by other Portuguese companies of comparable complexity and size;
- attribution of Retirement Supplements to the Chairman of the Board of Directors and to the executive members, given the regime of exclusivity of functions under which they exercise the same;
- attribution of variable remuneration only to executive members;
- the system for setting and paying Annual Variable Remuneration and Long-Term Variable Remuneration, designed with the purpose of safeguarding the company's long-term performance;
- Maximum total Annual Variable Remuneration attributed to executive members according to BCP's performance, measured by the degree of achievement of the objectives defined for a set of management indicators defined in the Remuneration Policy and net income obtained;
- Individual Annual Variable Remuneration of each executive member calculated on the basis of an individual, qualitative and quantitative assessment, resulting in the individual quantitative assessment of the degree of achievement of the objectives defined for a set of management indicators, individualized for each member of the executive committee according to his/her areas of responsibility. The individual qualitative assessment is carried out independently by the Committee for Nominations and Remunerations, with the values of the individual Annual Variable Remuneration to be attributed to each member of the Executive Committee decided by the Remunerations and Welfare Board, under proposal submitted by the Committee for Nominations and Remunerations;
- Long-Term Variable Remuneration attributed at the end of a 4-year period based on BCP's performance, measured by the achievement degree of the objectives defined for a set of management indicators and the evolution of profitability for shareholders by comparison with a market benchmark, thus promoting the performance and appreciation of BCP in the long run;
- Annual Variable Remuneration attributed in cash and in BCP shares, with a 5-year deferral period for attribution, and Long-Term Variable Remuneration attributed exclusively in BCP shares, with a 3-year deferral period for attribution, in order to promote the performance of BCP in the long run;
- the entire variable remuneration, regardless of whether acquired rights have already been established or not, is subject to reduction or reversal mechanisms, in the cases provided for in the Remuneration Policy. The ability to totally or partially reduce the payment of a deferred remuneration, the payment of which is not yet an acquired right, as well as to, partially or totally retain the payment of a variable remuneration, the payment of which is an acquired right, (claw-back), is limited to extremely significant events, duly identified and wherein the individuals involved had a direct participation.

f) Information on the application of the Remuneration Policy in 2023

In 2023, the provisions of the Remuneration Policy for the members of the Management and Supervisory Bodies in force were fully applied, namely in the definition and attribution of the Annual Variable Remuneration for the 2021 financial year and of the Long-Term Variable Remuneration for the financial tears of 2018 to 2021, with no derogation or non-application of the defined procedures.

g) Possibility of requesting the refund of a variable remuneration

In accordance with the Remuneration Policy in force, the return of the variable remuneration paid is limited to significant events in which the persons covered have had, with intent or gross negligence, an active participation.

2. Report on the Impact on BCP Group of the Remuneration Practices Implemented by the Subsidiaries Abroad (Article 53 of Notice of the BdP No. 3/2020)

Millennium bcp

Report on the Impact on BCP Group of the Remuneration Practices Implemented by the Subsidiaries Abroad (Article 53 of Notice of the BdP No. 3/2020)

For the purposes of article 53 of Notice of Banco de Portugal no. 3/2020, the Compliance Office, the Risk Office and the Committee for Nominations and Remunerations assessed the impact of the remuneration practices of subsidiaries abroad, with regard to risk management, with special emphasis on the Bank's capital and liquidity risks.

This analysis is transcribed below:

Objective of this report

Nominations and Remunerations (CNR) on the analysis of the impact of the remuneration practices of the branches abroad, in particular with regard to risk management with special emphasis on the Bank's capital and liquidity risks, with reference to December 2023, producing this report with a view to being presented to the General Meeting of Shareholders and to the management and supervisory bodies of BCP.

Work performed

This report is based on an assessment carried out during December 2023 by the Compliance Office within the scope defined in article 53 (3) of the above-mentioned Notice.

In order to assess the adequacy of the remuneration policies of the BCP Group entities, the analysis focused on the following key aspects defined in GR0042:

- Analysis of the Group Code "GR0042 - Remuneration Policy Framework, altered on 29 July 2023, which aims to define the framework for the remuneration policies that must be approved by all Group Entities comprised within the prudential consolidation perimeter of BCP;

Comparative analysis / benchmark of the provisions of GR0042 with the provisions adopted in the policies in force at Bank Millennium and Millennium Bim.

Following this methodology, after identifying the GR0042 provisions, applicable to the Group Entities, the benchmarking assessment comprised the analysis of the following aspects:

- identification of local remuneration policies;
- existence of variable and fixed remuneration components and a maximum ratio between them;
- quantitative and qualitative performance criteria versus the risks incurred;
- definition and clearance of bonus pools;
- definition of the deferral period of the variable remuneration payment;
- components of variable remuneration (cash versus financial instruments);
- how risks are taken into account ex post, including malus and clawback;
- comparison of the impact of remunerations on BCP Group's Own Funds and liquidity.

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Assessment conclusions

Considering the results of the work described above, the assessment made by the Risk Office, the Compliance Office and the CNR on the impact of remuneration practices, namely on risk management, with special emphasis on the capital and liquidity risks of Group Subsidiaries abroad, are as follows:

1. Pursuant to the provisions of Article 115-C (1) of the LFCIFC, the Group Entities, in general, have implemented remuneration policies that are, namely for all the aspects included in the benchmark analysis mentioned above, generally consistent with the remuneration policy defined by the BCP Group, in the Group Code "GR0042 – Remuneration Policy Framework", which was in force on 31 December 2023.

2. The Entities of the Group, Bank Millennium and Millennium BIM possess remuneration policies in line with those of the parent-company, without damaging the following deviations identified in the assessment:

    a. Regarding the maximum ratio between the variable and fixed components of the remuneration, it appears that Banco Millennium BIM, in relation to the executive members, specifically with regard to the Chief Risk Officer, does not mention that the variable component of the remuneration may not exceed the annual fixed component;

    b. Regarding the way in which performance is assessed in relation to the risks incurred, it was concluded that Bank Millennium S.A. does not define the weight of quantitative and qualitative KPIs, and the responsible bodies approve them annually;

    c. Concerning the way in which the bonus pools are defined and calculated, it appears that Banco Millennium BIM does not define the bonus pool, respective KPIs, weights and possible adjustments, with regard to the Executive Committee;

    d. Regarding the relationship between the deferred and non-deferred portions of variable remuneration, and the definition of the deferral period, it was concluded that Millennium BIM does not establish, for the variable remuneration of executive members, a minimum reference limit below which the deferral is not applied, nor a maximum reference limit above which the deferral is applied at 60%;

    e. Regarding the portion of variable remuneration paid in cash and paid in shares or other eligible financial instruments, where applicable, and the holding period for the two types of instruments, it appears that Bank Millennium S.A. does not mention that interest or dividends on attributed but deferred instruments should not be paid.

3. The potential impact of the remuneration policies of the Group Entities on capital is not significant, considering that both the Subsidiaries and the BCP Group, in 2023 they have a weight of staff costs in the net banking product of less than 20%, and the weight of variable remuneration in total staff costs does not exceed 10%.

4. Similarly, the impact of remuneration policies on the liquidity position of the banks and the Group is immaterial, with the total variable remuneration not exceeding 0.2% of total customer deposits in each geography.

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5. Regarding the way in which risk-taking is analysed ex post, including malus and clawback, the policies are in line with the law of Poland and Mozambique considering that according to the legislation of Poland and Mozambique, the legal system does not allow the application of the clawback mechanism.

6. The deviations identified were communicated to the corresponding subsidiaries, with the aim of promoting a greater alignment of the respective policies with the provisions of the aforementioned Grou p Code.

Porto Salvo, 22 march 2024

Risk Officer

Compliance Officer

Committee for Nominations and Remunerations

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3. Assessment of Compliance with Remuneration Policies and Procedures Adopted by the Bank (Article 44 of Notice of Banco de Portugal No. 3/2020)

Assessment of the Compliance with the Remuneration Policies and Procedures adopted by the Bank
(Art.44 of Notice of Banco de Portugal 3/2020)

For the purposes of complying with Article 115-C (6) of the Legal Framework of Credit Institutions and Financial Companies and Article 44 of Notice of Banco de Portugal No 3/2020, the Committee for Nominations and Remunerations, under delegation of the Board of Directors of Banco Comercial Português, S.A. ("Bank"), carried out the annual review on the verification of compliance with the remuneration policies and procedures adopted by the Bank, and for this purpose, and in addition to the regular monitoring it carries out on remuneration practices at the Bank and the Group, analysed the audit report No. 335/2023 – Audit of Remuneration Policies, prepared independently by the Audit Division.

The evaluation analysis made by the Audit Division focused on the following objective:

(i) assess the compliance of the Remuneration Policies of the Members of the Management and Supervisory Bodies (MMSB) and of the Employees, in relation to the EBA guidelines and the applicable legal and regulatory provisions;

(ii) assess the compliance of the Remuneration Policies of the subsidiaries in Portugal and abroad with the principles established in the Group Code GR0042 – Remuneration Policy Framework;

(iii) confirm the compliance of the amounts paid in relation to the annual variable remuneration of the members of BCP's Executive Committee, as well as the number of BCP's deferred shares allocated in 2023, to the same universe of people;

(iv) confirm that the calculation of the annual variable remuneration attributed to BCP Employees, including KFH, was made in accordance with the remuneration policy; and

(v) evaluate the implementation of the recommendations and actions to be monitored by the management and reported in the previous audit report and by the Joint Supervisory Team (JST).

The overall evaluation of the Bank's remuneration policies carried out by the Audit Division concluded that both the policy applicable to MMSBs and the one applicable to the Bank's employees, including Key Function Holders, is in line with the provisions of the Group Code – GR0042 – which defines principles, rules and the governance model for the elaboration, approval and monitoring of the remuneration policies applicable to BCP and all subsidiaries and, in general, with the applicable legislation.

