Q1 2024
REPORT & ACCOUNTS

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

1st quarter of 2024 Report & Accounts

BANCO COMERCIAL PORTUGUÊS, S.A.

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

The Q1 2024 Report Accounts is a translation of the “Relatório e Contas de 1T 2024” document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the “Relatório e Contas de 1T 2024” prevails.

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

Millennium bcp

Main highlights of the Results in Q1 2024

A Solid and Efficient Bank

Profitability

- Net income of 234.3 million euros in the first three months of 2024, which compares with 216.1 million euros in the same period of 2023.
- Group's core operating profit stood at 584.6 million euros.
- In the activity in Portugal, net income amounted to 203.5 million euros in the first quarter of 2024, corresponding to an increase of 18.4% compared to the same period of 2023.
- Bank Millennium records the sixth consecutive quarter with positive results. In the first quarter of 2024, net income stood at 29.7 million euros, despite charges of 190.9[1] million euros related with CHF mortgage loan portfolio (out of which 117.4[2] million euros in provisions). Millennium bim net income of 22.6 million euros in the first three months of the year.
- Significant strengthening of capital ratios. CET1[3] ratio stood at 16.0% and total capital ratio[3] at 20.5% (increases of 246bp and 255bp, respectively, compared to the same period last year), reflecting the strong capacity to generate organic capital.

Business Model

- Liquidity indicators[4], well above regulatory requirements: LCR at 299%, NSFR at 172% and LtD at 68%. Eligible assets available to discount at ECB of 27.7 billion euros.
- Group's total Customer funds grew 7.0% year on year to 98.5 billion euros.
- Continued reduction in non-performing assets compared to March 2032: 223 million euros in NPE, 60 million euros in foreclosed assets and 43 million euros in restructuring funds, a combined reduction of 11.9% from March 2023.
- Cost of risk stood at 52bp at the Group level and 48bp in Portugal in the first quarter of 2024, which compare with 56bp and 53bp in the same period of last year, respectively.
- Continued growth of the Customer base, highlighting the increase in mobile Customers (11% from March 2032), which represent 69% of total Customers at the end of March 2024.

1 Before taxes and non-controlling interests; includes provisions for legal risk, costs with out-of-court settlements and legal advice 2 Does not include provisions for legal risk on CHF mortgages of Euro Bank (guaranteed by a third party) 3 Fully implemented ratio including unaudited net income of the first quarter of 2024 4 Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Loans to Deposits Ratio (LtD).

Main highlights (1)

Million euros

	31 Mar. 24	31 Mar. 23 (restated)	Chg. 24/23
BALANCE SHEET			
Total assets	97,797	89,160	9.7%
Equity	7,572	6,309	20.0%
Loans to customers (net)	55,229	55,745	(0.9%)
Total customer funds	98,542	92,063	7.0%
Balance sheet customer funds	82,147	76,416	7.5%
Deposits and other resources from customers	80,809	75,015	7.7%
Loans to customers (net) / Deposits and other resources from customers (2)	68.3%	74.3%	
Loans to customers (net) / Balance sheet customer funds	67.2%	72.9%	
RESULTS			
Net interest income	696	665	4.8%
Net operating revenues	869	1,000	(13.1%)
Operating costs	308	269	14.7%
Operating costs excluding specific items (3)	309	270	14.5%
Results on modification	(7)	(6)	(21.7%)
Loan impairment charges (net of recoveries)	74	80	(8.5%)
Other impairment and provisions	145	238	(38.9%)
Income taxes	78	156	(50.0%)
Net income	234	216	8.4%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (2)	3.6%	4.5%	
Return on average assets (ROA)	1.1%	1.1%	
Income before tax and non-controlling interests / Average net assets (2)	1.4%	1.8%	
Return on equity (ROE)	15.0%	17.0%	
Return on tangible equity (ROTE)	15.6%	17.7%	
Income before tax and non-controlling interests / Average equity (2)	19.1%	28.8%	
Net interest margin	3.12%	3.25%	
Cost to core income (3)	34.6%	31.4%	
Cost to income (2)	35.5%	26.8%	
Cost to income (2)(3)	35.6%	30.9%	
Cost to income - Activity in Portugal (2)(3)	31.6%	29.1%	
Staff costs / Net operating revenues (2)(3)	19.2%	16.7%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.)	52	56	
Non-Performing Exposures (loans to customers) / Loans to customers	3.4%	3.8%	
Total impairment (balance sheet) / NPE (loans to customers)	81.7%	71.1%	
Restructured loans / Loans to customers	3.1%	3.3%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	299%	201%	
Net Stable Funding Ratio (NSFR)	172%	154%	
CAPITAL (4)			
Common equity tier I phased-in ratio	16.0%	13.6%	
Common equity tier I fully implemented ratio	16.0%	13.6%	
Total ratio fully implemented	20.5%	18.0%	
BRANCHES			
Activity in Portugal	399	408	(2.2%)
International activity	806	819	(1.6%)
EMPLOYEES			
Activity in Portugal	6,269	6,273	(0.1%)
International activity (5)	9,432	9,472	(0.4%)

Notes:

(1) Some indicators are presented according to management criteria of the Group, which concepts are described and detailed at the glossary and at alternative performance measures chapter.

(2) According to Instruction no. 16/2004 from the Bank of Portugal, as the existing version as of 31 March 2024.

(3) Excludes the impact of specific items: positive impacts of 1 million euros in the first quarter of 2024 and 128 million euros in the first quarter of 2023. In the first quarter of 2024, specific items include: an income recognised after an agreement related to liabilities with former directors of the Bank and costs with employees terminations, namely indemnities and early retirements. In the first quarter of 2023 specific items include: income of 127 million euros, recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. and income of 1 million euros recognised as staff costs in the activity in Portugal after an agreement related to liabilities with former directors of the Bank.

(4) Presented figures include unaudited accumulated net income of the respective periods.

(5) Of which, in Poland: 6,861 employees as at 31 March 2024 (corresponding to 6,731 FTE - Full-time equivalent) and 6,945 employees as at 31 March 2023 (corresponding to 6,815 FTE - Full-time equivalent).

Information on BCP Group

Brief description

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

Bank History

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

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

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

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

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

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

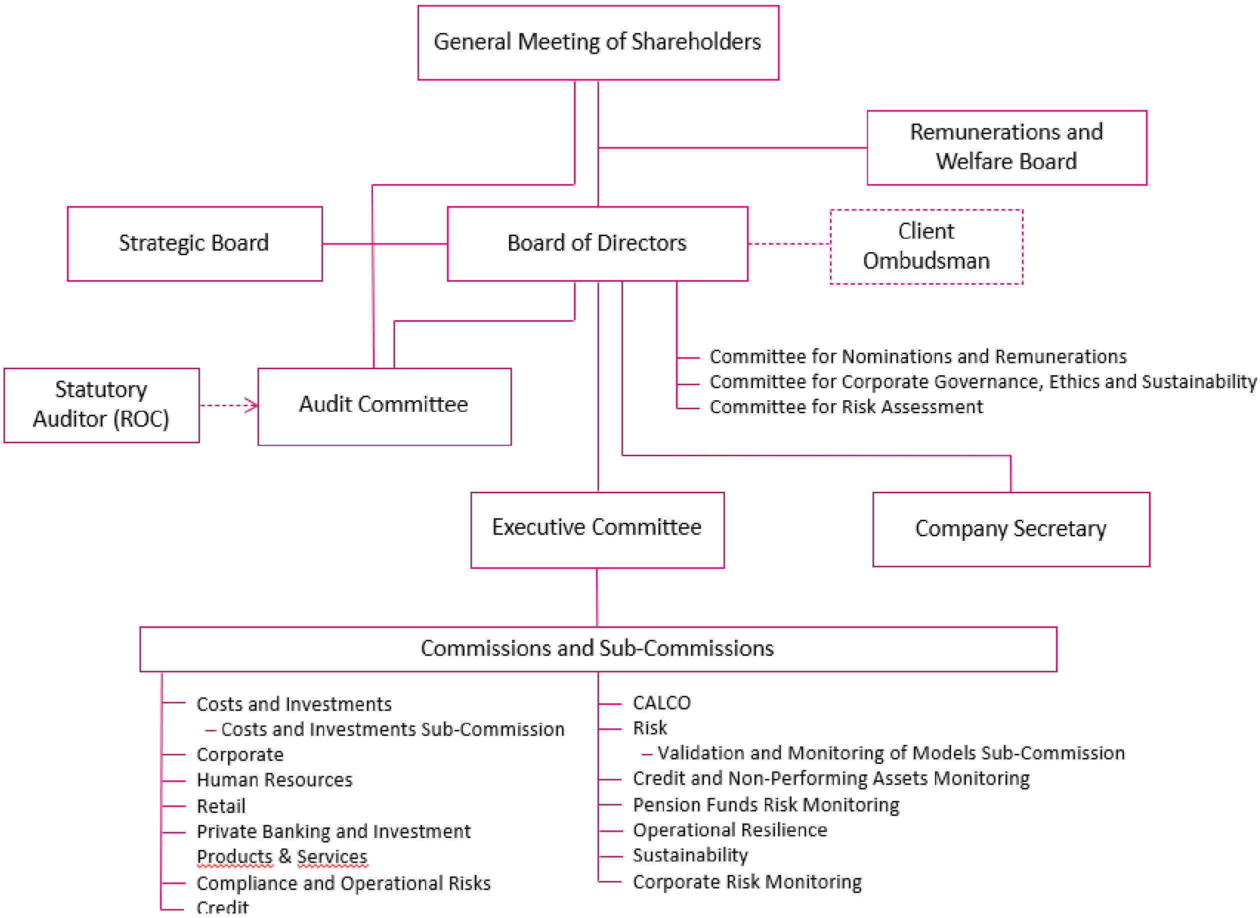
On January 5, 2024, non-independent non-executive Director Xiao Xu Gu (Julia Gu) submitted a letter of resignation from her position, taking effect on February 29. Banco Comercial Português, S.A. is in the process of identifying and selecting a new non-executive member to join the Board of Directors.

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 Q1 2024

During the 1st quarter of 2024, in a context of worsening and uncertainty about the international geopolitical situation and great unpredictability in Portugal due to the government situation, which had an impact on companies' decisions as well as pressure on family incomes, BCP stands out for its central role of proximity, trust and quality in the services provided to its customers, continuing to provide determined support to families and companies.

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

On January 11, 2024, BCP ("Millennium bcp") informed that 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.

On January 5, 2024, BCP 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 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.

On January 1, 2024, BCP informed that it has decided to exercise its option to early redeem all 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.