In relation to the application of the remuneration policies adopted by the Bank's subsidiaries, in Portugal and abroad, the Audit Division concluded that there were small differences, but that they do not affect the uniformity of remuneration policies at Group level; the subsidiaries were informed of the revision of their policies, a fact which had also been identified in a CNR report dated December 2023.

The main conclusions of the analysis are focused on:

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- **Remuneration Policy of the Bank:** The Bank has a Policy for the Remuneration of MMSB, approved on 24.05. 2023 at the General Meeting, and an Employee Remuneration Policy, approved by the Board of Directors on 26.06.2023, which applies to all employees of the Bank and its subsidiaries in Portugal. Specific Remuneration Policies are applied to the members of the governance bodies of these entities, approved by the respective General Meetings of Shareholders, which are in line with the GR0042 and with the Remuneration Policies defined for the Bank. From the analysis carried out, it was concluded that the versions of these Policies that are currently in force comply with the provisions of the group code GR0042, as well as with the applicable legislation and regulations, referred to above;

- **Remuneration Policies at Group level**: the analysis concluded that the remuneration policies of subsidiaries in Portugal and abroad are generally aligned with the Group Code GR0042, and that some differences were identified, some of which are due to the application of local law, and which do not jeopardize the alignment with the aforementioned Group Code;

- **Annual Variable Remuneration (AVR) of Employees for 2023P**: the attribution of AVR to employees is provided for in Articles 2(1), 3(1) and 6(1) of the Policy for the Remuneration of Employees of the Bank and subsidiaries operating in Portugal, distinguishing employees with key functions (KFH) from other employees, in relation to the method of calculation and payment of AVR. The Internal Audit Division verified that the total allocated was in accordance with the bonus pool calculated in accordance with the established mechanism and that the amounts attributed to each employee were, as a rule, correctly calculated in accordance with internal regulations. Regarding employees with key functions (KFH), the conformity of the distribution of AVR values between cash and shares was validated, as well as the determination of the conditions for the deferral of AVR payment, under the terms provided for in the respective Remuneration Policy, as well as the payment of deferred AVR amounts from previous financial years to be paid in 2023;

- **Payment of incentives for 2023**: the commercial incentive system is currently aimed at employees who perform commercial functions at the Bank, and consists of the attribution of a variable remuneration, based on the degree of compliance with the objectives defined for the period. This system applies specifically to Commercial Networks (Retail, Private, Corporate, Corporate and Large Corporate and ActivoBank), as well as to employees of other Divisions of the Bank who meet the indicated criteria (Investment Banking, Treasury Markets & International, Specialized Credit and Real Estate and Credit Recovery). The assessment concluded that the models used are adequate to assess the performance of the employees involved and comply with the applicable regulatory guidelines. Based on a representative sample of employees covered by commercial incentive systems, it was concluded that the amounts attributed were correctly calculated in accordance with the rules defined.

Lastly, the analysis carried out by the Audit Division concluded that the Bank complies with the reporting duties to Banco de Portugal provided for in the information duties relating to the remuneration policy and that the shortcomings observed, either due

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to their occasional nature or their materiality, do not jeopardize the stability and consistency of the internal control system; thus, the annual assessment on the implementation and compliance with the remuneration policies and procedures adopted by the Bank is classified as "Good".

In view of the above, the Committee for Nominations and Remuneration evaluates positively the Remuneration policies and procedures adopted by the Bank, considering that they are adequate to its structure, nature and risks involved.

Porto Salvo, 19 March 2024

Committee for Nominations and Remunerations

Ref. 70200230_v13

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V. Agreements with remunerative implications

83. Foreseen contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component.

We must point out the provisos of article 403 (5) of the Companies Code, herein transcribed: "If a dismissal is not grounded on a fair cause, the director will be entitled to a compensation for damages, in accordance with the agreement established with him/her or as generally permitted by law. That compensation cannot exceed the amount of remunerations he/she would presumably receive until the end of the period of time for which he/she was elected".

Similar to the provision above, article 10 of the Policy for the Remuneration of the Management and Supervisory Bodies, states that the Director who terminates functions before the end of the term-of-office for reasons other than due to renunciation or dismissal with just cause, will be entitled to a compensation to be estimated by the Committee for Nominations and Remunerations and resolved by the Remunerations and Welfare Board, after listening to the Committee for Risk Assessment. The compensation due for a removal from office without a just cause cannot be quantified as a fixed remuneration and its payment must be subject to the subscription of a non-competition commitment for a period of time corresponding to the end of the term-of-office underway on the date of the removal.

Apart from those herein mentioned, no contractual conditions or limitations have been established for compensation payable for dismissal without fair cause.

84. Reference to the existence and description, with indication of the amounts involved, of agreements between the company and members of the management board and directors, in observance of current number 1 of article 29-R of the Securities Code, which establish compensation in the case of resignation, dismissal without fair grounds or termination of the work relationship following a change in the control of the company (article 29-H, (1) (k))

There are no agreements between the Company and members of the management board, directors, pursuant to number 1 of article 29-R of the Securities Code, or any other employee who reports directly to the management which establish indemnities in the event of resignation, dismissal without fair cause or termination of employment relations following a change in the control of the company, exception made those determined by the general applicable law and by article 11 of the Policy for the Remuneration of the Management and Supervisory Bodies.

VI. Plans for the attribution of shares or stock options

85. to 88.

There are no plans with these features; hence, this chapter VI does not apply to the Bank.

E. TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

In accordance with internal procedures and regulations, the Bank has customer databases and IT records that automatically identify and signal its related parties.

The internal regulations relating to transactions with related parties provide for specific procedures for processing proposals relating to these entities, which ensure that such transactions are carried out under market conditions and subject to additional controls. As a matter of fact, the regular procedure for the approval of transactions with related parties consists in the approval of the transaction by a majority of two thirds of the Board of Directors, following a proposal submitted by the Executive Committee, after the prior issuance of an opinion by the Audit Committee and the opinions of the Compliance Office and the Risk Office regarding the compliance of the proposed operations with the internal regulations, legal and regulatory provisions and other constraints that may apply to them, namely in terms of risk. There are still simplified procedures for transactions considered to be of lower risk.

Proposals regarding this universe are submitted to the Audit Committee by the Executive Committee, which in turn may receive them from the Credit Commission or from the Costs and Investments Sub-Commission, depending on the nature of the transaction.

The Board of Directors, in accordance with its competences, conferred to it by its Regulations, reserved for itself the necessary and sufficient powers for the following acts:

- approve the internal policy foreseeing the definition, identification and update of the parties related with the Bank, following a proposal made by the Executive Committee, and after obtaining the opinion from the Audit Committee;
- approve, complying with the legislation and with the internal regulations, transactions with related parties, following a proposal made by the Executive Committee and after obtaining the opinion from the Audit Committee and the previous opinions of the Compliance Office and the Risk Office;
- ensure that the Bank identifies, in a complete and quarterly updated list, its related parties, making it available to the supervisory authority whenever requested;

All the members of the Audit Committee are part of the Board of Directors and, as such, participate at the Meeting and in the adoption of the resolution. Therefore, this Committee takes cognizance in loco of the decision made by the Board of Directors, not being justified, for being redundant, any other communication to the Audit Committee.

When an operation with a related party is being debated, the Chairwoman of the Audit Committee, qualified as independent member of the Board of Directors, or in her absence (which never occurred) a member appointed for that purpose, informs the Board with detail on the contents of the prior opinion of the Audit Committee.

Lastly, and also in accordance with the provisions of the Regulations of the Board of Directors, the members of the Board of Directors may not access any privileged or sensitive documentation, or participate in the assessment and decision of operations or contracts related to the company that give rise to the conflict of interest, requiring in any of these situations the approval by a majority of at least two thirds of the remaining members of the management body and the prior favourable opinions of the Audit Committee, Compliance Office and Risk Office.

On these issues, please see item 10.

90. Details of transactions that were subject to control in the referred year.

In 2023, nineteen opinions on proposals for credit operations, including revisions or extensions of limits, and nine proposals for the procurement of goods or services related to related parties of the Bank, were subject to the opinion of the Audit Committee and approval by the Board of Directors.

91. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings or entity-relationships with the former, as envisaged in Article 20 of the Securities Code.

As mentioned in item 90, the business deals to be conducted between the Bank and related parties are subject to assessment and approval by the Management Body, supported by analyses and technical opinions issued by the Audit Committee, which in turn takes into consideration the assessments made by the Executive Committee, based on opinions issued by the Credit Division, in the case of credit operations, or by the Costs and Investments Sub-Commission and/or other areas involved in the contract, in the case of supply of goods and services contracts. The operations require a prior opinion from the Compliance Office as to their compliance with internal rules, legal and regulatory provisions and other constraints that may be applicable to them, and an opinion of the Risk Office with the assessment of the risks inherent to the operation. There are transactions of low material value or qualified as low risk that follow a simplified approval regime, as described in the Policy on Transactions with Related Parties available on the Bank's website.

II. Elements relative to business

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

On this issue, please see the information provided in the 2023 Annual Report in appraisal 51 of the Notes to the Consolidated Financial Statements.

Part II

Assessment of the Compliance with the Recommendations and sub-recommendations from the Corporate Governance Code from IPCG (2023)

The Bank assesses the compliance and justifies the non-compliance with the recommendations and sub-recommendations of the Corporate Governance Code from IPCG in the following table:

ASSESSMENT OF THE COMPLIANCE WITH THE RECOMMENDATIONS AND SUB-RECOMMENDATIONS FROM THE CORPORATE GOVERNANCE CODE FROM IPCG (2023)

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG (2023)	Index for Items of Part I of the Report	Compliance
I.1.(1) I.1.(2)	I.1. The company explains how its strategy seeks to ensure the fulfilment of its long-term objectives and what the main contributions resulting from this are for society in general.	Items: 21 - Board of Directors and Audit Committee and 27 a) Risk Committee and Annual Report - Business Model, Strategy, Risk and Outlook and non-financial information.	Compliant
I.2.(1) I.2.(2)	I.2. The company identifies the main policies and measures adopted regarding the fulfilment of its environmental and social objectives.	Item 27 c) - Committee for Corporate Governance, Ethics and Sustainability and Item 21 - Board of Directors	Compliant
II.1.1.	II.1.1. The company must establish mechanisms to ensure, in an adequate and strict manner, the timely handling or disclosure of the information needed to its corporate bodies, company secretary, shareholders, investors, financial analysts, remaining stakeholders and to the market in general.	Items: 21 - Board of Directors and 55 to 65 and Recommendations; II.3.1 and II.3.2	Compliant
II.2.1.	II.2.1. Companies establish, previously and in abstract, criteria and requirements relating to the profile of members of the corporate bodies suitable for the function to be performed, considering, in particular, individual attributes (such as competence, independence, integrity, availability and experience), and diversity requirements (with particular attention to equality between men and women), which may contribute to improving the performance of the body and balance in its composition.	Items: 16,17,25, 26 and 36	Compliant
II.2.2.(1) II.2.2.(2) II.2.2.(3) II.2.2.(4) II.2.2.(5) II.2.2.(6)	II.2.2. The management and supervisory bodies and its internal committees must have internal regulations - namely on the exercise of the respective attributions, chairmanship, frequency of the meetings, functioning and duties of its members- fully disclosed on the website of the company, and minutes should be drawn from their meetings.	Items: 20 to 23, 27, 34, 61 and 67	Compliant
II.2.3.(1) II.2.3.(2)	II.2.3. The composition and the number of each year meetings of the management, supervisory bodies and of its internal committees should be disclosed through the company's website.	Items: 17, 21, 23, 27 and 67	Compliant
II.2.4.(1) II.2.4.(2)	II.2.4. The companies adopt a policy of whistleblowing that explains the main rules and procedures to be followed for each communication and an internal denunciation channel that includes access also by non-employees, under the terms foreseen in the applicable law.	Item: 49	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG (2023)	Index for Items of Part I of the Report	Compliance
II.2.5. (1) II.2.5. (2) II.2.5 (3) II.2.5 (4)	II.2.5. Companies shall have specialised committees in matters of corporate governance, remuneration, appointment of members of the company bodies and performance assessment, separately or cumulatively. If the committee for remunerations provided for in article 399 of the Companies Code has been created, this recommendation may be complied with by attributing to this committee, if not prohibited by law, competence in the said matters.	Items: 22, 24, 27, 29 and 67	Compliant
II.3.1.	II.3.1. The articles of association or other equivalent methods adopted by the company must set up mechanisms to ensure that, within the boundaries of the applicable legislation, it is permanently ensured to the members of the management and supervisory bodies the access to all information needed to assess the performance, the standing and development prospects of the company, including, namely, the minutes of meetings, the documents supporting the decisions made, the call notices and the filing of the documents relating to the meetings of the executive management body, without damaging the access to any other documents or to people to whom explanations may be requested.	Items: 21, 23,26 and Recommendation II.1.1	Compliant
II.3.2.	II.3.2. Each body and committee of the company shall ensure, in a timely and appropriate manner, the inter-organic flow of information necessary for the exercise of the legal and statutory powers of each of the other bodies and committees.	Items: 21, 22 and 27	Compliant
II.4.1.	II.4.1. By internal regulations or equivalent, the members of the management and supervisory bodies and internal committees are obliged to inform the respective body or committee whenever there are facts that may constitute or give rise to a conflict between their interests and the company's interest.	Items: 10, 20 to 22, 27, 49, 89 to 91	Compliant
II.4.2.	II.4.2. The company adopts procedures to guarantee that the member in conflict does not interfere in the decision-making process, without harming the duty of providing information and clarifications that the body or committee or the respective members may eventually ask.	Item: 20	Compliant
II.5.1.	II.5.1. The management body discloses in the governance report or by other publicly available means, the internal verification procedure of transactions with related parties.	Items: 10, 37, 89 to 91	Compliant
III.1.(1) III.1.(2)	III.1. The company shall not set an excessively high number of shares necessary to give the right to one vote and shall inform in the governance report of its option whenever each share does not correspond to one vote.	Items: 5, 12, 14 and 48 Not applicable	Compliant
III.2.	III.2. The company that has issued shares with special plural voting rights shall identify, in its corporate governance report, the issues that, under the terms of the company's articles of association, are excluded from the scope of the plural voting rights.	Item: 12	Not applicable
III.3.	III.3. The company should not adopt mechanisms that hinder the taking of deliberations by their shareholders, in particular establishing a deliberative quorum higher than that established by law.	Items: 5, 12, 14, 48	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG (2023)	Index for Items of Part I of the Report	Compliance
III.4.	III.4. The company implements the appropriate means for the participation not in person of the shareholders at the general meeting by electronic means, under terms proportionate to their size.	Item: 12	Compliant
III.5.	III.5. The company shall also implement appropriate means for the non-face-to-face exercise of the right to vote, including by correspondence and by electronic means.	Item: 12	Compliant
III.6.	III.6. The articles of association of the company which foresee the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that, at least every five years, the alteration or maintenance of this statutory provision will be subject to deliberation by the General Meeting – without requirement of a quorum larger than that legally established – and that, in this deliberation, all the votes cast will count, without the application of this limitation.	Items: 5 and 13	Not-compliant but justified
III.7.	III.7. Defensive measures should not be adopted if they imply payments or the assumption of expenses by the company in the event of the transfer of control or change of the composition of the management body, and which might hinder the free transferability of shares and the free appraisal by the shareholders of the performance of members of the management body.	Item: 4	Compliant
IV.1.1.(1) IV.1.1.(2) IV.1.1.(3)	IV.1.1. The management body should assure that the company acts in accordance with its objectives, and should not delegate its competence, namely, with respect to: i) definition of the strategy and general policies of the company; ii) organization and coordination of the entrepreneurial structure; iii) issues which should be considered strategic due to their amount, risk or special features.	Item: 21 - Board of Directors	Compliant
IV.1.2.	IV.1.2. The management body approves, through an internal regulation or an equivalent mean, the performance regime of the executive directors and their exercise of executive functions in entities outside the group.	Item: 21 - Executive Committee and 26-B	Compliant
IV.2.1.	IV.2.1. Without prejudice to the legal functions of the chairperson of the board of directors, if he/she is not independent, the independent directors - or, if there are not enough non-executive directors, the non-executive directors - shall appoint a coordinator from among themselves, namely: (i) act, whenever necessary, as interlocutor with the chairperson of the board of directors and with the remaining directors; (ii) endeavour that they all have the necessary conditions and means for the exercise of their functions; and (iii) coordinate them in the assessment of the performance by the administration body as foreseen in recommendation VI.1.1.; alternatively , the company may establish another equivalent mechanism to ensure such coordination.	Item:18	Compliant
IV.2.2.	IV.2.2. The number of non-executive members of the management body shall be appropriate to the size of the company and the complexity of the risks inherent to its activity, but sufficient to ensure the efficient performance of the tasks entrusted to them and the formulation of this suitability judgement must be included in the governance report.	Item: 18 and 21	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG (2023)	Index for Items of Part I of the Report	Compliance
IV.2.3.	IV.2.3. The number of non-executive directors must exceed that of executive directors.	Item: 18	Compliant
IV.2.4.	IV.2.4. The number of non-executive directors meeting the independence requirements shall be plural and shall not be less than one third of the total number of non-executive directors. For the purposes of this recommendation, a person is considered independent as long as he/she is not associated with any group of specific interests in the company, or is not in a position susceptible to affect his/her ability to make an impartial analysis or decision, in particular due to: i. To have held, continuously or intermittently, positions in any corporate body for more than twelve years, regardless of whether this period matches with the end of the mandate; (...) ii. Have been an employee of the company or of a company in a controlling or group position with it in the last three years; iii. To have provided services or established a significant commercial relationship with the company or a company in a control or group relationship with the company in the last three years, either directly or as a partner, director, manager or manager of a legal person; iv. To be the beneficiary of a remuneration paid by the Company or by a company that is in a control or group relationship with it, in addition to the remuneration arising from the exercise of the functions of director; v. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors of the company, of a legal person holder of a qualifying stake in the company or of natural persons directly or indirectly holding qualifying stakes; vi. To be the holder, directly or indirectly, of a qualifying stake or the representative of a shareholder with qualifying stake;	Item: 18	Compliant
IV.2.5.	IV.2.5. The provisions of paragraph (i) of the previous recommendation shall not preclude the qualification of a new director as independent if, between the termination of his/her duties in any company body and his/her new designation, at least three years have elapsed (cooling-off period).	Item: 18	Not applicable
V.1.(1) V.1.(2)	V.1. In compliance with the powers conferred upon it by law, the supervisory body is informed of the strategic guidelines and assesses and gives its opinion on the risk policy, prior to its final approval by the board of directors.	Items 21 - Audit Committee, 27 a) and 37	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG (2023)	Index for Items of Part I of the Report	Compliance
V.2.(1) V.2.(2)	V.2. The number of members of the supervisory body and of the committee for financial matters shall be adequate for the size of the company and the complexity of the risks inherent to its activity, but sufficient to ensure the efficient performance of the tasks entrusted to them and the formulation of this value judgement must be included in the governance report.	Items: 18 and 21 Not applicable	Compliant
VI.1.1.(1) VI.1.1.(2) VI.1.1.(3)	VI.1.1. The management body - or committee with powers in the matter, composed of a majority of non-executive members - annually assesses its performance, as well as the performance of the executive committee, the executive directors and the company committees, taking into account compliance with the company's strategic plan and budget, risk management, its internal functioning and the contribution of each member to the effect, as well as the relationship between the bodies and committees of the company	Items: 24 and 25 and 27-b)	Compliant
VI.2.1.	VI.2.1. The company sets up a remunerations committee, the composition of which ensures its independence versus management. It may be a remunerations committee appointed in accordance with article 399 of the Companies Code.	Items: 66 and 67	Compliant
VI.2.2.	VI.2.2. The setting up of the remunerations of the members of the administrative and supervisory bodies and of the company committees shall be the responsibility of the committee for remunerations or the general meeting, at the proposal of that committee.	Items: 66 and 67	Compliant
VI.2.3.	VI.2.3. The company discloses in the corporate governance report, or in the remuneration report, the termination of office of members of the company bodies or committees, indicating the amounts of all the company charges related to the termination of office, for any reason, during the financial year in question.	Items: 80	Compliant
VI.2.4.	VI.2.4. In order to provide information or clarification to shareholders, the chairman or another member of the committee for remunerations must be present at the annual general meeting and any other meetings if the respective agenda includes a matter related to the remuneration of members of the company's bodies and committees or if such presence has been requested by shareholders.	Items: 66 and 67	Compliant
VI.2.5.	VI.2.5. Within the budgetary limitations of the company, the remuneration committee should be able to freely decide the engagement by the company of the advising services that are required or convenient for the exercise of its functions.	Items: 25, 27-b) and 67	Compliant
VI.2.6.	VI.2.6. The committee for remunerations ensures that those services are provided independently.	Items: 25, 27-b) and 67	Compliant
VI.2.7.	VI.2.7. The providers of such services shall not be engaged, by the company itself or by others with which it is in a controlling or group relationship, for the provision to the company of any other services related to the competencies of the committee for remunerations, without its express authorisation.	Items: 27-b) and 67	Compliant
VI.2.8.	VI.2.8. Bearing in mind the alignment of interests between the company and the executive directors, a portion of their remuneration should be of a variable nature so as to reflect the sustained performance of the company and does not encourage excessive risk-taking.	Items: 69, 71 and 73	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG (2023)	Index for Items of Part I of the Report	Compliance
VI.2.9.	VI.2.9. A significant portion of the variable component is partially deferred in time, for a period of not less than three years, associating it, in terms defined in the company's remuneration policy, with the confirmation of the performance sustainability.	Items: 69 and 72	Compliant
VI.2.10.	VI.2.10. When the variable remuneration comprehends the attribution of options or other instruments that are directly or indirectly dependent on the shares value, the beginning of the exercise period must be deferred for a period of time not inferior to three years	Item: 85	Not applicable
VI.2.11.	VI.2.11. The remuneration of the non-executive members of the management body do not include any component whose value depends on the performance or value of the company.	Items: 69 and 77	Compliant
VI.3.1.	VI.3.1. The company promotes, under such terms as it deems appropriate, but in a manner that can be demonstrated, that proposals for the election of members of the company bodies are accompanied by a justification on suitability of the profile, expertise and curriculum to the function of each candidate.	Items: 17 and 25	Compliant
VI.3.2.	The committee for nominations of members of corporate bodies includes a majority of independent directors.	Items: 17 and 27-b)	Not-compliant
VI.3.3.	VI.3.3. Unless the size of the company does not justify it, the function of follow-up and support to the appointment of senior managers must be attributed to a committee for nominations.	Item: 27-b)	Compliant
VI.3.4.	VI.3.4. The committee for nominations of senior executives provides its terms of reference and promotes, to the extent of its competencies, the adoption of transparent selection processes that include effective mechanisms for identifying potential candidates, and that those who present the greatest merit, are best suited to the requirements of the function and promote, within the organisation, adequate diversity including gender equality.	Items: 17 and 25	Compliant
VII.1.(1) VII.1.(2)	VII.1. The management body debates and approves the strategic plan and the risk policy of the company, which includes setting limits on risk-taking.	Items: 21- Board of Directors, 27-a), 53 and 54	Compliant
VII.2.	VII.2. The company has a specialised committee or a commission composed of specialists in risk issues that regularly reports to the management body.	Items: 21-a) Committee for Risk Assessment	Compliant
VII.3.	VII.3. The supervisory body sets out its internal organization by implementing periodical control mechanisms and procedures aiming at ensuring that the risks effectively incurred by the company are consistent with the objectives established by the management body.	Items: 21 - Audit Committee and 50 to 54.	Compliant
VII.4.	VII.4. The internal control system, comprising the risk management function, compliance and internal audit, should be structured in terms that match the size of the company and the complexity of the risks inherent to its activity and the supervisory body must assess it, within the scope of its competence to supervise the effectiveness of this system, propose the required adjustments.	Items: 50 to 54	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG (2023)	Index for Items of Part I of the Report	Compliance
VII.5.	VII.5. The company establishes supervision procedures, periodical assessment and of adjustment of the internal control system, including an annual assessment of the degree of internal compliance and the performance of that system, as well as the projections to change the previously defined risk framework.	Items: 21 - Board of Directors, 27-a) Committee for Risk Assessment and 54.	Compliant
VII.6.(1) VII.6. (2) VII.6.(3) VII.6.(4)	VII.6. Based on its risk policy, the company establish a risk management system, identifying (i) the main risks to which it is exposed in the development of its activity, (ii) the probability of their occurrence and their impact, (iii) the instruments and measures to be adopted with for the purpose of their mitigation (iv) monitoring procedures for their follow-up.	Item: 54	Compliant
VII.7.	VII.7. The company establishes processes to collect and process data related to environmental and social sustainability, to alert the management body to risks that the company is incurring and to propose strategies for their mitigation.	Items: 27-a), 27-c), 52 (DESC) and 21 - Board of Directors	Compliant
VII.8.	VII.8. The company reports on how climate change is considered in the organisation and how it takes climate risk analysis into account in decision-making processes.	Items: 27-a) and 27-c)	Compliant
VII.9.	VII.9. The company informs, in the governance report, on the terms under which artificial intelligence mechanisms have been used as a decision-making tool by the corporate bodies.	Item: 52	Compliant
VII.10	VII.10. The supervisory body issues an opinion on the work plans and on the resources allocated to the services of the internal control system, including the risk management functions, compliance and internal audit and may propose the adjustments deemed necessary.	Items: 21 - Audit Committee, 50 to 55	Compliant
VII.11.	VII.11. The supervisory body must be the recipient of the reports made by the internal control services, including the risk management functions, compliance and internal audit at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential irregularities.	Items: 21 - Audit Committee, 50-a) to 55	Compliant
VIII.1.1.	VIII.1.1. The internal regulations of the supervisory body requires it to monitors the appropriateness of the process of preparation and disclosure of information by the management body, including the appropriateness of accounting policies, estimates, judgements, relevant disclosures and their consistent application from year to year, duly documented and reported.	Items: 21 - Audit Committee, 37 and 55	Compliant
VIII.2.1.	VIII.2.1. Through an internal regulation, the supervisory body defines, in accordance with the applicable legal requirements, the supervision procedures aimed at ensuring the independence of the statutory auditor.	Items: 21 - Audit Committee, IV. Statutory Auditor and 45	Compliant