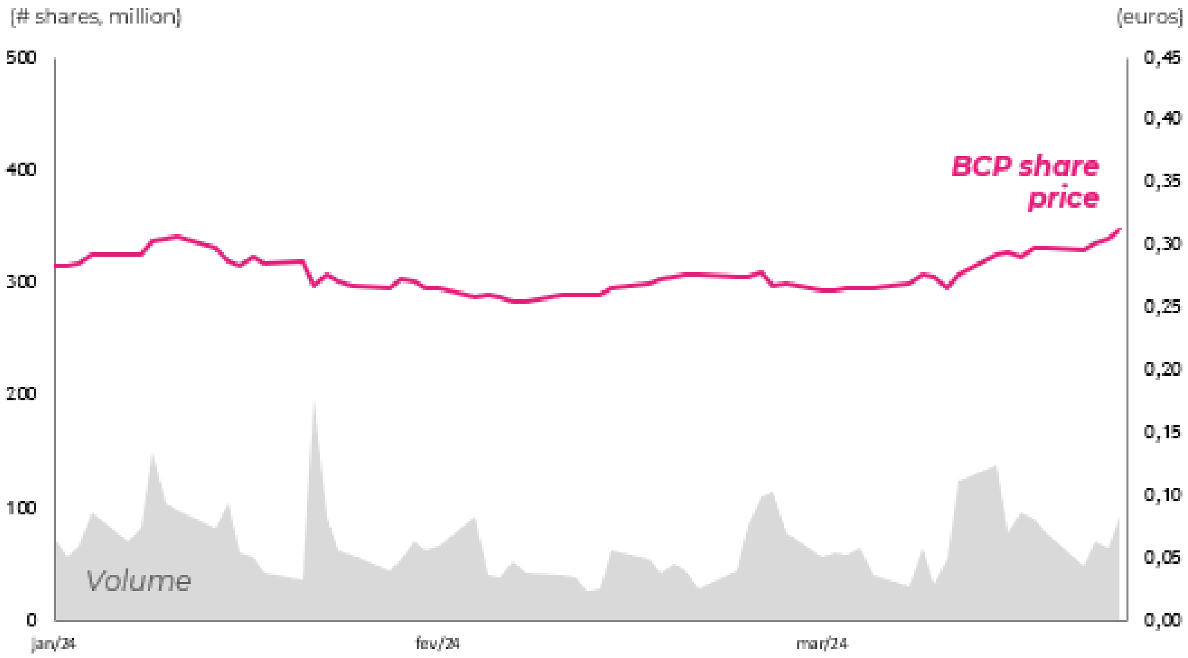
AWARDS AND DISTINCTIONS

- Millennium bcp and ActivoBank were elected "Consumer Choice" in 2024. Millennium was distinguished in the "Large Banks" and "Banking Apps" categories and Activo Bank in the "Digital Banking" category. It should be noted that Millennium bcp was distinguished as "Consumer's Choice" for the fourth consecutive year while ActivoBank has been in leadership for six years.
- Millennium bcp was distinguished with the 2024 Five Star Award in the Large Banks category.
- Millennium bcp considered the "Best Investment Bank in Portugal" in 2024 by Global Finance magazine.
- Millennium bcp was elected "Best Foreign Exchange Bank 2024 in Portugal" by Global Finance magazine.
- Millennium bcp considered as the "Best Bank (market leader) and with Best Service (best service) in the Trade Finance category in Portugal" by Euromoney magazine.
- Millennium bcp distinguished in the 13th Edition of the Euronext Lisbon Awards in the Local Market Member Category Equity and received in that same edition of the Euronext Lisbon Awards with two awards in the Growing Structured Finance category.
- Millennium bcp leads Inovadora COTEC for the 4th consecutive year.
- Bank Millennium was considered the "Best Bank in Poland" in 2024 by Global Finance magazine.
- Bank Millennium was distinguished as a Reliable Employer for the tenth consecutive time.
- Bank Millennium was distinguished in Global Finance's "The Innovators 2024" awards.

SUBSEQUENT EVENTS

Banco Comercial Português concluded on May 22, 2024 with 64.10% of the share capital represented, the Annual General Meeting of Shareholders, with emphasis on the following resolutions: Election of the Board of the General Meeting for the 2024/2027 four-year period; Approval of the management report, the balance sheet and the individual and consolidated financial statements for the 2023 financial year, the Corporate Governance Report, that includes a chapter on the remuneration of the management and supervisory bodies, and the Sustainability Report; Approval of the proposal for the appropriation of profit regarding the 2023 financial year; 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; Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies; and Approval of the appointment of the Statutory Auditor and its alternate and the selection of the External Auditor for the four-year period 2024/2027.

BCP Share



Source: Euronext, Refinitiv

The BCP share price appreciated 17.1% in the 1st quarter of 2024, which compares favourably with a 9.1% appreciation of the Stoxx 600 Europe Banks index.

Noteworthy, in January, the issuance of securities representing additional level 1 (AT1) own funds, which generated strong market interest, with demand exceeding the amount issued by more than 7 times.

At the end of February, BCP shares reacted positively to the release of 2023 results, which reached 856 million euros. It is worth highlighting the increase in the Group's core operating result by 31.7%, the strong organic capital generation capacity, the significant reduction in non-productive assets and the robust liquidity indicators, which remain well above regulatory requirements.

In March, BCP shares kept their positive trend, despite the expected confirmation of the extension of moratoriums on mortgage credits denominated in zlotys in 2024 to be booked in the accounts in the 2nd quarter of 2024, with an estimated impact of between 201 and 247 million zlotys before taxes, according to information released to the market by Bank Millennium.

The rating agency S&P Global Ratings improved the outlook for BCP's senior debt from stable to positive, thus imagining the possibility of an upward review of BCP's rating by this agency. This action follows the attribution of an Investment grade rating to BCP by the 4 Rating Agencies that cover BCP, after successive upward revisions in 2023 and which reflected the Bank's normalization path.

During 1Q 2024, 11 analyst notes were published where the price targets for the BCP share were revised upwards. The upward revisions were based on more favourable projections for the period 2024-2026, with increased profitability, continued capital generation and balance sheet resilience.

Economic environment

The International Monetary Fund (IMF) revised slightly upwards its growth projection of the world Gross Domestic Product (GDP) in 2024, from 3.1% to 3.2%, resulting from an improvement in the forecast of advanced economies, in particular of the United States (US). Nevertheless, this projection corresponds to an historically low growth rate, reflecting the effects associated with the restrictiveness of monetary policy and the reduction of fiscal stimulus measures that were in place in 2023.

The performance of financial markets in the first quarter of 2024 was positive, with the major global equity indices registering valuations, namely the North American S&P 500 index, which reached a new historical maximum at the end of March, benefiting from the robustness of economic activity in the US. In this context, US government bond yields increased, with the German counterparts mirroring the same behaviour. The favourable macroeconomic and financial environment was reflected in a reduction of the risk premia of corporate debt, as well as of euro area periphery sovereign debt, particularly in Italy. In the euro area, the downward trend of inflation has contributed to investors continuing to anticipate a less restrictive monetary policy by the European Central Bank (ECB), by the end of the second quarter. In this context, the Euribor rates declined modestly along the curve, except for the twelve-month rates, which rose slightly. In its turn, the Bank of Japan raised its key interest rate at the end of March, for the first time in seventeen years, from a range of -0.10% to 0.00% to a range of 0.00% to 0.10%, which, however, did not prevent the Yen from proceeding a pronounced depreciation trajectory.

In the first quarter of 2024, the Portuguese GDP recorded a quarter-on-quarter growth rate of 0.7%, similar to the previous quarter. The performance of the Portuguese economy reflects an acceleration of the private consumption, resulting from an increase in real household disposable income, together with a positive contribution from net external demand. In this context, Banco de Portugal has revised upwardly its forecast for economic growth in 2024, from 1.2% to 2.0%. However, this projection is subject to downside risks related to the restrictiveness of monetary policy, a potential escalation of geopolitical tensions and a lower external demand growth. The inflation rate has risen slightly in the first quarter, from 2.4% to 2.5%. For the whole year, Banco de Portugal projects an average inflation rate of 2.4%. Concerning the evolution of public finances, it is worth noting the improvement in the budget balance, which moved from a deficit of 0.3% in 2022 to a surplus of 1.2% of GDP in 2023.

In 2024, a recovery of the Polish economic activity is expected, with the IMF foreseeing a GDP growth of 3.1%, which should be supported by a greater dynamism of private consumption, in a context of improving households' financial condition. In the coming quarters, the Polish economy should also benefit from the significant influx of European funds, following the favourable assessment by European authorities of the measures adopted by the new government. Notwithstanding the decrease in inflation rate, which stood at 2% in March, the central bank of Poland kept its reference interest rate unchanged at 5.75%. Zloty appreciated over the quarter, having reached values below 4.30 against the Euro for the first time since the beginning of 2020.

In Mozambique, the IMF anticipates a GDP growth in 2024 of 5.0%, similar to what was observed in the previous year, bolstered by the positive evolution of the tertiary sector and the extractive industry, particularly natural gas production. The decrease in inflation in the first quarter of the year, which stood at 3.7%, determined a reduction of the central bank's reference interest rate from 17.25% to 15.75%. Throughout the quarter, Metical depreciated moderately. In Angola, the IMF projects an acceleration of economic activity to 2.6% in 2024, after the growth of 0.9% observed in 2023. In the first quarter, the central bank increased its key interest rate from 18% to 19%, and the Kwanza depreciated slightly.

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 March 2024, operations in Portugal accounted for 66% of total assets, 68% of total loans to Customers (gross) and 69% of total customer funds. The Bank had over 2.7 million active Customers and market shares of 16.7% of loans to Customers and 19.1% of customer deposits at the end of March 2024.

International presence as a platform for growth

At the end of March 2024, 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 February 2024, Bank Millennium had a market share of 5.6% in loans to Customers and of 5.7% in deposits.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.2 million Active Customers and is the reference bank in this country, with market shares of 15.9% in loans and advances to Customers and of 22.8% in deposits, in the end of February 2024. 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.

At Group level, BCP surpassed 6.7 million active Customers, with emphasis on mobile Customers which grew 11% (+455 thousand Customers), surpassing the threshold of 4.66 million Customers, and representing a penetration rate 69% of active Customers, which compares with 65% compared to the same period last year.

In Portugal, the Bank has more than 2.7 million Active Customers, which clearly demonstrates the trust placed into BCP, and, with regard to mobile Customers, it maintained its growth trend, having increased by 13% (+187 thousand customers) compared to the 1st quarter of 2023, reaching more than 1.6 million mobile customers, which represent 60% of Portugal's active customer base and which compares with 54% compared to the same period last year.

The strong growth in the number of transactions in the mobile channel (year-on-year) stands out, with:

- +17% in transactions (+40% P2P transfers; +28% national transfers; +9% payments).
- 53% in sales (+21% cards; +30% personal credit; +55% savings).

The number of digital interactions increased by 14% year-on-year, from 143 million to 163 million.

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

Digital sales reinforced their weight in the number of operations, from 81% to 84%.

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.

Financial information

Results and Balance Sheet

RESULTS AND ACTIVITY IN THE FIRST QUARTER OF 2024

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

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

PROFITABILITY ANALYSIS

NET INCOME

The consolidated net income of Millennium bcp amounted to 234 million euros in the first three months of 2024, growing 8.4% from the 216[1] million euros achieved in the same period of the previous year.

The evolution of consolidated net income reflects the favourable performance of the activity in Portugal, the impact of which was, however, offset by the lower results obtained by the international activity compared to the first quarter of 2023.

It should be noted that the evolution of net income of the international activity, and consequently of the Group, compared to the first quarter of the previous year, was influenced by the extraordinary gain, recorded in that period, in the amount of 127[2] 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.

On the other hand, to the growth of net income of the Group largely contributed the favourable evolution of other impairments and provisions, from 238 million euros in the first quarter of 2023, to 145 million euros in the first quarter of 2024. This performance mainly reflects the reduction in additional provisions booked to face the legal risk implicit in foreign exchange mortgage portfolio in the Polish subsidiary (-57 million euros, from 174 million euros to 117 million euros; net of the amount related to loans originated by Euro Bank S.A., to be reimbursed by a third party), also benefiting from a reduction in the activity in Portugal. It should be noted, however, that, although the amount of additional provisions booked to face the legal risk implicit in this portfolio was lower than the amount recognised in the first quarter of 2023, the remaining costs associated with this portfolio have increased in the same period, leading to a reduction of the overall cost amount of only 15 million euros (from 206 million euros, to 191 million euros, both before taxes and non-controlling interests), continuing to heavily penalise the results of the Group.

The 3.8% increase recorded in core income, from 860 million euros in the first quarter of 2023 to 893 million euros in the first quarter of 2024, also contributed largely to the favourable performance of net income of the Group, mainly benefiting from the evolution of net interest income in the international activity, namely in the Polish subsidiary. In consolidated terms, net interest income was 4.8% above the 665 million euros recorded a year before, amounting to 696 million euros at the end of March 2024. Net commissions, in turn, remained in line (+0.5%) with the amount achieved in the first quarter of 2023, totalling 196 million euros in the same period of the current year.

The risk profile evolution of the credit portfolio, in turn, allowed a reduction in loans impairment charges (net of recoveries), namely in the activity in Portugal, determining the favourable performance of this item, which in consolidated terms totalled 74 million euros, standing 7 million euros below (-8.5%) the amount recorded in the first quarter of 2023.

On the other hand, despite the disciplined management of operating costs by the Group, there was a 14.7% increase in the last year, from 269 million euros to 308 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, had a non significant impact on the evolution of operating costs, although reflecting the slight increase in the international activity.

Return on equity (ROE) of the Group evolved from 17.0% to 15.0% in the last year.

Core operating profit of the Group amounted to 585 million euros in the first quarter of 2024, in line (-1.2%) with the amount achieved in the same period of the previous year.

The previous analysis does not exclude the specific items recognised in both periods. In the first quarter of 2024, specific items had a positive impact of 1 million euros (before taxes), including an income related to liabilities with former directors of the Bank and costs with employees terminations, namely indemnities and early retirements. In the first quarter of 2023, the impact was also positive, in the amount of 128 million euros (before taxes and non-controlling interests), including income of 127 million euros recognised in the international activity, related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. (118

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

[2] Before taxes and non-controlling interests. In addition to this gain, an additional gain of 12 million euros was also recognised in the fourth quarter of the previous year, associated with this operation.

million euros recognised as net trading income and 9 million euros recognised as other net operating income) and an income of 1 million euros related to liabilities with former directors of the Bank, in staff costs in the activity in Portugal.

Net income in the activity in Portugal amounted to 204 million euros in the first quarter of 2024, standing 18.4% above the 172 million euros achieved in the same quarter of the previous year.

The evolution of net income in the activity in Portugal benefited from the reduction in impairments and provisions during last year, with other impairments and provisions showing a reduction of 64.4% (-32 million euros), standing at 18 million euros at the end of the first quarter of 2024, while loans impairment stood 12.9% below (-7 million euros) the amount recognised in the first quarter of 2023, totalling 46 million euros in the first quarter of the current year.

Although to a lesser extent, other net operating income also contributed to the favourable evolution of net income in the activity in Portugal, with a growth of 5 million euros compared to the first quarter of 2023.

Conversely, net income in the activity in Portugal was penalised by the performance of net trading income (-15 million euros, from a 10 million euros income to a negative amount of 4 million euros), by the increase of 5.5% (+8 million euros) recorded in operating costs and by the decrease of 34.9% (-5 million euros) recorded in equity accounted earnings.

The evolution of operating costs was mainly due to the increase in staff costs, although there was also an increase in other administrative costs, while depreciations remained in line with the amount posted in the first three months of the previous year.

Core income, in turn, also remained at a similar level (-0.2%) to that achieved in the first quarter of 2023, standing at 480 million euros in the first quarter of 2024, reflecting the performance of both net interest income (-0.2%; -1 million euros) and net commissions (-0.2%; corresponding to an amount without expression) which at the end of March 2024 totalled 339 million euros and 141 million euros, respectively, in the activity in Portugal.

The impact of the evolution of core income together with operating costs in the activity in Portugal resulted in a reduction of 2.8% in core operating profit last year, from 335 million euros in the first quarter of 2023 to 326 million euros in the same period of the current year.

Excluding the specific items mentioned above (positive impacts of 1 million euros recognised as staff costs, both in the first quarter of 2023 and the first quarter of 2024), core operating profit in the activity in Portugal decreased by 2.7% from 334 million euros to 325 million euros.

In the international activity, net income went from 44 million euros recorded in the first quarter of 2023, to 31 million euros in the same period of 2024, mainly reflecting the performance of the Polish subsidiary, influenced by the factors already described above. It should be noted, however, that this subsidiary showed, in the first quarter of the year, the sixth consecutive quarter with positive results.

Net income of Millennium bim in Mozambique, in turn, was also 21.3% lower (-6 million euros) than the amount recorded a year earlier, reflecting the impact on net interest income of the significant increase in the local requirement for non-interest-bearing cash reserves to be held with the central bank.

Despite its smaller relative weight within the scope of this analysis, we should mention the higher contribution of the Angolan operation through the appropriation of the results of Banco Millennium Atlântico recognised in equity accounted earnings in the international activity.

Benefiting from the increase in core income, arising from the growth in net interest income from the Polish subsidiary, and despite the increase in operating costs, also mainly in the Polish subsidiary, core operating profit of the international activity showed a slight increase of 0.9%, from 256 million euros in the first quarter of 2023, to 259 million euros in the first quarter of 2024.

NET INTEREST INCOME

In the first three months of 2024, net interest income of the Group reached 696 million euros, showing a growth of 4.8% compared to the 665 million euros posted in the same period of the previous year.

In the activity in Portugal, net interest income totalled 339 million euros, remaining in line (-0.2%) with the amount recorded in the first quarter of the previous year.

It should be noted, however, that this evolution resulted from different dynamics with regard to the several components of net interest income, the impacts of which offset each other. Thus, if, on the one hand, net interest income benefited from the higher income generated by the customer loan portfolio and from the positive impact arising from the management of the securities portfolio, on the other hand, there was an increase in the costs associated with the remuneration of the deposit portfolio and the 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, the increase in the average balance of interest-bearing deposits compared to a year before and the increase of interest rates, also had an impact in the remuneration of the deposit portfolio, with the consequent impact on the evolution of net interest income in the activity in Portugal.

Regarding securities portfolio, although the other securities also generated higher income compared to the first quarter of the previous year, 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. Liquidity deposited at the Bank of Portugal and other credit institutions, in turn, also had a positive impact in the evolution of net interest income in the activity in Portugal.

Conversely, the evolution of net interest income in the activity in Portugal was negatively impacted by an increase, compared to the first quarter of 2023, 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 an issue of senior preferred debt securities, in the amount of 500 million euros, launched in September 2023, under the Bank's Euro Note Programme, aiming to comply the requirements known as “MREL” (Minimum Requirements for Own Funds and Eligible Liabilities).

In the international activity, net interest income amounted to 357 million euros at the end of March 2024, showing a growth of 10.0% from the 325 million euros accounted in the same date of the current year.

This evolution was mainly due to the performance of the Polish subsidiary, whose impact was partially offset by the reduction in net interest income of the subsidiary in Mozambique, influenced by the significant increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank.

In consolidated terms, net interest margin decreased, from 3.25% in the first quarter of 2023, to 3.12% in the first quarter of 2024, while in the activity in Portugal the evolution was from 2.44% to 2.34% and in the international activity decreased from 4.98% to 4.57% in the same period.

EQUITY ACCOUNTED EARNINGS AND DIVIDENDS FROM EQUITY INSTRUMENTS

Equity accounted earnings together with dividends from equity instruments, which comprise dividends and equity income received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, evolved from 15 million euros in the first quarter of 2023, to 10 million euros in the same period of the current year, mainly due to the performance of equity accounted earnings that decreased 5 million euros in the last year, totalling 10 million euros at the end of March 2024.

In the activity in Portugal, no income from dividends from equity instruments was recorded either in the first quarter of the current or of the previous year. Equity accounted earnings, in turn, reached 9 million euros, in the first quarter of 2024, compared to 14 million euros recorded a year before, driven by the lower contribution associated with the participation in Millenniumbcp Ageas.

It should be noted that following the adoption on 1 January 2023, of IFRS 9 - Financial Instruments and IFRS17 - Insurance Contracts, by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcp Ageas), an entity 49% owned by the Group, the amount of equity accounted earnings of Mbcp Ageas for the first quarter of 2023 has been restated (from 9 million euros to 10 million euros), complying with the requirement for comparative information and enhancing the impact of the results from Mbcp Ageas on the evolution of this item. Income generated by the participation in SIBS, in turn, was also lower than the one recorded a year earlier, while the contribution generated by the participation in Unicre, evolved favourably, although to a lesser extent.

In the international activity, equity accounted earnings together with the income of dividends from equity instruments totalled 1 million euros in the first quarter of 2024, evolving favourably from the amount posted in the same period of the previous year, mainly due to the appropriation of the results generated by Banco Millennium Atlântico in Angola.

NET COMMISSIONS

In the first quarter of 2024, net commissions totalled 196 million euros, slightly above (+0.5%) the amount recorded in the same period of the previous year.

In fact, the 18.7% growth in commissions related to financial markets (+5 million euros to 30 million euros) more than offset the 2.2% drop (-4 million euros to 167 million euros) recorded in banking commissions.

In the activity in Portugal, net commissions amounted to 141 million euros, in the first quarter of 2024, remaining in line (-0.2%) with the amount recorded in the same period of the previous year, since the drop of 2.8% (-3 million euros, to 118 million euros) recorded in banking commissions was almost entirely offset by the increase of 14.6% (+3 million euros, to 24 million euros) recorded in commissions related to markets.

Regarding banking commissions, in the activity in Portugal, the reduction in commissions related to cards and transfers stands out. Commissions associated with credit and guarantees, in turn, were also at a lower level compared to the same quarter of the previous year, reflecting the lower credit production in the current context and the legal restrictions imposed in the meantime. Although to a lesser extent, bancassurance commissions also decreased compared to March 2023, while commissions associated with management and maintenance of accounts and other banking commissions did not show material changes in the last year.

The growth in commissions related to financial markets, in the activity in Portugal, was mainly due to the evolution of securities transactions, namely associated with the setting up of operations and income charges.

In the international activity, net commissions increased 2.4% from 54 million euros posted in the first quarter of 2023, standing at 55 million euros at the end of March 2024, with the largest contribution associated with the Polish subsidiary being largely offset by the drop recorded in the subsidiary in Mozambique.

NET COMMISSIONS(1)

Million euros

	3M24	3M23	Chg. 24/23
BANKING COMMISSIONS	**167**	**170**	**(2.2) %**
Cards and transfers	63	64	(1.2 %)
Credit and guarantees	32	32	(0.7 %)
Bancassurance	30	32	(6.8 %)
Management and maintenance of accounts	40	40	0.0 %
Other commissions	2	3	(18.0 %)
MARKET RELATED COMMISSIONS	**30**	**25**	**18.7 %**
Securities	11	8	34.4 %
Asset management and distribution	19	17	11.1 %
	196	**195**	**0.5 %**
Of which:			
Activity in Portugal	141	142	(0.2 %)
International activity	55	54	2.4 %

(1) During 2023, some commissions were reclassified, in order to improve the quality of the information reported. The historical amounts related to the first three months of 2023 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 evolved from 132 million euros in the first quarter of 2023, to a negative amount of 3 million euros in the same period of the current year, with this performance being determined by the recognition, in the first quarter of the previous year, of the gains obtained by the Polish subsidiary with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the scope of the strategic partnership in the bancassurance business, which totalled 118 million euros under this heading.

In the activity in Portugal, net trading income totalled a negative amount of 4 million euros in the first quarter of 2024, compared to a 10 million euros income posted in the same period of the previous year.

In the international activity, the evolution of net trading income, from 121 million euros in the first quarter of 2023 to 1 million euros in the same period of the current year was determined by the already mentioned gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., considered as specific items.

In addition, it should be noted that the costs incurred by the Polish subsidiary in converting mortgage loans granted in Swiss francs, following the agreements with customers holding these loans, almost doubled compared to the amount posted a year earlier, totalling 23 million euros at the end of March 2024.