	Recommendations and sub-recommendations from the Corporate Governance Code from IPCG (2023)	Index for Items of Part I of the Report	Compliance
VIII.2.2.(1) VIII.2.2.(2)	VIII.2.2. The supervisory body should be the main item of contact of the external auditor and the first receiver of the respective reports, being entrusted, in particular, with proposing the respective remuneration and ensure that the right conditions are in place within the company for the provision of services.	Items: 21 - Audit Committee, 37, Title IV. Statutory Auditor and 45	Compliant
VIII.2.3.	VIII.2.3. Every year, the supervisory body assesses the work carried out by the statutory auditor, its independence and suitability to carry out its duties and proposes to the competent body that it be dismissed or that the contract for the provision of its services be terminated whenever there is just cause to do so.	Items: 21 - Audit Committee, 37 and 45	Compliant

ANNEX I

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Regarding the positions held simultaneously in other companies, in and outside the Group, and other relevant activities performed, please see table 26 of this Report)

Non-Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on English and Portuguese, on the page with the following address:https://ind.millenniumbcp.pt/pt/Institucional/governacao/)

Nuno Manuel da Silva Amado

Personal Data

- Date of Birth: 14 August 1957
- Nationality: Portuguese

Positions held at the Bank

- Chairman of the Board of Directors
- Chairman of the Committee for Corporate Governance, Ethics and Sustainability
- Member of the Strategic Board

Direct Responsibilities

- Board of Directors' Support Office
- Company Secretary's Office
- Audit Division
- Fundação Millennium bcp
- Client Ombudsman's Office

Positions held in the Group

- Vice-Chairman of the Board Of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Chairman of the Board of Curators of Fundação Millennium bcp

Positions outside the Group

- Member of the Board of Auditors of Fundação Bial
- Chairman of the Senior Board of the Alumni Clube ISCTE
- Member of the Board of the Business Roundtable Portugal Association
- Member of the General Council of AESE - Associação de Estudos Superiores de Empresa (Business School)
- Member of the Advisory Board of the Forum for Competitiveness
- Member of the "School Board" of Instituto Superior Técnico

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Advanced Management Programme from INSEAD, Fontainebleau

Professional experience in the last 10 years relevant to the position (before taking office):

- From 28 February 2012 to 30 May 2018 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 2012 to 13 April 2021- Member of the Supervisory Board of EDP – Energias de Portugal, S.A.
- From 19 April 2013 to 14 February 2022 - Chairman of the Board of the General Meeting - Portuguese-Spanish Chamber of Commerce
- From 27 March 2015 to 16 June 2018 - Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.

- From 4 April 2016 to 27 March 2019 - Effective member of the Plenary, of the Interdisciplinary Specialised Committee for Birthrate (CEPIN) and of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social
- From 30 May 2018 to 5 September 2022 - Chairman of the Board of Directors of Banco Comercial Português, S.A.

Other:

- On November 9, 2018 - Presented with Order of Infante D. Henrique - Grand Cross of Merit (*Grã-Cruz de Mérito*)

Jorge Manuel Baptista Magalhães Correia

Personal Data

- Date of Birth: 05 November 1957
- Nationality: Portuguese

Positions held at the Bank

- 1st Vice-Chairman of the Board of Directors
- Chairman of the Remunerations and Welfare Board
- Member of the Strategic Board

Positions held outside the Group

- Member of the Board of Directors and member of the Corporate Governance Committee of REN – Redes Elétricas Nacionais, SGPS, S.A.
- Chairman of the Board of Directors of Luz Saúde, S.A.
- Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Lisbon Law School
- Participation in multiple relevant professional training actions throughout the career in Portugal and abroad, namely with certification in "Enforcement Training Program 1994" da U.S. Securities and Exchange Commission (SEC), Washington, DC

Professional Experience in the Last Ten Years Relevant to the Position (before taking office):

- Since 1983 – Lawyer – Member of the Portuguese Lawyers Association
- From January 2008 to May 2014 - Chairman of the Board of Directors of Companhia de Seguros Fidelidade - Mundial, S.A.
- From April 2011 to January 2016 - Chairman of the Board of Directors of Universal Seguros, S.A. (Angola)
- From October 2011 to March 2013 - Chairman of the Board of Directors of HPP – Hospitais Privados de Portugal, S.A.
- From October 2011 to March 2013 - Vice-Chairman of the Boards of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Companhia de Seguros Fidelidade, S.A.
- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Fidelidade Assistência Auto, S.A.
- From May 2014 to March 2017 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee - Multicare - Seguros de Saúde, S.A.
- From July 2014 to July 2018 - Chairman of the Board of Directors of Fidelidade Property International, S.A.
- From March 2017 to June 2020 - Chairman of the Executive Committee of Fidelidade - Companhia de Seguros, S.A.

- From 30 May 2018 to 4 May 2022 - Chairman of the Remunerations and Welfare Board of BCP
- From 30 May 2018 to 5 September 2022 - 1st Vice-Chairman of the Board of Directors of BCP
- From 5 September 2022 to 20 December 2022 - Member of the Committee for Corporate Governance, Ethics and Sustainability
- From 22 October 2020 to 27 August 2023 - Non-Executive Member of the Board of Directors of Longrun, SGPS, S.A.

Ana Paula Alcobia Gray

Personal Data

- Date of Birth: 16 March 1962
- Nationality: Portuguese / South- African

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Risk Assessment

Academic and Specialised Qualifications

- Masters Degree in Business Management (MBA) from University of Witwatersrand
- Chartered Accountant (South Africa) - registered in the Ordem dos Revisores Oficiais de Contas (South African Chartered Accountants Association).
- Honours (post graduate) in Commerce from University of South Africa
- Honours (post graduate) In Accounting Science from University of South Africa
- Bachelor of Commerce from the University of South Africa

Professional Experience in the Last Ten Years Relevant to the Position (before taking office):

- From November 1996 to April 2017 – Group BAI (Lisbon, Portugal and Luanda, Angola) where he performed the functions of non-executive Vice-Chairwoman and executive director at the Group's banks.
- From 30 May 2018 to 4 May 2022 , Member of the Remunerations and Welfare Board of Banco Comercial Português, S.A.
- From July 2018 to July 2022 , Member of the Board of Directors of Banco Comercial Português, S.A.
- From 30 May 2018 to 5 September 2022, Member of the Board of Directors of Banco Comercial Português, S.A.
- From 24 July 2018 to 5 September 2022 Member of the Committee for Risks Assessment of Banco Comercial Português, S.A.

Xiaoxu Gu (Julia Gu)

Personal Data

- Date of Birth: 05 September 1970
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors

Positions held outside the Group

- Since 2011 Vice-Chairwoman of Group Fosun High Technology (Group) Co., Ltd. (Internal functions exercised under the work agreement with Group Fosun)
- Since May 2015 – Non-executive Member of the Board of Directors – Mybank
- Since February 2015 – Non-executive Director - Zhangxingbao (Network Technology Co., Ltd)

- Since December 2020 - Non-executive Director of Chongquing Rural Commercial Bank Co. Ltd. Ltd

Academic and Specialised Qualifications

- Master's in Business Management - East China Normal University
- Bachelor's Degree in Transportation Management - University Tongji (former Shanghai Tiedao University)

Professional Experience in the Last Ten Years Relevant to the Position (before taking office):

- From 2015 to 15 May 2018 – Chairwoman of the Board of Directors - Great China Finance Leasing (Shanghai) Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Chairwoman of the Board of Directors - Shanghai Hongkou Guangxin Microcredit Co., Ltd. (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Chairwoman of the Board of Directors - Guangzhou Fosun-Yuntong Microcredit Co., Ltd (subsidiary of Zhangxingbao)
- From 2015 to 18 May 2018 – Member of the Board of Directors – Zhejiang Zheshang International Financial Asset Exchange Co., Ltd.
- From 2015 to 8 June 2018 – Chairwoman of the Board of Directors - Shanghai Xinglian Commercial Factoring Co., Ltd.
- From 2015 to July 2018 - Member of the Board of Directors - Zhejiang Mybank Co., Ltd.
- From 2015 to 28 July 2018 – Chairwoman of the Board of Directors - Minsheng E-Comerce Co., Ltd.
- From 2015 to 28 July 2018 – Member of the Board of Directors - Shanghai Fosunling Asset Management Co., Ltd. (Subsidiary of Zhangxingbao)
- From 2016 to 28 July 2018 – Chairwoman of the Board of Directors - - SUM Payment Services Co., Ltd.
- From 30 May 2018 to 5 September 2022 - Member of the Board of Directors of Banco Comercial Português, S.A.

Lingjiang Xu

Personal Data

- Date of Birth: 13 July 1971
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Corporate Governance, Ethics and Sustainability
- Member of the Committee for Nominations and Remunerations

Positions held at the Group

- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions held outside the Group

- Non-Executive member of the Board of Directors of Fidelidade - Companhia de Seguros, SA
- Non-Executive Chairman of the Board of Directors of Longrun Portugal, SGPS, S.A.
- Non-executive member of the Board of Directors - Luz Saúde, S.A.

Academic and Specialised Qualifications

- Bachelor's Degree in German Language of the Foreign Studies University, Beijing, China
- Master's Degree in World Economics - Nan kai University, Tianjin, China
- Master in Finance – London Business School, London

Professional Experience in the Last Ten Years Relevant to the Position (before taking office):

- From March 2012 to December 2013 - Partner to RH Regent Investment Management Co Ltd (Shanghai)
- From February 2015 to February 2017 - Non-executive Member of the Board of Directors of Luz Saúde, S.A.
- From September 2015 to February 2017 - Non-executive Member of the Board of Directors of Fidelidade Assistência - Companhia de Seguros, S.A.
- From September 2015 to February 2017 - Non-executive Member of the Board of Directors of Multicare - Seguros de Saúde, S.A.
- From October 2016 to March 2017 - Non-Executive Member of the Board of Directors of the company Chiado (Luxembourg), S.à.r.l.
- On 9 January 2017 he was co-opted by the Board of Directors of the Bank to exercise the functions of non-executive Director, until the end of the triennial (2015/2017).
- From 30 May 2018 to 5 September 2022 - Member of the Board of Directors of Banco Comercial Português, S.A.
- From 24 July 2018 to 5 September 2022 - Chairman of the Committee for Corporate Governance, Ethics and Sustainability
- From 24 July 2018 to 5 September 2022 - Member of the Committee for Nominations and Remunerations

José Pedro Rivera Ferreira Malaquias

Personal Data

- Date of Birth: 24 May 1958
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Corporate Governance, Ethics and Sustainability

Positions held outside the Group

- Partner - Abreu Advogados, Sociedade de Advogados

Academic and Specialised Qualifications

- Licentiate Degree in Law, Faculty of Law, University of Lisbon
- Post Graduate Degree in EU Law Collége d'Europe - Bruges
- 24th Senior Management Program - AESE- Business School

Professional experience in the last 10 years relevant to the position (before taking office)

- From 1988 to 2023 - Legal Adviser - Portuguese Banking Association

Lingzi Yuan (Smilla Yuan)

Personal Data

- Date of Birth: 03 March 1975
- Nationality: Chinese

Positions held at the Bank

- Member of the Board of Directors
- Chairwoman of the Committee for Nominations and Remunerations

Academic and Specialised Qualifications

- AEMBA, China European International Business School
- Bachelor’s degree, Department of Economics, Fudan University

Professional Experience in the Last Ten Years Relevant to the Position (before taking office):

- From January 2010 to July 2014 - Responsible for Talent and Benefits, Towers Watson
- From June 2014 to March 2016 - CEO, China, Towers Watson
- From March 2016 to January 2018 - CEO, China, Willis Towers Watson
- From January 2018 to September 2020 - CEO, Greater China, Willis Towers Watson
- From September 2020 to November 2021 - Head of Cabinet for CHRO; Head of Organization Development Department, ByteDance Global
- From November 2021 to November 2022 - Deputy Manager in Lark Business at ByteDance Global

Members of the Board of Directors (Members of the Audit Committee)

Detailed curricula are available at the Bank's website, on English and Portuguese, on the page with the following address https://ind.millenniumbcp.pt/pt/Institucional/governacao/)

Cidália Maria da Mota Lopes

Personal Data

- Date of Birth: 24 October 1971
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Chairwoman of the Audit Committee

Positions held outside the Group

- Professor at the Coimbra Business School – ISCAC on tax issues
- Invited Professor at Faculty of Law/IDET– Universidade de Coimbra Coimbra
- Member of the Scientific Board of the Portuguese Fiscal Association (AFP)
- Member of the Scientific Board of the Coimbra Business School - ISCAC

Academic and Specialised Qualifications

- Doctorate degree in Management from the Faculty of Economics of the University of Coimbra
- Master's Degree in European Economics from the Faculty of Economics from the University of Coimbra
- Licentiate Degree in Economics from the Faculty of Economics of the University of Coimbra
- Post-graduation in Banking, Stock Exchange and Insurance Law from the Faculty of Law of the University of Coimbra.
- Specialized short tax course on Tax Policy and Tax Administration at Economics Faculty in Bath University, United Kingdom
- Participation in Advanced Programs for Non-Executive Directors promoted by Instituto Português de Corporate Governance (IPCG), by Instituto de Formação Bancária (IFB) and by AESE Business School and Millennium BCP