OTHER NET OPERATING INCOME

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

In the first three months of 2024, other net operating income totalled a negative amount of 31 million euros, evolving unfavourably compared to the also negative amount of 6 million euros recorded in the same period of the previous year. This evolution was mainly driven by the performance of the international activity, mainly reflecting the contribution of the Polish subsidiary.

In the activity in Portugal, other net operating income, in turn, increased from 2 million euros in the first quarter of 2023, to 7 million euros in the first quarter of 2024, figures that do not include any material amount related to mandatory contributions, which normally occur in the second quarter of the year.

In the international activity, the evolution of other net operating income, from a negative amount of 8 million euros in the first three months of 2023, to an also negative amount of 38 million euros in the same period of the current year, was determined by the impacts associated to foreign exchange mortgage loan portfolio in the Polish subsidiary, which under this item went from an income of 1 million euros, to a cost of 21 million euros in the same period.

In fact, both the costs arising from negotiations with customers and mainly court costs related to the counterclaims filed by Bank Millennium for reimbursement of the amounts owed by customers were higher than the costs recognised in the first quarter of 2023. 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 this portfolio, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A., although higher than those recorded in the first quarter of 2023, did not have a significant impact on the evolution of other net operating income.

The evolution of other net operating income in the Polish subsidiary was also influenced, albeit to a lesser extent, by the fact that in the first quarter of the previous year a gain of 9 million euros, considered a specific item, was recognised, associated with the revaluation of the minority stake (20%) that Bank Millennium in Poland held following the sale of 80% of the shares of Millennium Financial Services sp. z o.o.

With regard to the costs associated with mandatory contributions borne by the Polish subsidiary, there was a reduction, from 18 million euros recognised in the first quarter of 2023 to 15 million euros in the first quarter of 2024, exclusively due to the estimated contribution to the resolution fund in each one of the periods (the actual amount associated with the resolution fund in 2023, calculated in the second quarter of that year, amounted to 13 million euros).

It should be noted that neither in the first quarter of 2023 nor in the first quarter of 2024 there was any payment of any amount associated with either the contribution to deposit guarantee fund of Bank Millennium or the special tax on the Polish banking sector, as both are suspended.

In fact, following the creation of the Polish institutional protection fund (IPS - Institutional Protection Scheme), with the aim of ensuring the stability of the local financial system, to which Bank Millennium contributed in 2022, the contribution to the deposit guarantee fund of this subsidiary has been suspended since the first quarter of 2022, while the payment of the special tax on the Polish banking sector, in turn, is suspended following the activation of the Bank Millennium Recovery Plan at the beginning of the second half of 2022.

OPERATING COSTS

In the first quarter of 2024, operating costs totalled 308 million euros, standing 14.7% above the 269 million euros accounted in the same period of the previous year, mainly reflecting the increase in operating costs in the international activity (+25.8%, from 122 million euros to 154 million euros), although the activity in Portugal also recorded an increase, albeit less significant (+5.5%, from 146 million euros to 155 million euros).

The amounts presented do not exclude the specific items[3] considered in each period in staff costs in the activity in Portugal. Excluding specific items, operating costs increased 14.5% in the Group and 5.3% in the activity in Portugal.

The performance of operating costs (stated) was determined by the increase in both staff costs (+14.8%, +21 million euros) and other administrative costs (+18.5%, +17 million euros), in both cases more significant in the international activity, although the activity in Portugal also showed an increase compared to the amount recorded in the same period of the previous year. Depreciations, in turn, recorded a less significant increase (+4.4%, +1 million euros) due to the contribution of the international activity, since in the activity in Portugal there were no significant changes compared to the amount calculated a year earlier.

In the activity in Portugal, the evolution of operating costs was thus determined by the growth of 6 million euros (+7.5%) recorded in staff costs and by the increase of 2 million euros (+4.5%) in other administrative costs.

In the international activity, in turn, staff costs increased 15 million euros (+23.9%) while other administrative costs stood 15 million euros above (+34.3%) the amount posted a year earlier.

In consolidated terms, cost to income and cost to core income stated ratios evolved, respectively, from 26.8% to 35.5% and from 31.2% to 34.5%. Excluding the specific items mentioned above and also excluding the positive impact of 127 million euros, recognised in the international activity (mainly as net trading income but also as other net operating income), in the first quarter of 2023, associated with the sale of 80% of the shares in Millennium Financial Services sp. z o.o. also considered specific items, cost to income of the Group evolved from 30.9% to 35.6% and cost to core income from 31.4% to 34.6% in the period under analysis.

In the activity in Portugal, cost to income and cost to core income stated ratios stood at 31.4% and 32.2% in the first quarter of 2024, levels that compare respectively with 28.9% and 30.4% in the same quarter of the previous year. Excluding the impact of specific items, cost to income ratio in the activity in Portugal stood at 31.6%, comparing with the 29.1% recorded a year before, while cost to core income ratio evolved from 30.7% to 32.4% in the same period.

In the international activity, cost to income ratio evolved from 24.8% (33.4%, excluding the already mentioned positive impact in the amount of 127 million euros, recognised in the first quarter of 2023, associated to the sale of 80% of the shares of Millennium Financial Services sp. z o.o., considered as specific items) in the first quarter of 2023, to 40.8% in the first quarter of 2024, while cost to core income ratio, in turn, went from 32.3% to 37.2% in the same period.

[3] Specific items had a positive impact in operating costs of 1 million euros in the first quarter of 2024 and of 1 million euros in the first quarter of 2023, including in both periods, an income recognised after agreements related to liabilities with former directors of the Bank. In addition, the amount recognised in the first quarter of 2024 also includes costs with employees terminations, namely indemnities and early retirements.

STAFF COSTS

In the first three months of 2024, staff costs of the Group totalled 166 million euros, standing 14.8% above the 144 million euros accounted in the same period of the previous year. Excluding specific items (income in the amount of 1 million euros in both the first quarter of 2024 and the first quarter of 2023, fully considered in the activity in Portugal) the increase was 14.4%.

In the activity in Portugal, staff costs stood 7.5% above the 80 million euros recorded in the first quarter of 2023, totalling 86 million euros at the end of the first quarter of the current year. Not considering the impact of the specific items, there was an increase of 6.9% compared to the amount recorded a year before.

Although the Bank continues to acquire the required capabilities to meet current needs by hiring new employees with specific skills, namely on digital, new technologies and internal control areas, 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 6,269 employees at the end of March 2024 (four less employees than in the same date of the previous year).

In the international activity, staff costs amounted to 80 million euros in the first three months of 2024, standing 23.9% above the 64 million euros recorded in the same period of 2023. This evolution was mainly due to the strong pressure on basic wages in the Polish subsidiary, resulting both from rising levels of inflation in the country with impact on the updates indexed to inflation indicators and from the characteristics of the Polish labour market, in particular from the very low unemployment rates in the country. Conversely, it is worth mentioning the positive impact on the evolution of staff costs of the reduction in the total number of employees of the Polish subsidiary, which in the last year went from 6,945 employees (6,815 FTE - full-time equivalent) at the end of March 2023, to 6,861 employees (6,731 FTE - full-time equivalent) on 31 March 2024.

The operation in Mozambique, in turn, increased its headcount, from 2,527 employees on 31 March 2023 to 2,571 employees at the same date of the current year, which together with the salary update, contributed to the growth in staff costs of the subsidiary, although its impact is not significant on the evolution of the staff costs of the Group.

As of 31 March 2024, the headcount of the international activity consisted of 9,432 employees, which compares to 9,472 employees at the end of March 2023.

OTHER ADMINISTRATIVE COSTS

Other administrative costs increased from 90 million euros recorded in the first quarter of 2023, to 107 million euros in the first quarter of the current year, with the increase of 18.5% in consolidated terms mainly reflecting the performance of the international activity, namely the Polish subsidiary.

In the activity in Portugal, other administrative costs amounted to 50 million euros, standing 4.5% above the 48 million euros recorded a year before.

This performance, resulted from the pursuit of disciplined cost management although largely reflecting the increase in costs associated with other specialised services, outsourcing (related to banking operations and the new service model), legal expenses, rents and leases and other supplies and services. 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.

Conversely, the reduction in costs associated with advisory services compared to the amounts recorded in the first quarter of the previous year stands out, as well as the impact resulting from the optimisation of the cost structure of the Bank, made possible by the pursuit of disciplined cost management and the consequent implementation of a series of recurrent measures.

The resizing of the branch network which, in the activity in Portugal, evolved from 408 branches, to 399 branches, also had a positive impact on the evolution of most of the items of other administrative costs.

In the international activity, other administrative costs amounted to 57 million euros in the first quarter of 2024, representing a 34.3% increase from the 42 million euros posted in the same quarter of the previous year, mainly reflecting the increase of around 50% recorded in the Polish subsidiary.

The evolution of other administrative costs in the Polish subsidiary was influenced by the high inflation recorded throughout 2023 and the increase in legal advice costs associated with foreign exchange mortgage loans portfolio. On the other hand, the Polish subsidiary continues to benefit from the optimisation of its branch network, the number of which has evolved from 622 existing branches at the end of March 2023 to 611 branches at 31 March 2024. The subsidiary in Mozambique, in turn, ended the first quarter of 2024 with 195 branches, two less than at the end of March of the previous year.

DEPRECIATIONS

Depreciations amounted to 35 million euros at the end of March 2024, standing 4.4% above the amount recorded a year earlier, mainly reflecting the performance of the international activity, namely of the subsidiary in Poland.

In the activity in Portugal, depreciations remained in line with the amount recorded in the first quarter of 2023, totalling 18 million euros in the first quarter of the current year, 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 17 million euros in the first three months of 2024, standing 10.1% above the 15 million euros recorded in the same period of the previous year, mainly reflecting the performance of he Polish subsidiary, as already mentioned.

OPERATING COSTS

Million euros

	3M24	3M23	Chg. 24/23
Staff costs	166	144	14.8 %
Other administrative costs	107	90	18.5 %
Depreciations	35	34	4.4 %
	308	**269**	**14.7 %**
Of which:			
Activity in Portugal	155	146	5.5 %
International activity	154	122	25.8 %

RESULTS ON MODIFICATION

In the first quarter of 2024, results on modification totalled a negative amount of 7 million euros, which compares with an also negative amount of 6 million euros recorded in the same period of the previous year. In both periods, the amounts are associated with contractual modifications, namely those negotiated with customers with foreign exchange mortgage loans in the Polish subsidiary, in accordance with IFRS9.

LOANS IMPAIRMENT

In the first quarter of 2024, impairment for loan losses (net of recoveries) totalled 74 million euros, showing a reduction of 8.5% compared to the 80 million euros accounted for in the same period of the previous year, mainly reflecting the favourable evolution recorded in the activity in Portugal.

In fact, in the activity in Portugal, loans impairment charges (net of recoveries) stood 12.9% below the 53 million euros recognised in the first quarter of 2023, amounting to 46 million euros in the end of March 2024. The lower level of provisioning, compared to the first quarter of the previous year, reflects the improvement in the risk profile of the credit portfolio.

In the international activity, impairment charges (net of recoveries) remained in line (-0.2%) compared to the amount recognised in the first quarter of 2023, standing at 27 million euros in the first quarter of the current year, with the increase recorded in the Polish subsidiary being fully offset by the reduction in the Mozambican subsidiary.

The evolution of impairment charges (net of recoveries), in consolidated terms, allowed the cost of risk of the Group, net of recoveries, to record an improvement in relation to the 56 basis points observed in the first quarter of 2023, standing at 52 basis points in the first quarter of the current year.

In the activity in Portugal, the cost of risk (net of recoveries) also evolved favourably in the same period, from 53 basis points to 48 basis points.

In the international activity, the cost of risk net of recoveries also improved in the last year, evolving from 63 basis points to 59 basis points in the first quarter of 2024.