Professional Experience in the last 10 Years Relevant to the Position (before taking office):

- Since 1994 – Coordinating Professor at the Coimbra Business School – ISCAC on tax issues
- Since 2009 – Invited Professor at the Faculty of Law from the University of Coimbra in the Post-graduate degree on Tax Law
- 2009 – 2019 - Invited Professor at the Faculty of Economics from the University of Coimbra in the Master's degree on Accounting and Finance
- 2000 – 2020 - Trainer at the Portuguese Association of Certified Accountants (OCC)
- 2010 – 2014 - Manager of the Business School - Escola de Negócios de Coimbra (Coimbra Business School)
- Since 1999 - 2022 - Published books and articles on tax issues, namely: Intangíveis – perspetiva contabilística e fiscal (co-author), 2020, Almedina; Regime especial dos ativos por impostos diferidos em Portugal, in: Revista de Finanças Públicas e Direito Fiscal, Year 10, Volume I, pp. 57-85; Ensaios sobre Regimes de Simplificação Tributária (co-author), 2021, Almedina; A Fiscalidade das Sociedades Insolventes (co-author), 2017, Almedina; A Joana e os Impostos – uma história de educação fiscal na Universidade, 2017, Ordem dos Contabilistas Certificados; Fiscalidade – Outros Olhares (coordination), 2013, Vida Económica; Quanto Custa Pagar Impostos em Portugal?, 2008, Almedina; 25 anos da Introdução do IVA em Portugal (coordination), 2013, Cadernos de Ciência e Técnica Fiscal 213; A Fiscalidade das Pequenas e Médias Empresas, 1999, Vida Económica.
- From May 2015 to 30 May 2018 – Member of the Audit Committee of BCP

- From May 2015 to 30 May 2018 – Member of the Board of Directors of BCP
- From 30 May 2018 to 5 September 2022 - Member of the Board of Directors of BCP
- From 22 May 2019 to 5 September 2022 - Chairwoman of the Audit Committee
- From 6 September 2022 to 20 December 2022 - Member of the Committee for Risk Assessment

Fernando da Costa Lima

Personal Data

- Date of Birth: 19 December 1956
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Audit Committee
- Chairman of the Committee for Risk Assessment

Positions held outside the Group

- Non-Executive Director of Euronext Lisbon
- Invited Professor at the Faculty of Economics of Oporto University
- Chairman of the General Meeting of Shareholders of OBEGEF - Observatory of Economics and Fraud Management

Academic and Specialised Qualifications

- Licentiate Degree in Economics, from the School of Economics of the University of Porto
- Master in Business Administration from Universidade Nova de Lisboa

Professional Experience in the Last Ten Years Relevant to the Position (before taking office):

- From 2006 to 2017 – Central-Manager - Banco Português de Investimento S.A.
- From 2009 to 2017 - Responsible for Coordinating the Investment Banking Area at Banco de Fomento de Angola
- From 2012 to 2017 – Non-Executive Director of Banco Português de Investimento, S.A.
- From 2018 to 31 December 2019 - Non-executive director of Netinvoice, S.A.
- From 23 April 2019 to 5 September 2022 - Member of the Board of Directors of Banco Comercial Português, S.A.
- From 05 December 2019 to 05 September 2022 - Member of the Audit Committee of Banco Comercial Português, S.A.

Valter Rui Dias de Barros

Personal Data

- Date of Birth: 19 September 1963
- Nationality: Angolan

Positions held at the Bank

- 2nd Vice-Chairman of the Board of Directors
- Member of the Audit Committee
- Member of the Remunerations and Welfare Board
- Member of the Committee for Nominations and Remunerations
- Member of the Strategic Board

Positions held outside the Group

- Since November 2019 - Chairman of the Board of Directors of Recredit - Gestão de Activos, S.A. (Angola)

Academic and Specialised Qualifications

- Corporate Senior Management Programme - AESE and IESE, Luanda (Angola)
- Master's Degree in Electrotechnics Engineering and Computing from the Faculty of Engineering of the University of Porto
- Licentiate degree in Mathematics Applied to Computer Science - Faculty of Sciences of the University of Porto

Professional Experience in the Last 10 Years Relevant to the Position (before taking office):

- From December 2006 to December 2016 – Executive Director of Banco de Desenvolvimento de Angola, Luanda (Angola)
- From June 2017 to March 2018 - Advisor of the Minister of Finance - Ministry of Finance, Luanda (Angola)
- From June 2018 to November 2019 - Chairman of the Board of Directors of Instituto de Gestão de Activos e Participações do Estado (IGAPE), Angola
- From 30 May 2018 to 5 September 2022 - 2nd Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A.
- From 24 July 2018 to 5 September 2022 - Member of the Committee for Corporate Governance, Ethics and Sustainability of Banco Comercial Português, S.A.

Altina de Fátima Sebastian Gonzalez Villamarin

Personal Data:

- Date of Birth: 13 July 1955
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Committee for Risk Assessment
- Alternate Member of the Audit Committee

Positions held outside the Group

- Since 2009 - Independent Board member and Member of the Audit Committee - San Jose Group, Company listed on the Madrid Stock Exchange.
- Since 2012 - Member of the Advisory Board – Expansión y Actualidad Economica
- Since 2013 - Member of the World Portuguese Network - Council of the Portuguese Diaspora
- Since 1998 - Deputy Professor - Department of Financial Management and Accounting; Member of the Jury, Premio Joven de Economía, (April 2012); Manager of the Summer Course, UCM-Fundación Ramón Areces: "La reconfiguración del sector bancario español ante la nueva regulación financiera: alcance e impacto de la crisis" (julho 2012) – Complutense University
- 2019 and 2022 - Invited Professor of Permanent Executive Programs for Members of the Board of Directors of Cooperative Banks – Instituto Español de Analistas Financeiros
- Since 1992 Invited professor at the Catholic Lisbon Business & Economics, Program MBA, Advanced program in Finances, Advanced program in Banking Management, Professor of the Executive Master's degree in Banking Management - Banco Espírito Santo, Professor and Manager of an "in-company for Caixa Geral de Depósitos, Professor of banking Programs in Luanda – Angola and

Professor of Banking Programs in Maputo- Mozambique - Universidade Católica Portuguesa (Portuguese Catholic University"

Academic and Specialised Qualifications:

- Bachelor's Degree in Business Management at Universidade Católica Portuguesa (Portuguese Catholic University)
- Doctor in Business Management Recipient of a scholarship from Fundação Calouste Gulbenkian at IESE, University of Navarra
- Post-Doctorate student Follows some MBA of the second year of Finances and Doctoral Seminars Develops and investigation on "Gap management and profitability at banks of different size", supervised by the Professor Dwight Crane (Professor of Finances at HBS) at Harvard Business School.
- Research Assistant to Professor Samuel L. Hayes III, Jacob H. Schiff Professor of Investment Banking at Harvard Business School
- Summer Course on Management Research at Real Colégio Complutense Harvard
- Complexities of Board Chairing in Modern Governance in Banking - INSEAD/ IFB

Professional experience in the last 10 years relevant to the position (before taking office):

- From April 2018 to December 2021 – Non-executive Director, Member of the Audit Committee and chairwoman of the Governance Committee - Caixa Geral de Depósitos
- From 2015 to April 2018 - Independent Member of the sate-owned bank and Chairwoman of the Audit Committee – Instituição Financeira de Desenvolvimento
- Since 2010 to 2017 - External adviser – Associação de Bancos Portugueses
- Partner - Adviser for actuarial and financial matters – Diagnostico & Soluciones, S.L.
- From 2012 to 2019 - Invited Professor, Professor of the Program "in company" - Banco de Gauyaquil, Professor of the “in company” Program - Banco Amazonas, Professor of the “in company” Program - Banco General Rumiñhaui, Professor of the “in company” Program - Group Banco del Pacífico and Invited Speaker at the conference: "The financial crisis and its impact on the international banking system”- Quito and Guayaquil – IDE Business School – Ecuador
- From 1993 to 2014 - Associate Professor of the Finance Department and Professor of Financial Institutions of the Master’s degree in Financial Analysis – Universidade Carlos III
- From 1992 to 2015 published several books: Analysis of Historical Returns of Stocks, Treasury-Bills, Government and Corporate Bonds in the Spanish Capital Markets” (1992), “Managing commercial banks: new challenges in a global environment”, 1st Edition, Madrid (1998), “The new banking strategies in the EMU” with prologue of Eugenio Domingo Solans member of the European Central Bank (1999), “Managing commercial banks: new challenges in a global environment”, 2nd Edition (2002), “The financial System of the XXI century”, included in the XXI Encyclopedia (2002), “Management of Financial Institutions”, on-line course of Finance Master (2003), “Trends in the Spanish financial system and opportunities for the credit cooperatives”, in the book Banca Cooperativa (2007), “Managing commercial banks: key factors in a competitive environment”, 3rd Edition (2008), “Economy and bank management”, 1st Edition, Madrid: Editorial Pirámide (2015) and “Economy and bank management”, 1st Edition, Lisbon: Universidade Católica Editora (2015).

Executive Members of the Board of Directors

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

Miguel Maya Dias Pinheiro

Personal Data

- Date of Birth: 16 June 1964
- Nationality: Portuguese

Positions held at the Bank

- 3rd Vice-Chairman of the Board of Directors
- Chairman of the Executive Committee
- Member of the Strategy Board

Direct Responsibilities

- CEO's Office
- Communication Division
- Human Resources Division
- Credit Division
- Economic Studies, Sustainability and Crypto-assets Division

Positions held in the Group

- Non-executive Chairman of the Board of Directors of Banco ActivoBank, S.A.
- Manager of the company BCP África, SGPS, Lda.
- Member of the Board of Directors and Chairman of the Remunerations and Welfare Board of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Vice-Chairman of the Board of Curators of Fundação Millennium bcp.

Positions held outside the Group

- Member of the Senior Board of the Alumni Clube ISCTE
- Member of the Advising Board of INDEG/ISCTE Executive Education
- Member of the Advisory Board of BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável, representing Banco Comercial Português, S.A.
- Vice-Chairman of the Management Board of APB - Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.

Academic and Specialised Qualifications

- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Corporate Senior Management Programme (PADE) - AESE
- Senior Staff Training Advanced Programme - INSEAD
- Corporate Governance Programme - AESE

Professional Experience in the Last 10 years relevant to the position (before taking office):

- From 28 February 2012 to 11 May 2015 - Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.

- From March 2012 to March 2018 - Vice-Chairman of the Boards of Directors of BIM - Banco Internacional de Moçambique
- From 23 April 2012 to 28 April 2016 – Chairman of the Board of Directors of Banco Millennium Angola, S.A. (Angola) .
- From 15 June 2012 to 16 June 2015 - Member of the Supervisory Board of Portugal Capital Ventures - Sociedade de Capital de Risco S.A. (in representation of Banco Comercial Português, S.A.)
- From 2 August 2012 to 14 October 2019 – Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, S.A., (Later changed its corporate name to Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.)
- From May 2013 to May 2018 - Chairman of the Wage Committee of Seguradora Internacional de Moçambique
- From 11 May 2015 to 30 May 2018 - Member of the Board of Directors and appointed Vice-Chairman of the Executive Committee (2015/2017 term-of-office)
- From May 2015 to May 2018 - Chairman of the Wage Committee of BIM - Banco Internacional de Moçambiques, S.A.
- From January to May 2018 - Member of the Restructuring Committee of PNCB – Plataforma de Negociação Integrada de Créditos Bancários, ACE
- From 12 May 2015 to 30 October 2018 - Chairman of the Board of Directors of BCP Capital – Sociedade de Capital de Risco S.A.
- From 28 April 2016 to 1 November 2022 - Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A
- From 30 May 2018 to 5 September 2022 – 3rd Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A.
- On 4 May 2022, elected 3rd Vice-Chairman of the Board of Directors and appointed Chairman of the Executive Committee of Banco Comercial Português, S.A., for the 2022/2025 term-of-office.

Miguel de Campos Pereira de Bragança

Personal Data

- Date of Birth: 25 June 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- Investor Relations Division
- Accounting and Consolidation Division
- Research, Planning and ALM Division
- Management Information Division
- Tax Advisory Division
- Legal and Litigation Advisory Division
- Means of Payment and Acquiring Division
- Bank Millennium (Poland)
- Banco ActivoBank, S.A.

Positions held in the Group

- Non-executive Vice-Chairman of the Board of Directors of Banco ActivoBank, S.A.

- Manager of the company BCP África, SGPS, Lda.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Manager of the company Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda.

Positions held outside the Group

- Non-executive Director of the Board of Directors of SIBS, SGPS, S.A. and SIBS Forward Payment Solutions, S.A.
- Non-Executive Director of UNICRE – Instituição Financeira de Crédito, S.A., (in representation of Banco Comercial Português, S.A.)
- Member of the General Board of AEM- Associação de Empresas Emitentes de Valores Cotados em Mercado

Academic and Specialised Qualifications

- Licentiate Degree in Business Administration and Management from Universidade Católica Portuguesa Portuguesa (Portuguese Catholic University)
- INSEAD, Fontainebleau, MBA Programme. Henry Ford II Award, attributed to the students with the highest final grade point average

Professional Experience in the Last 10 years relevant to the position (before taking office):

- From 28 February 2012 to 5 September 2022 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 2012 to 2022 - Member of the Supervisory Board of Bank Millennium (Poland)
- From 26 June 2012 to 30 December 2019 - Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- From 13 February 2013 to 21 February 2020 - Member of the Board of Casa de Bragança.
- From 2018 to March 2023 - Non-executive Director of UNICRE- Instituição Financeira de Crédito, S.A., representing Banco Comercial Português, S.A.
- From 2018 to 2021 - Non-executive Director of SIBS Forward Payment Solutions, S.A.

João Nuno de Oliveira Jorge Palma

Personal Data

- Date of Birth: 16 February 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct Responsibilities

- International, Treasury & Markets Division
- Companies and Corporate Division North
- Companies and Corporate Division South
- Large Corporates Division
- Investment Banking Coordination Divisions
- Business & Institutional Marketing Divisions
- Private Banking Division
- Asian Desk

- BIM - Banco Internacional de Moçambique, S.A.;

Positions held in the Group

- Member of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A.
- Chairman of the Committee for Nominations and Remunerations and Member of the Remunerations and Welfare Board of BIM - Banco Internacional de Moçambique, S.A.

Positions held outside the Group

- Member of the Management of BCSD - Conselho Empresarial para o Desenvolvimento Sustentável.
- Vice-Chairman of the General Board of CIP- Confederação Empresarial de Portugal

Academic and Specialised Qualifications

- Licentiate Degree in Economics from the School of Economics of Universidade Nova de Lisboa (FEUNL).
- Postgraduate studies in Business - PDE-VII Programa de Direção de Empresas (Companies Management Programme) from AESE Business School in collaboration with lESE - Instituto de Estudos Superiores de Empresa of the University of Navarra (PADE) - AESE.

Professional Experience in the last 10 years relevant to the position (before taking office):

- From January 2012 to July 2013 – Non-executive Chairman of the Board of Directors of Sogrupo IV – Gestão de Imóveis, ACE
- From January 2012 to July 2013 - Non-Executive Chairman of the Board of Directors of Caixa Imobiliário, S.A.
- From January 2012 to July 2013 - Non-Executive Chairman of the Board of Directors of Imocaixa, S.A.
- From January 2012 to August 2016 - Member of the Executive Board of Directors (Chief Financial Officer) of CGD – Caixa Geral de Depósitos, S.A.
- From April 2012 to November 2013 - Non-Executive Member of the Board of Directors of PT – Portugal Telecom, S.A
- From April 2012 to November 2016 - Non-Executive Member of the Board of Directors of BCI – Banco Comercial de Moçambique, S.A.
- From August 2013 to August 2016 - Non-Executive Chairman of the Boards of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From September 2013 to August 2016 - Non-Executive Chairman of the Board of Directors of Banco Caixa Geral, S.A. (Spain)
- From January 2014 to August 2016 - Non-Executive Chairman of the Board of Directors of Sogrupo Compras e Serviços Partilhados, SGPS, S.A.
- From May 2014 to August 2016 - Non-Executive Vice-Chairman of the Board of Directors of Cares-Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Multicare - Seguros de Saúde, S.A.
- From May 2014 to August 2016 - Non-executive Vice-Chairman of the Board of Directors of Fidelidade - Companhia de Seguros, S.A.
- From May 2014 to August 2016 - Non-Executive Chairman of the Boards of Directors of Caixa Gestão de Activos, SGPS, S.A.
- From June 2014 to August 2016 - Non-Executive Member of the Board of Directors of Parcaixa, S.A.
- From November 2014 to August 2016 - Non-Executive 1st Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta Angola, S.A. (Later changed its corporate name to Banco Caixa Geral Angola, S.A.)
- From December 2014 to August 2016 - Non-Executive member of the Board of Directors of Partang, S.A.
- From December 2014 to August 2016 - Non-Executive Vice-Chairman of the Board of Directors of Banco Caixa Geral Brasil, S.A.

- On 9 January 2017 he was co-opted by the Board of Directors to exercise the functions of Member of the Board of Directors and Vice-Chairman of the Executive Committee until the end of the term-of-office (2015/2017).
- From 17 July 2018 to 17 February 2020 - Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.
- From 20 June 2017 to 2 November 2021 - Chairman of the Board of Directors of Banque Privée BCP (Suisse) S.A
- On 30 May 2018, elected Member of the Board of Directors and appointed Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A., for the 2018/2021 term-of-office
- From 30 May 2018 to 5 September 2022 - Member of the Board of Directors of BCP
- From 30 May 2018 to 5 September 2022 - Vice-Chairman of the Executive Committee of BCP

José Miguel Bensliman Schorcht da Silva Pessanha

Personal Data

- Date of Birth: 30 July 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Risk Office
- Compliance Office
- Rating Division
- Office for Regulatory and Supervision Monitoring
- Office for the Validation and Monitoring of Models
- Personal Data Protection Office
- Banco Millennium Atlântico, S.A. (Angola)

Positions held in the Group

- Non-executive member of the Board of Directors of Bank ActivoBank, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Millennium bcp Ageas Grupo Segurador, SGPS, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ageas – Sociedade Gestora de Fundos de Pensões, S.A.
- Member of the Board of Directors and Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.

Academic and Specialised Qualifications

- 1982 – Licentiate Degree in Economics, Universidade Católica Portuguesa
- 1984 – Master’s Degree in Operational Investigation (academic portion) from Instituto Superior Técnico (Lisbon)
- 1986 - Master’s Degree in Economics from Université Catholique de Louvain (Belgium)

- PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE)
- Eureko Program in INSEAD
- Invotan scholarship (NATO)
- He received a scholarship linked to the Award Joseph Bech, attributed by the Government of Luxembourg for commitment with the European Union

Professional Experience in the last 10 years relevant to the position (before taking office):

- From 2003 to 2015 - Group Risk Officer of Millennium BCP
- 2014 – Professor responsible for "Banking in a Global Context" - Universidade Católica Portuguesa
- On 11 May 2015, elected Member of the Board of Directors and appointed Member of the Executive Committee of Banco Comercial Português, S.A. (2015/2017 term-of-office).
- From 26 April 2018 to 2 November 2021 - Member of the Board of Directors of Banque Privée BCP (Switzerland)
- From 30 May 2018 to 05 September 2022 - Member of the Board of Directors of Banco Comercial Português, S.A.
- From 30 May 2018 to 05 September 2022 - Member of the Executive Committee of Banco Comercial Português, S.A.