OTHER IMPAIRMENT AND PROVISIONS

In the first three months of 2024, other impairment and provisions totalled 145 million euros, standing 38.9% below the 238 million euros recorded in the same period of the previous year, benefiting from the favourable performance of both the activity in Portugal and the international activity.

In the activity in Portugal, there was a significant reduction of 64.4% over the last year, from 49 million euros in the first quarter of 2023, to 18 million euros in the first quarter of the current year, mainly reflecting the reduction in provisions for other risks, with provisions for guarantees and other commitments also evolving favourably from the amount recorded in the first quarter of 2023, although with less expression.

In the international activity, the reduction in other impairments and provisions was 32.3% (from 189 million euros to 128 million euros), mainly justified by the fact that the provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans, which amounted to 127 million euros in the first quarter of 2024, was 57 million euros lower than the amount recognised in the same period of the previous year.

INCOME TAX

Income tax (current and deferred) amounted to 78 million euros in the first quarter of 2024, which compares to 156 million euros obtained in the same period of 2023.

These expenses include, in the first quarter of 2024, current tax of 27 million euros (76 million euros in the first quarter of 2023) and deferred tax of 51 million euros (income of 80 million euros in the same period of 2023).

Current tax expenses in the first quarter of 2024 were influenced by provisions for legal risks related to the portfolio of foreign currency mortgage loans and by mandatory contributions to the banking sector, both non-deductible for tax purposes at the level of the Polish subsidiary.

The evolution of deferred tax assets was influenced by the reduction of deferred tax assets guaranteed under Special Framework applicable to Deferred Tax Assets ("REAID") given the evolution of taxable income and, regarding the Polish subsidiary, by the decision of the Supreme Administrative Court (NSA) from 6 December of 2023. In fact, NSA issued a judgment on the rules for recognising the effects in CIT of cancellations of mortgage loans indexed to foreign currencies and foreign currency loans (in particular in Swiss francs) adjudicated by common courts. According to the NSA, the Bank 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 (FX gains, interest, commissions and fees) previously taxed with CIT, taking into account the rules of limitation of tax liabilities.

As a result of the analysis of the NSA's judgment, the Bank recognised in the first quarter of 2024 a deferred tax asset in the amount of 51 million Zlotys (12 million euros) only due to future adjustments of interest income earned on mortgage loans indexed to Swiss francs and foreign currency loans in this currency which are the subject of court disputes for their cancellation.

BALANCE SHEET

TOTAL ASSETS

Total assets of the consolidated balance sheet of Millennium bcp amounted to 97,797 million euros as of 31 March 2024, showing a growth of 9.7% in comparison with the 89,160 million euros[4] recorded on 31 March 2023. This evolution mainly reflects the increase in assets registered in the international activity, although it also benefited from the increase in assets recorded in the activity in Portugal.

The activity in Portugal recorded an increase of 3.5% in total assets, compared to the 62,108 million euros posted as of 31 March 2023, standing at 64,253 million euros at the end of the first quarter of 2024. The reinforcement of the securities portfolio, in particular the public debt of euro zone countries, resulting from the liquidity surplus, largely justified this evolution. Additionally, there was also a reinforcement of deposits at central banks, albeit to a lesser extent. Conversely, there were reductions in loans to customers portfolio (net of impairment) and although with a smaller expression also in deferred tax assets, in other assets and in non-current assets held for sale.

In the international activity, total assets amounted to 33,544 million euros as of 31 March 2024, showing a growth of 24.0% compared to the 27,052 million euros recorded on the same date in the previous year. This evolution mainly reflects the increase in the total assets of the Polish subsidiary, boosted mainly by the increases observed in the securities portfolio (mainly in local public debt and also in public debt of euro zone countries), in loans to customers portfolio (net of impairment) and in other assets, to a lesser extent. In addition, the total assets of the subsidiary in Mozambique also recorded an increase compared to the end of the first quarter of the previous year due to the increases observed in deposits at central banks (reinforcement of the local cash reserve requirement) and in loans and advances to credit institutions, despite a decrease observed in the securities portfolio.

LOANS TO CUSTOMERS

Consolidated loans to customers (gross) of Millennium bcp, as defined in the glossary, amounted to 56,822 million euros as of 31 March 2024, below the 57,290 million euros recorded at the end of the first quarter of 2023. This evolution reflects the reduction in the activity in Portugal, although the increase in the international activity has partially offset this reduction.

In the activity in Portugal, loans to customers (before impairment) amounted to 38,409 million euros as of 31 March 2024, below the 39,937 million euros recorded in the first quarter of 2023. The decrease in loans to customers results from a lower level of performing credit and from a reduction in non-performing exposures (NPE) (minus 1,336 million euros and minus 192 million euros, compared to the same date of the last year, respectively).

Loans to individuals in the activity in Portugal stood at 21,217 million euros on 31 March 2024, standing slightly above the 21,115 million euros recorded on 31 March 2023. By segments, there was an increase in personal loans (177 million euros more compared to the amount recorded at the end of the first quarter of 2023) and a slight reduction in mortgage loans (75 million euros less than on the same date of the previous year) due to the increase of amortizations and early repayments.

Loans to companies in the activity in Portugal amounted to 17,192 million euros at the end of the first quarter of 2024, standing below the 18,822 million euros recorded in the same period of the previous year, justified by lower demand for credit due to higher interest rates and delays in investment projects, particularly those co-financed with European funds. Additionally, the repayment of Covid lines also influenced this evolution, with increased impact at the Bank as it had assumed a leading role in granting this financing during the pandemic.

In the international activity, loans to customers (gross) amounted to 18,413 million euros as of 31 March 2024, above the 17,353 million euros posted at the same date of the previous year, with this evolution being driven by the increase of loans granted by the Polish subsidiary (due to the favourable evolution of the Zloty,

[4] 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 and the first quarter of 2023 were restated accordingly, corresponding to a positive impact of 3 million euros at the end of the first quarter of 2023 consolidated balance sheet total assets.

despite a reduction in local currency), although the reduction in loans recorded in the Mozambican subsidiary had slightly offset this increase.

Loans to individuals in the international activity showed an expansion, rising from 12,704 million euros on 31 March 2023 to 13,829 million euros at the end of the first quarter of 2024, explained by the increases recorded in mortgage loans (443 million euros more, due to an increase in the Polish subsidiary, since in the Mozambican subsidiary it remained at a similar level) and, mainly, in personal loans (682 million euros more, propelled by the growth observed in both subsidiaries, with the increase recorded in the Polish subsidiary being the most significant).

Regarding the mortgage loan portfolio in foreign currency in the Polish subsidiary, the agreements signed with customers and the reinforcement of provisions to face the legal risk contributed to the reduction of the portfolio, which evolved from 1,219 million euros to 589 million euros, representing 7.3% and 3.3% of the loans to customers of Bank Millennium and 2.1% and 1.0% of the consolidated loans to customers, at the end of the first quarter of 2023 and 2024, respectively. Excluding the portion relating to Euro Bank S.A.[5], the amount of the aforesaid portfolio evolved from 1,106 million euros to 522 million euros, representing 6.6% and 2.9% of the loans to customers of Bank Millennium and 1.9% and 0.9% of the consolidated loans to customers at the end of the first quarter of 2023 and 2024, respectively.

Loans to companies in the international activity recorded a reduction of 1.4% compared to the 4,649 million euros recorded on 31 March 2023, reaching 4,584 million euros at the end of the first quarter of 2024. By geographies, loans to companies in the Polish subsidiary remained almost stable, while in the Mozambican subsidiary there was a reduction comparing to the same date of the prior year.

LOANS AND ADVANCES TO CUSTOMERS GROSS

Million Euros

	31 Mar. 24	31 Mar. 23	Chg. 24/23
INDIVIDUALS	**35,046**	**33,819**	**3.6 %**
Mortgage loans	28,100	27,733	1.3 %
Personal loans	6,945	6,086	14.1 %
COMPANIES	**21,776**	**23,471**	**(7.2 %)**
Services	7,323	8,179	(10.5 %)
Commerce	3,847	3,978	(3.3 %)
Construction	1,553	1,547	0.4 %
Others	9,053	9,768	(7.3 %)
	56,822	**57,290**	**(0.8 %)**
Of which:			
Activity in Portugal	38,409	39,937	(3.8 %)
International activity	18,413	17,353	6.1 %

QUALITY OF CREDIT PORTFOLIO

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

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

[5] The risk of Euro Bank S.A.'s portfolio is fully covered by a third party, within the scope of the clauses set out in the acquisition contract of that entity.

The NPE stock, in consolidated terms, decreased to 1,950 million euros on 31 March 2024, showing a reduction of 223 million euros compared to the end of the first quarter of 2023, with the NPE ratio in percentage of the total credit portfolio decreasing from 3.8% to 3.4%. In the activity in Portugal, the NPE stock totalled 1,087 million euros at the end of the first quarter of 2024, showing a reduction of 192 million euros compared to the end of the first quarter of the prior year, with the NPE ratio as a percentage of the total credit portfolio evolving from 3.2% to 2.8%.

Regarding coverage ratios by impairments, the NPL by more than 90 days coverage, in consolidated terms, stood at 211.1% on 31 March 2024, remaining stable comparing to the percentage recorded in the same date of the last year. The coverage of NPE by impairments, in consolidated terms, stood at 81.7% at the end of the first quarter of 2024, above the 71.1% recorded on 31 March 2023. In Portugal, the coverage of NPE by impairments stood at 88.6% on 31 March 2024, also at a level above the figure recorded in the previous year (74.3% on 31 March 2023).

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	31 Mar. 24	31 Mar. 23	Chg. 24/23	31 Mar. 24	31 Mar. 23	Chg. 24/23
STOCK (M€)						
Loans to customers (gross)	56,822	57,290	(0.8 %)	38,409	39,937	(3.8 %)
Overdue loans > 90 days	501	488	2.7 %	186	176	5.5 %
Overdue loans	624	595	5.0 %	215	197	9.0 %
Restructured loans	1,771	1,893	(6.4 %)	1,218	1,360	(10.5 %)
NPL > 90 days	755	730	3.3 %	348	338	2.9 %
NPE	1,950	2,173	(10.3 %)	1,087	1,279	(15.0 %)
Loans impairment (Balance sheet)	1,593	1,545	3.1 %	963	951	1.3 %
NPE impairment (Balance sheet)	1,036	1,044	(0.7 %)	586	612	(4.3 %)
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9%	0.9%		0.5%	0.4%	
Overdue loans / Loans to customers (gross)	1.1%	1.0%		0.6%	0.5%	
Restructured loans / Loans to customers (gross)	3.1%	3.3%		3.2%	3.4%	
NPL > 90 days / Loans to customers (gross)	1.3%	1.3%		0.9%	0.8%	
NPE / Loans to customers (gross)	3.4%	3.8%		2.8%	3.2%	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.1%	2.6%		2.0%	2.3%	
COVERAGE BY IMPAIRMENTS						
Coverage of overdue loans > 90 days	318.1%	316.8%		518.0%	539.6%	
Coverage of overdue loans	255.1%	259.9%		448.2%	482.0%	
Coverage of NPL > 90 days	211.1%	211.6%		276.9%	281.2%	
Coverage of NPE	81.7%	71.1%		88.6%	74.3%	
Specific coverage of NPE	53.1%	48.0%		53.9%	47.8%	

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

CUSTOMER FUNDS

On 31 March 2024, the consolidated total customer funds amounted to 98,542 million euros, showing a favourable evolution, increasing by 6,479 million euros compared to the 92,063 million euros obtained on the same date of the previous year. This evolution reflects the positive performance of both the activity in Portugal and mainly the international activity, in both cases with regard to balance sheet customer funds and off-balance sheet customers funds.