Maria José Henriques Barreto de Matos de Campos

Personal Data

- Date of Birth: 21 August 1966
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Specialised Recovery Division
- Retail Recovery Division
- Customer Intelligence Division
- Direct Banking Division
- Operations Division
- IT and Technology Division
- Procurement and Logistics Division
- Information Security Division
- Direct Banking Division Companies
- Digital Transformation Office
- Companies Banking Division
- Millenniumbcp Prestação de Serviços, ACE

Positions held in the Group

- Chairwoman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering and Telecommunications from Universidade de Aveiro

Professional Experience in the last 10 years relevant to the position (before taking office):

- From July 2011 to April 2018 - Member of the Board of Directors of Bank Millennium S.A., (Poland)
- From 30 May 2018 to 5 September 2022 - Member of the Board of Directors of BCP
- From 30 May 2018 to 5 September 2022 - Member of the Executive Committee of BCP

Rui Manuel da Silva Teixeira

Personal Data

- Date of Birth: 04 September 1960
- Nationality: Portuguese

Positions held at the Bank

- Member of the Board of Directors
- Member of the Executive Committee

Direct Responsibilities

- Retail Division
- Marketing and Network Division
- Wealth Management Division
- Specialised Credit and Real Estate Division
- Specialised Monitoring Division
- Interfundos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.
- Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.

Positions held in the Group

- Member of the Board of Directors of Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.
- Member of the Board of Directors of Ocidental - Companhia Portuguesa de Seguros Vida, S.A.
- Member of the Board of Directors of Ageas – Sociedade Gestora de Fundos de Pensões, S.A.
- Chairman of the Board of Directors of Interfundos – Sociedade Gestora de Organismos de Investimento Coletivo, S.A.

Positions held outside the Group

- Chairman of the Board of the General Meeting of the Associação Porto Business School, representing Banco Comercial Português

Academic and Specialised Qualifications

- Licentiate Degree in Electronic Engineering from the School of Engineering of University of Oporto
- Specialisation Course in Industrial Management from INEGI – Instituto de Engenharia Mecânica e Gestão Industrial

Professional Experience in the Last Ten Years Relevant to the Position (before taking office):

- From 21 January 2012 to 19 October 2017 - Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., (representing Banco Comercial Português, S.A.)
- From 2012 to 2018 - Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- From 18 April 2011 to 11 May 2015 - Member of the Board of Directors and of the Executive Board of Banco Comercial Português, S.A.
- From 21 March 2012 to 26 April 2021 - Member of the Remunerations Committee of SIBS, SGPS, S.A. and SIBS Forward Payment Solutions, S.A., as representative of Banco Comercial Português, S.A.
- From 20 of April 2012 to 26 March 2018 - Member of the Supervisory Board of Bank Millennium, S.A.

- From 19 December 2012 to 18 May 2015 - Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
- From 25 January 2013 to 20 July 2017 - Chairman of the Board of Directors of Banque Privée BCP (Suisse) S.A
- From 11 May 2015 to 30 May 2018 - Member of the Board of Directors and the Executive Committee of Banco Comercial Português, S.A.
- From 26 May 2015 to 31 December 2018 - Chairman of the Board of Directors of Banco ActivoBank, S.A.
- From 30 May 2018 to 5 September 2022 - Member of the Executive Committee of BCP
- From 17 October 2017 to 29 March 2023 - Member of the Remunerations Committee of Unicre - Instituição Financeira de Crédito, S.A., (representing Banco Comercial Português, S.A.)

ANNEX II

CURRICULA VITAE OF THE MEMBERS OF THE REMUNERATION AND WELFARE BOARD OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

José António Figueiredo Almaça

Personal Data

- Date of Birth: 22 November 1952
- Nationality: Portuguese

Positions held outside the Group

- Chairman of the Remuneration and Welfare Board

Academic and Specialised Qualifications

- "Leading from the Chair", INSEAD, Fontainenbleau, June 2017
- Specialisation course in "Strategic Management of Insurance Companies" by the Instituto de Ciencias del Seguro, Madrid
- PhD in Economic and Business Sciences - Universidad Autónoma de Madrid
- Licentiate Degree in Management - UL
- Bachelor's degree in Accounting and Administration - ISCAL

Professional experience in the last 10 years relevant to the position (before taking office):

- From 2009 to 2012 - Customer Ombudsman of CA-Seguros, Companhia Seguros de Ramos Reais, S.A.
- From 2009 to 2012 - Member of the Board of Auditors of Victoria Internacional de Portugal, SGPS, S.A. and Victoria - Seguros, S.A.; Victoria - Seguros de Vida, S.A.
- From 2012 to 2019 - Chairman of the Board of Directors of the Autoridade de Supervisão de Seguros e Fundos de Pensões (Insurance and Pension Funds Supervisory Authority); Effective member of the Supervisory Board of EIOPA - European Insurance and Occupational Pensions Authority and ESRB - European Systemic Risk Board
- From 2020 to 2021 - Non-executive member of the Board of Directors of Millennium Private Bank, Geneve, Switzerland
- In 2021 - Chairman of the Board of Auditors of CEU - Cooperativa de Ensino Universitário

Jorge Manuel Baptista Magalhães Correia

Please see Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A

Valter Rui Dias de Barros

Please see Annex I - Curricula Vitae of the Members of the Board of Directors of Banco Comercial Português, S.A.

ANNEX III

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available at the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

Pedro Miguel Duarte Rebelo de Sousa

Position Held at the Bank

- Chairman of the Board of the General Meeting (term-of-office: 2020/2023)

Academic and Specialised Qualifications

- Licentiate Degree in Law from the Faculty of Law of Universidade Clássica de Lisboa
- Post-graduate degree in Commercial and Corporate Law - Universidade Pontifícia Católica, Brasil
- Master's degree in Companies Management, from Fundação Getúlio Vargas – Business Administration School, São Paulo, Brazil

Management and Supervision positions held in other companies

- Chairman of the of Board of Auditors of Federação dos Advogados de Língua Portuguesa
- Chairman of the Board of Auditors of Associação dos Amigos do Hospital de Stª Maria

Other Relevant Positions

- Founder and senior partner of Sociedade Rebelo de Sousa & Advogados (SRS)
- Member of the Sub-Committee for Latin America of the Atlantic Council, Washington DC
- Chairman of the Board of the General Meeting of Grémio Literário
- Chairman of the Board of the General Meeting of A. Santo, SGPS (Group Santo)
- Chairman of Círculo Eça de Queiroz – an institution serving the public interest
- Chairman of the Portuguese Institute of Corporate Governance
- Member of the Remunerations Commission of Novabase S.A.
- Director of the Portugal-Netherlands Chamber of Commerce
- Chairman of the Board of the General Meeting of Sumolis Group Refrigor
- Chairman of the Board of the General Meeting of CTT
- Chairman of the Board of the General Meeting of COSEC
- Chairman of the Board of the General Meeting of several Institutions and Associations

Professional Experience in the last 10 years relevant to the position (before taking office):

- From 1985 to 2017 – Curator of the Portuguese Chamber of Commerce, São Paulo, Brazil
- From 2004 to 2006 – Chairman of the Board of the General Meeting of PT Internacional
- From 2005 to 2006 - Chairman of the Board of the General Meeting of Galp, S.A.
- From 2005 to 2011- Member of the Supervisory Board of Banif Investimento, S.A
- From 2007 to 2012 – Director of the Portuguese Chamber of Commerce & Industry
- From 2009 to 2013 – Chairman of the Supervisory Board of Banco Caixa Geral Brasil. S.A.
- From 2011 to 2013 – Non-executive Director, Chairman of the Evaluation and Strategy Committee and Member of the Audit Committee of Caixa Geral de Depósitos, S.A.
- From 2012 a 2018 – Non-executive member of the Board of Directors of Cimpor- Cimentos de Portugal, SGPS, S.A.

- From 2017 to 2019 – Chairman of the Board of the General Meeting of Banco Comercial Português, S.A.

Octávio Manuel de Castro Castelo Paulo

Position Held at the Bank

- Vice-Chairman of the Board of the General Meeting (term of office: 2020/2023)

Academic and Specialised Qualifications

- Licentiate Degree in Law from Universidade Lusíada de Lisboa

Management and Supervision positions held in other companies

- Chairman of the Board of Directors (non -executive) of the Standard Bank de Angola, being Chairman of the Risk, Governance, Credit and Nominations and Remunerations Commissions of said Bank.

Other Relevant Positions

- Partner of the law firm Rebelo de Sousa & Advogados (SRS), in charge of the Division of M&A, Corporate and Commercial, division that includes also the practice area of TMT (Telecommunications, Media and Technology)
- Chairman of the Board of the General Meeting of several Portuguese and Angolan companies being also part of the Board of Auditors of several companies
- Advisory services to companies for capital markets operations and in mergers and acquisitions

Professional Experience in the last 10 years relevant to the position (before taking office):

- Member of the Lawyers Association of Portugal since 1988 and of the Lawyers Association of Angola since 2010
- Member of ICC - International Chamber of Commerce
- Coordinated operations for the privatization of state-owned companies, to be listed in the Stock Exchanges of Lisbon, London and New York
- Advisory services to companies, open to public investment, or not, in Corporate Governance issues
- Chairman of the Board of Auditors of several companies
- Author and co-author of several works in the areas of Corporate Law and of Telecommunications Law.
- Cooperates with Institutions in Angola, particularly on regulatory issues, namely those related with compliance and risk
- He was Chairman of the Board of Auditors of several Portuguese and Angolan companies
- From 2017 to 2019 - Vice-Chairman of the Board of the General Meeting of Banco Comercial Português, S.A.

2023 Annual Report & Accounts

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Banco Comercial Português, S.A.

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Praça D. João I, 28
4000-295 Porto

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Millennium
bcp