Consolidated balance sheet customer funds, which comprise deposits and other resources from customers and debt securities placed with customers, amounted to 82,147 million euros on 31 March 2024, showing an increase of 5,731 million euros compared to the 76,416 million euros reached at the end of the first quarter of the prior year. This evolution mainly reflects the performance of the international activity, although it also benefited from the increase in the activity in Portugal.

As of 31 March 2024, consolidated off-balance sheet customer funds stood at 16,395 million euros, showing an increase of 748 million euros compared to the figure posted on the same date in the prior year. This growth was largely due to the evolution of the international activity and also to the activity in Portugal, although in the latter case the increase was less significant.

In the activity in Portugal, total customer funds reached 67,977 million euros on 31 March 2024, which compares with the 66,996 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 due to the increase in deposits and other resources from customers (plus 895 million euros compared to the amount recorded at the end of the first quarter of 2023).

Off-balance sheet customer funds in the activity in Portugal registered a slight increase of 148 million euros compared to amount recorded at the end of the first quarter of 2023, standing at 14,336 million euros on 31 March 2024. In terms of business segments, there was an increase in assets placed with customers and a decrease in insurance products (savings and investment), while assets under management remained stable compared to the same period of the previous year.

In the international activity, total customer funds increased by 5,499 million euros compared to the 25,067 million euros recorded on 31 March 2023, standing at 30,565 million euros at the end of first quarter of 2024, mainly reflecting the positive contribution of the Polish subsidiary and also an increase recorded in the subsidiary in Mozambique, although in the latter case to a lesser extent.

Balance sheet customer funds in the international activity, comprising only deposits and other customer resources, stood at 28,507 million euros on 31 March 2024, above the amount of 23,609 million euros recorded at the end of the first quarter of 2023, benefiting from the increase observed in the Polish subsidiary and a smaller increase recorded in the Mozambican subsidiary.

Off-balance sheet customer funds in the international activity increased by 600 million euros compared to the end of the first quarter of 2023, standing at 2,058 million euros on 31 March 2024. In terms of business segments, there were increases in assets under management and assets placed with customers and a decrease in insurance products (savings and investment).

On 31 March 2024, balance sheet customer funds, on a consolidated basis, represented 83.4% of total customer funds (83.0% at the end of the first quarter of 2023), with deposits and other resources from customers representing 82.0% of total customer funds (81.5% at the end of the first quarter of 2023).

The loans to deposits ratio, in accordance with the Banco de Portugal Instruction no. 16/2004, stood at 68.3% as of 31 March 2024, with the same ratio, considering balance sheet customer funds, standing at 67.2%. Both ratios show values below those obtained at the same date of the previous year, 74.3% and 72.9%, respectively.

TOTAL CUSTOMER FUNDS

Million euros

	31 Mar. 24	31 Mar. 23	Chg. 24/23
BALANCE SHEET CUSTOMER FUNDS	**82,147**	**76,416**	**7.5%**
Deposits and other resources from customers	80,809	75,015	7.7%
Debt securities	1,339	1,401	(4.4%)
OFF-BALANCE SHEET CUSTOMER FUNDS	**16,395**	**15,647**	**4.8%**
Assets under management	5,722	5,221	9.6%
Assets placed with customers	6,155	5,307	16.0%
Insurance products (savings and investment)	4,519	5,119	(11.7%)
	98,542	**92,063**	**7.0%**
Of which:			
Activity in Portugal	67,977	66,996	1.5%
International activity	30,565	25,067	21.9%

SECURITIES PORTFOLIO

The securities portfolio, as defined in the glossary, stood at 31,104 million euros as of 31 March 2024, showing an increase of 35.7% compared to the 22,929 million euros recorded on the same date of the previous year, representing 31.8% of total assets at the end of the first quarter of 2024 (25.7% at the end of the first quarter of 2023).

The portfolio allocated to the activity in Portugal evolved from 15,965 million euros at the end of the first quarter of 2023 to 19,215 million euros as of 31 March 2024, with this increase being associated with an increased diversification with public debt in the euro zone, namely German, Spanish, Belgian and French public debt, compensating for lower investment in Portuguese public debt.

The securities portfolio allocated to the international activity showed a significant increase, growing from 6,963 million euros at the end of the first quarter of 2023 to 11,889 million euros on 31 March 2024, following the reinforcement of investment from the Polish subsidiary in local public debt and also in sovereign debt from other euro zone countries.

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)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (**)
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.
(**) Consolidated by the equity method.

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

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

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

The information presented below for the individually more relevant business areas in Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 31 March 2024.

RETAIL

Million euros

RETAIL BANKING in Portugal	Mar 31, 2024	Mar 31, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	291	195	49.4%
Other net income	113	113	-0.4%
	404	308	31.1%
Operating costs	81	82	-0.9%
Impairment and provision	8	2	>200%
Income before tax	315	224	40.4%
Income taxes	99	70	40.4%
Income after tax	216	154	40.4%
SUMMARY OF INDICATORS			
Allocated capital	1,011	897	12.6%
Return on allocated capital	86.1%	69.6%	
Risk weighted assets	7,467	7,102	5.1%
Cost to income ratio	20.1%	26.7%	
Loans to Customers (net of impairment charges)	26,246	26,172	0.3%
Balance sheet Customer funds	39,109	38,866	0.6%

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

Financial performance

As at 31 March 2024, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled 216 million euros, showing a 40.4% increase compared to 154 million euros in the same period of 2023, reflecting higher net interest income. Regarding the evolution of the main income statement headings, the following aspects should be highlighted:

- Net interest income reached 291 million euros as at 31 March 2024, increasing 49.4% compared to the same period of the previous year (195 million euros), mainly benefiting from the net interest income arising from the deposit portfolio, reflecting the impact of the higher income arising from the internal placements of the excess liquidity following the normalisation of interest rates.
- Other net income reached 113 million euros both on March 31, 2024 and in the same period of 2023. The slight decrease of 0.4% observed essentially reflects the lower level of banking commissions.
- Operating costs were 0.9% lower than the amounts recognized in the first three months of 2023.
- Impairment charges amounted to 8 million euros at the end of March 2024, remaining at a low level relative to the loan portfolio size of this segment, despite the increase compared to the amount of 2 million euros recorded in the same period of the previous year.
- In March 2024, loans to customers (net) totalled 26,246 million euros, slightly increasing 0.3% from March 2023 (26,172 million euros), constrained by a slight reduction in mortgage loans due to the increase of amortizations and early repayments, while balance sheet customer funds increased by 0.6% in the same period, amounting to 39,109 million euros in March 2024 (38,866 million euros in March of the previous year), mainly explained by the increase in customer deposits.

COMPANIES AND CORPORATE

Million euros

COMPANIES AND CORPORATE in Portugal	Mar 31, 2024	Mar 31, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	69	43	59.7%
Other net income	40	44	-9.4%
	109	87	24.8%
Operating costs	15	14	7.6%
Impairment and provision	38	51	-25.3%
Income before tax	56	22	148.8%
Income taxes	18	7	148.8%
Income after tax	38	15	148.8%
SUMMARY OF INDICATORS			
Allocated capital	1,377	1,473	-6.5%
Return on allocated capital	11.2%	4.2%	
Risk weighted assets	11,602	11,655	-0.5%
Cost to income ratio	13.7%	15.9%	
Loans to Customers (net of impairment charges)	10,758	11,595	-7.2%
Balance sheet Customer funds	9,755	10,587	-7.9%

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 38 million euros in March 2024, compared favourably to an amount of 15 million euros presented in March 2023. This evolution results mostly from an higher net interest income and from lower level of impairment. As at March 2024 the performance of this segment is explained by the following changes:

- Net interest income stood at 69 million euros as at 31 March 2024, 59.7% above the amount attained as at 31 March 2023 (43 million euros), sustained by the improvement from the margin on deposits, with higher income arising from the internal placements of the excess liquidity following the normalization of interest rates, and from the margin on loan portfolio.
- Other net income reached 40 million euros in March 2024, being 9.4% lower compared to the amount achieved in the same period of 2023.
- Operating costs totalled 15 million euros by the end of March 2024, 7.6% above the overall amount of costs recorded in the same period of the previous year.
- Impairments charges recorded 38 million euros in March 2024, decreasing from 51 million euros in March 2023, reflecting the improvement in the risk profile of the credit portfolio.
- In March 2024, loans to customers (net) totalled 10,758 million euros, decreasing 7.2% from March 2023 (11,595 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 repayment of Covid lines. Balance sheet customer funds reached 9,755 million euros, 7.9% below the amount recorded in March 2023, particularly from the reduction of the client's deposits base.

PRIVATE BANKING

Million euros

PRIVATE BANKING in Portugal	Mar 31, 2024	Mar 31, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	11	8	40.9%
Other net income	8	8	-3.4%
	19	16	19.0%
Operating costs	4	4	6.2%
Impairment and provision	0	0	
Income before tax	15	12	22.9%
Income taxes	5	4	22.9%
Income after tax	10	8	22.9%
SUMMARY OF INDICATORS			
Allocated capital	27	26	4.1%
Return on allocated capital	>100%	>100%	
Risk weighted assets	211	202	4.5%
Cost to income ratio	20.1%	22.6%	
Loans to Customers (net of impairment charges)	342	342	0.2%
Balance sheet Customer funds	3,091	2,629	17.6%

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 totalled 10 million euros in March 2024, showing an increase of 22.9% compared to the net profit reached in March 2023 (8 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 19 million euros in March 2024, 19.0% above the amount recorded in March 2023 (16 million euros), driven by the growth shown in net interest income. Net interest income totalled 11 million euros in March 2024, comparing favourably to 8 million euros reached in March 2023, benefiting from deposits, both from the margin obtained and from the volume growth. Other net income amounted to 8 million euros in March 2024, reflecting a decrease of 3.4% compared to the amount shown in the same period of the previous year, showing lower commissions from asset management activity and from distribution of third party investment funds being partly offset by commissions from exchange and brokerage transactions.
- Operating costs amounted to 4 million euros in March 2024, being 6.2% above the operating costs recorded in March 2023.
- The impairment and provision charges had no material impact on the income statement in both periods.
- Loans to customers (net) amounted to 342 million euros in March 2024, showing a slight increase of 0.2% compared to the figures accounted in March of the previous year, while balance sheet customer funds corresponded to 3,091 million euros in March 2024, 17.6% above the level achieved in March 2023, as a consequence of the increase of interest rates, which resulted in the improvement of deposits remuneration.

FOREIGN BUSINESS

Million euros

Poland	Mar 31, 2024	Mar 31, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	307	268	14.5 %
Other net income	6	150	-96.4 %
	313	418	-25.3 %
Operating costs	122	92	33.0 %
Result on modification	-7	-6	21.7 %
Impairment and provision	154	207	-25.9 %
Income before tax	30	113	-73.6 %
Income taxes	—	59	-99.7 %
Income after income tax	30	54	-44.5 %
BALANCE SHEET			
Loans to Customers (net of impairment charges)	17,152	16,106	6.5%
Balance sheet Customer funds	26,357	21,553	22.3%

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

Million euros

Mozambique	Mar 31, 2024	Mar 31, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	50	56	-11.5 %
Other net income	13	18	-23.9 %
	63	74	-14.4 %
Operating costs	32	30	3.8 %
Impairment and provision	1	5	-71.4 %
Income before tax	30	39	-21.3 %
Income taxes	7	10	-21.0 %
Income after income tax	23	29	-21.3 %
BALANCE SHEET			
Loans to Customers (net of impairment charges)	631	653	-3.3%
Balance sheet Customer funds	2,150	2,056	4.6%

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	Mar 31, 2024	Mar 31, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	357	325	10.0 %
Other net income (*)	20	168	-88.4 %
	377	493	-23.5 %
Operating costs	154	122	25.8 %
Result on modification	-7	-6	21.7 %
Impairment and provision	155	216	-28.2 %
Income before tax	61	149	-59.1 %
Income taxes	8	70	-88.8 %
Income after income tax	53	79	-33.0 %
SUMMARY OF INDICATORS			
Allocated capital (**)	2,171	1,798	20.7 %
Return on allocated capital	9.8%	17.9%	
Risk weighted assets	14,493	14,646	-1.0%
Cost to income ratio	40.8%	24.8%	
Loans to Customers (net of impairment charges)	17,783	16,758	6.1%
Balance sheet Customer funds	28,507	23,609	20.7%

(*) 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 53 million euros in March 2024, comparing unfavourably with an amount of 79 million euros achieved by the end of March 2023. This unfavourable evolution of 33.0% is mostly explained by the unfavourable performance of the other net income, despite the lower level of impairment and provision and the positive performance of the net interest income.

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

- Net interest income stood at 357 million euros in March 2024, which compares to 325 million euros achieved in March 2023. Excluding the impact arising from foreign exchange effects, it would have increased 2.5%, reflecting mainly the performance of the Polish subsidiary, whose impact was partially offset by the reduction in net interest income of the subsidiary in Mozambique, constrained by a significant increase in the minimum level of non-remunerated cash reserves maintained with the central bank.
- Other net income attained 20 million euros in March 2024, decreasing significantly when compared to the 168 million euros recorded in the same period of the previous year, determined by the recognition in the same period of the previous year 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.
- Operating costs amounted to 154 million euros as at 31 March 2024, 25.8% up from the end of March 2023. Excluding foreign exchange effects, operating costs would have increased 17.9%, mainly reflecting the impact of the subsidiary in Poland, due to the strong pressure on basic wages, resulting from the impact on the adjustments indexed to inflation indicators, and to the increase in legal advice costs associated with foreign exchange mortgage loans portfolio. In the subsidiary in Mozambique, the increase mostly resulted from staff costs, both from higher headcount and salary adjustments.
- Results on modification totalled a negative amount of 7 million euros by the end of March of 2023, which compares with an also negative amount of 6 million euros recorded in the same period of the previous year. In both periods, this item 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 March of 2024 presented a 28.2% drop compared to the figures reported by the end of March of 2023. This decrease corresponds essentially to a lower provision booked by the Polish subsidiary to address the foreign exchange mortgage legal risk.
- Loans to customers (net) stood at 17,783 million euros in March 2024, 6,1% up from the amount attained in March 2023 (16,758 million euros). Excluding foreign exchange effects, the loan portfolio decreased 2.0%, influenced by the evolution of the Polish subsidiary. The Foreign business' balance sheet customer funds increased 20.7% from 23,609 million euros reported in March 2023 to 28,507 million euros in March 2024. Excluding the foreign exchange effects, balance sheet customer funds increased 11,8%, mainly driven by the performance of the subsidiary in Poland.

Liquidity Management

In March 2024, balance sheet customer funds of the Group grew by 7.5%, compared to the amount recorded a year earlier (on 31 December 2023, growth compared to the end of 2022 was 2.5%). This evolution is mainly due to the strong annual growth in Bank Millennium's deposits, mainly attributable to the retail segment. In the same time lapse, BCP returned to a positive year on year growth through a very significant increase in the first quarter of 2024, following the decrease that began in the first quarter of 2023 with the migration of funds from the banking system to State savings products.

The above-mentioned trends, combined with the slight decrease of the consolidated credit portfolio, the two new issues in the scope of MREL (Minimum Requirements for Own Funds and Eligible Liabilities) carried out by BCP and Bank Millennium and the overall profitability of the Group resulted in the reinforcement of the consolidated liquidity position vs. one year earlier, reflected in the evolution of the regulatory and other liquidity risk indicators.

As such, the LCR, the regulatory standard assessing the short-term liquidity risk, grew in consolidated terms from 201% to 299% (of which 23pp in the first quarter of 2024).

The indicator of structural liquidity risk, the NSFR, grew from 154% to 172% (of which 5pp in the first quarter of 2024).

After regaining the investment grade status by the four main rating agencies, BCP reinforced the long-term component of its wholesale funding structure by issuing, in September 2023, 500 million euros of senior preferred debt eligible for MREL (Minimum Requirements for Own Funds and Eligible Liabilities), as set in the Liquidity Plan for 2023. In the first quarter of 2024, and fulfilling a goal set in the Liquidity Plan for the current year, BCP refinanced an issue of Additional Tier 1 (AT1) of 400 million euros issued in January 2019, placing a new issue of the same instrument and amount in more favourable terms (interest rate of 8.125% vs. 9.25%).

The favourable evolution of the commercial gap of BCP from a liquidity perspective, the issuance activity and the favourable evolution of the cash flow from operations, among other less significant factors, increased the liquidity buffer to an historical maximum amount of 29.3 billion euros in March 2024. The liquidity buffer comprised a long position of 1.6 billion euros at the ECB.

After placing in the market a senior non-preferred issue of 500 million euros in September 2023, qualifying for MREL (Minimum Requirements for Own Funds and Eligible Liabilities) purposes and thus fulfilling another stage of the institutions' recovery plan, Bank Millennium significantly improved its financial position leveraging on the growth of deposits, allowing regulatory indicators to stand far above the minimum requirements.

Millennium bim maintained a robust liquidity position in the first quarter of 2024, with the discountable buffer at the respective central bank kept at a comfortable level despite the strong increase in mandatory minimum reserve rates in national and foreign currency imposed by the respective central bank in first half of 2023.

Capital

The estimated CET1 ratio as at 31 March 2024 stood at 16.0% phased-in and fully implemented, reflecting a change of +247 and +246 basis points, respectively, compared to the 13.6% phased-in and fully implemented ratios reported on the same date in 2023, comfortably above the minimum regulatory ratios defined on the scope of SREP (Supervisory Review and Evaluation Process) for the year 2024 (CET1 9.41%, T1 11.38% and Total 14.00%) and in line with the medium-term solvability targets.

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

SOLVENCY RATIOS

Million euros

	31 Mar. 24	31 Mar. 23
FULLY IMPLEMENTED		
Own funds		
Common Equity Tier 1 (CET1)	6,264	5,590
Tier 1	6,752	6,085
Total Capital	**8,029**	**7,412**
Risk weighted assets	**39,134**	**41,254**
Solvency ratios		
CET1	16.0	13.6
Tier 1	17.3	14.8
Total capital	20.5	18.0
PHASED-IN		
CET1	16.0	13.6

Note: The capital ratios of 31 March 2024 are estimated including the positive accumulated net income.

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 the end of 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

	Q1 2024	2024
C/I ratio	35%	~40%
Cost of risk	52 bp	~50 b.p.
ROE	15.0%	~10%
CET1 ratio	16%[1]	>12.5%
NPE ratio	3.4%	~4%
Share of mobile customers	69%	>65%
Growth of high engagement customers[2] (vs. 2020)	+14,7%	+12%
Average ESG rating[3]	67%	>80%

1 Fully implemented ratio including unaudited net income for 1 Q 24.
2 Active Customers with card transactions in the previous 90 days or funds 100 (>MZM 1 000 in Mozambique).
3 Average of Top 3 indices (DSJI, CDP and MSCI) NPE include loans to Customers only.

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

									Million euros
	Group			Activity in Portugal			International activity		
	Mar. 24	Mar. 23 (restated)	Chg. 24/23	Mar. 24	Mar. 23 (restated)	Chg. 24/23	Mar. 24	Mar. 23	Chg. 24/23
INCOME STATEMENT									
Net interest income	696.2	664.6	4.8 %	339.1	339.9	(0.2 %)	357.2	324.7	10.0 %
Dividends from equity instruments	0.0	0.0	(19.4 %)	0.0	0.0	0.0 %	0.0	0.0	(19.4 %)
Net fees and commission income	196.4	195.4	0.5 %	141.4	141.7	(0.2 %)	55.0	53.7	2.4 %
Net trading income	(2.9)	131.6	(102.2 %)	(4.3)	10.2	(142.5 %)	1.4	121.4	(98.8 %)
Other net operating income	(31.4)	(6.4)	<-200%	6.9	1.7	>200%	(38.3)	(8.0)	<-200%
Equity accounted earnings	10.4	14.9	(30.3 %)	9.1	14.0	(34.9 %)	1.3	0.9	43.6 %
Net operating revenues	868.8	1,000.1	(13.1 %)	492.2	507.4	(3.0 %)	376.7	492.7	(23.5 %)
Staff costs	165.7	144.3	14.8 %	86.2	80.2	7.5 %	79.5	64.2	23.9 %
Other administrative costs	107.0	90.3	18.5 %	50.0	47.9	4.5 %	56.9	42.4	34.3 %
Depreciation	35.4	33.9	4.4 %	18.3	18.4	(0.4 %)	17.1	15.5	10.1 %
Operating costs	308.1	268.5	14.7 %	154.6	146.4	5.5 %	153.5	122.1	25.8 %
Operating costs excluding specific items	309.0	269.8	14.5 %	155.5	147.8	5.3 %	153.5	122.1	25.8 %
Profit before impairment and provisions	560.7	731.6	(23.4 %)	337.6	361.0	(6.5 %)	223.2	370.6	(39.8 %)
Results on modification	(7.2)	(5.9)	(21.7 %)	0.0	0.0	0.0 %	(7.2)	(5.9)	(21.7 %)
Loans impairment (net of recoveries)	73.5	80.4	(8.5 %)	46.2	53.0	(12.9 %)	27.4	27.4	(0.2 %)
Other impairment and provisions	145.2	237.7	(38.9 %)	17.5	49.2	(64.4 %)	127.7	188.5	(32.3 %)
Profit before income tax	334.8	407.5	(17.9 %)	273.9	258.8	5.8 %	60.9	148.7	(59.1 %)
Income taxes	78.1	156.2	(50.0 %)	70.4	86.8	(19.0 %)	7.8	69.4	(88.8 %)
Current	27.4	76.3	(64.1 %)	6.6	6.3	5.4 %	20.7	70.0	(70.4 %)
Deferred	50.8	79.9	(36.5 %)	63.7	80.5	(20.9 %)	(13.0)	(0.6)	<-200%
Income after income tax from continuing operations	256.6	251.3	2.1 %	203.5	171.9	18.4 %	53.1	79.3	(33.0 %)
Income arising from discontinued operations	0.0	0.0	0.0 %	0.0	0.0	0.0 %	0.0	0.0	0.0 %
Non-controlling interests	22.3	35.1	(36.5 %)	0.0	0.0	(6.5 %)	22.4	35.2	(36.4 %)
Net income	234.3	216.1	8.4 %	203.5	172.0	18.4 %	30.8	44.1	(30.3 %)
BALANCE SHEET AND ACTIVITY INDICATORS									
Total assets	97,797	89,160	9.7 %	64,253	62,108	3.5 %	33,544	27,052	24.0 %
Total customer funds	98,542	92,063	7.0 %	67,977	66,996	1.5 %	30,565	25,067	21.9 %
Balance sheet customer funds	82,147	76,416	7.5 %	53,640	52,807	1.6 %	28,507	23,609	20.7 %
Deposits and other resources from customers	80,809	75,015	7.7 %	52,302	51,407	1.7 %	28,507	23,609	20.7 %
Debt securities	1,339	1,401	(4.4 %)	1,339	1,401	(4.4 %)	0	0	0.0 %
Off-balance sheet customer funds	16,395	15,647	4.8 %	14,336	14,189	1.0 %	2,058	1,458	41.2 %
Assets under management	5,722	5,221	9.6 %	4,357	4,336	0.5 %	1,365	885	54.2 %
Assets placed with customers	6,155	5,307	16.0 %	5,695	4,995	14.0 %	460	311	47.6 %
Insurance products (savings and investment)	4,519	5,119	(11.7 %)	4,284	4,857	(11.8 %)	234	262	(10.5 %)
Loans to customers (gross)	56,822	57,290	(0.8 %)	38,409	39,937	(3.8 %)	18,413	17,353	6.1 %
Individuals	35,046	33,819	3.6 %	21,217	21,115	0.5 %	13,829	12,704	8.9 %
Mortgage	28,100	27,733	1.3 %	18,844	18,918	(0.4 %)	9,257	8,814	5.0 %
Personal Loans	6,945	6,086	14.1 %	2,374	2,197	8.1 %	4,572	3,890	17.5 %
Companies	21,776	23,471	(7.2 %)	17,192	18,822	(8.7 %)	4,584	4,649	(1.4 %)
CREDIT QUALITY									
Total overdue loans	624	595	5.0 %	215	197	9.0 %	409	397	3.0 %
Overdue loans by more than 90 days	501	488	2.7 %	186	176	5.5 %	315	312	1.0 %
Overdue loans by more than 90 days / Loans to customers	0.9 %	0.9 %		0.5 %	0.4 %		1.7 %	1.8 %	
Total impairment (balance sheet)	1,593	1,545	3.1 %	963	951	1.3 %	630	595	5.9 %
Total impairment (balance sheet) / Loans to customers	2.8 %	2.7 %		2.5 %	2.4 %		3.4 %	3.4 %	
Total impairment (balance sheet) /Overdue loans by more than 90 days	318.1 %	316.8 %		518.0 %	539.6 %		200.0 %	190.8 %	
Non-Performing Exposures (NPE)	1,950	2,173	(10.3 %)	1,087	1,279	(15.0 %)	862	894	(3.5 %)
NPE / Loans to customers	3.4 %	3.8 %		2.8 %	3.2 %		4.7 %	5.2 %	
Total impairment (balance sheet) / NPE	81.7 %	71.1 %		88.6 %	74.3 %		73.0 %	66.5 %	
Restructured loans	1,771	1,893	(6.4 %)	1,218	1,360	(10.5 %)	553	533	3.8 %
Restructured loans / Loans to customers	3.1 %	3.3 %		3.2 %	3.4 %		3.0 %	3.1 %	
Cost of risk (net of recoveries, in b.p.)	52	56		48	53		59	63	

Interim condensed consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2024 AND 2023

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Interest and similar income	1,166,009	978,598
Interest expense and similar charges	(469,772)	(314,047)
NET INTEREST INCOME	696,237	664,551
Dividends from equity instruments	35	44
Net fees and commissions income	196,407	195,405
Gains/(losses) on financial operations at fair value through profit or loss	(6,779)	12,488
Foreign exchange gains/(losses)	9,833	6,567
Gains/(losses) on hedge accounting	(7,409)	668
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	1,456	111,840
Other operating income/(losses)	(31,515)	(16,039)
TOTAL OPERATING INCOME	858,265	975,524
Staff costs	165,707	144,337
Other administrative costs	106,956	90,261
Amortisations and depreciations	35,411	33,914
TOTAL OPERATING EXPENSES	308,074	268,512
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	550,191	707,012
Results on modification	(7,240)	(5,949)
Impairment of financial assets at amortised cost	(73,039)	(81,226)
Impairment of financial assets at fair value through other comprehensive income	(1,437)	245
Impairment of other assets	(5,681)	(2,789)
Other provisions	(138,588)	(234,399)
NET OPERATING INCOME	324,206	382,894
Share of profit of associates accounted for using the equity method	10,415	14,935
Gains/(losses) on disposal of subsidiaries and other assets	139	9,675
NET INCOME BEFORE INCOME TAXES	334,760	407,504
Income taxes		
Current	(27,366)	(76,299)
Deferred	(50,767)	(79,947)
NET INCOME AFTER INCOME TAXES	256,627	251,258
Net income for the period attributable to:		
Bank's Shareholders	234,309	216,127
Non-controlling interests	22,318	35,131
NET INCOME FOR THE PERIOD	256,627	251,258
Earnings per share (in Euros)		
Basic	0.061	0.056
Diluted	0.061	0.056

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2024 AND 31 DECEMBER 2023

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
ASSETS		
Cash and deposits at Central Banks	4,108,736	4,545,526
Loans and advances to credit institutions repayable on demand	195,279	337,687
Financial assets at amortised cost		
Loans and advances to credit institutions	846,515	908,477
Loans and advances to customers	53,483,511	53,305,159
Debt securities	18,205,388	17,579,136
Financial assets at fair value through profit or loss		
Financial assets held for trading	1,610,067	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	445,912	467,254
Financial assets designated at fair value through profit or loss	32,956	32,004
Financial assets at fair value through other comprehensive income	13,002,748	10,834,291
Hedging derivatives	45,189	40,628
Investments in associated companies	394,936	347,257
Non-current assets held for sale	74,761	80,317
Investment property	39,646	39,100
Other tangible assets	604,856	606,447
Goodwill and intangible assets	224,024	223,105
Current tax assets	21,271	20,469
Deferred tax assets	2,485,943	2,554,331
Other assets	1,975,643	1,626,684
TOTAL ASSETS	97,797,381	94,370,776
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	1,015,315	829,126
Resources from customers	78,687,238	75,606,813
Non subordinated debt securities issued	2,724,669	2,712,682
Subordinated debt	1,381,415	1,397,425
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	226,769	207,387
Financial liabilities at fair value through profit or loss	3,459,922	3,608,487
Hedging derivatives	40,227	67,825
Provisions	845,144	753,103
Current tax liabilities	87,924	197,085
Deferred tax liabilities	4,619	8,795
Other liabilities	1,751,901	1,691,552
TOTAL LIABILITIES	90,225,143	87,080,280
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	316,375
Reserves and retained earnings	2,607,203	1,714,173
Net income for the period attributable to Bank's Shareholders	234,309	856,050
Non-controlling interests	997,880	987,427
TOTAL EQUITY	7,572,238	7,290,496
TOTAL LIABILITIES AND EQUITY	97,797,381	94,370,776

Alternative performance measures

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

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

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

Million euros

	31 Mar. 24	31 Mar. 23
Loans to customers (net) (1)	55,229	55,745
Balance sheet customer funds (2)	82,147	76,416
(1) / (2)	**67.2%**	**72.9%**

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

	3M24	3M23 (restated)
Net income (1)	234	216
Non-controlling interests (2)	22	35
Average total assets (3)	95,988	89,926
[(1) + (2), annualised] / (3)	**1.1%**	**1.1%**

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

	3M24	3M23 (restated)
Net income (1)	234	216
Coupons on AT1 Instruments (2)	9	9
Average equity (3)	6,034	4,923
[(1)-(2), annualised] / (3)	**15.0%**	**17.0%**

4) Return on average equity (ROTE)

Relevance of the indicator: allows assessment of the capacity of the Group to remunerate its shareholders, excluding intangible items.

Million euros

	3M24	3M23 (restated)
Net income (1)	234	216
Coupons on AT1 Instruments (2)	9	9
Goodwill impairment (3)	—	—
Adjusted net income (4)=[(1)-(2)+(3)]	225	207
Average equity excluding goodwill and intangible assets (5)	5,811	4,744
[(4), annualised] / (5)	**15.6%**	**17.7%**

5) 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

	3M24	3M23 (restated)
Operating costs (1)	308	269
of which: specific items (2)	(1)	(1)
Net operating revenues (3)	869	1,000
of which: specific items (4)	—	127
[(1) - (2)] / [(3) - (4)]	**35.6%**	**30.9%**

* Specific items: in the first quarter of 2024, the impact was positive in the amount of 1 million euros recognised as staff costs in the activity in Portugal. In the first quarter of 2023 the impact was also positive in the amount of 128 million euros including an income of 127 million euros related to the sale of 80% of the shares in Millennium Financial Services sp. z o.o. recognised in the international activity, mainly as net trading income, and an income of 1 million euros recognised as staff costs in the activity in Portugal.

6) 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

	3M24	3M23
Loans to customers at amortised cost, before impairment (1)	56,817	57,267
Loan impairment charges (net of recoveries) (2)	74	80
[(2), annualised] / (1)	**52**	**56**

7) 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 Mar. 24	31 Mar. 23
Non-Performing Exposures (1)	1,950	2,173
Loans to customers (gross) (2)	56,822	57,290
(1) / (2)	**3.4%**	**3.8%**

8) 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 Mar. 24	31 Mar. 23
Non-Performing Exposures (1)	1,950	2,173
Loans impairment (balance sheet) (2)	1,593	1,545
(2) / (1)	**81.7%**	**71.1%**

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net commissions - net fees and commissions income.

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

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

Net trading income – results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Return on equity (ROE) – net income (after minority interests) deducted from Coupons on AT1 (if they exist), divided by the average equity (weighted average of the average of monthly equity in the period), with Equity = Equity - preference shares - other capital instruments - non controlling interests.

Return on tangible equity (ROTE) – net income (after minority interests) deducted from Coupons on AT1 and from goodwill impairment (if they exist), divided by the average equity, deducted from goodwill and intangible assets (weighted average of the average of monthly equity in the period), with Equity = Equity - preference shares - other capital instruments - 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 Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2024 AND 2023

(Thousands of euros)

	Notes	31 March 2024	31 March 2023 (restated)
Interest and similar income	2	1,166,009	978,598
Interest expense and similar charges	2	(469,772)	(314,047)
NET INTEREST INCOME		696,237	664,551
Dividends from equity instruments	3	35	44
Net fees and commissions income	4	196,407	195,405
Gains/(losses) on financial operations at fair value through profit or loss	5	(6,779)	12,488
Foreign exchange gains/(losses)	5	9,833	6,567
Gains/(losses) on hedge accounting	5	(7,409)	668
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	1,456	111,840
Other operating income/(losses)	6	(31,515)	(16,039)
TOTAL OPERATING INCOME		858,265	975,524
Staff costs	7	165,707	144,337
Other administrative costs	8	106,956	90,261
Amortisations and depreciations	9	35,411	33,914
TOTAL OPERATING EXPENSES		308,074	268,512
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		550,191	707,012
Results on modification	10	(7,240)	(5,949)
Impairment of financial assets at amortised cost	11	(73,039)	(81,226)
Impairment of financial assets at fair value through other comprehensive income	12	(1,437)	245
Impairment of other assets	13	(5,681)	(2,789)
Other provisions	14	(138,588)	(234,399)
NET OPERATING INCOME		324,206	382,894
Share of profit of associates accounted for using the equity method	15	10,415	14,935
Gains/(losses) on disposal of subsidiaries and other assets	16	139	9,675
NET INCOME BEFORE INCOME TAXES		334,760	407,504
Income taxes			
Current	30	(27,366)	(76,299)
Deferred	30	(50,767)	(79,947)
NET INCOME AFTER INCOME TAXES		256,627	251,258
Net income for the period attributable to:			
Bank's Shareholders		234,309	216,127
Non-controlling interests	43	22,318	35,131
NET INCOME FOR THE PERIOD		256,627	251,258
Earnings per share (in Euros)			
Basic	17	0.061	0.056
Diluted	17	0.061	0.056

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2024 AND 2023

(Thousands of euros)

	31 March 2024		
		Attributable to	
	Continuing operations	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	256,627	234,309	22,318
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 42)			
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the period	12,897	6,397	6,500
Reclassification of (gains) / losses to profit or loss (note 5)	694	700	(6)
Cash flows hedging			
Gains / (losses) for the period	23,688	22,295	1,393
Other comprehensive income from investments in associates and others	9,920	9,916	4
Exchange differences arising on consolidation	26,563	15,791	10,772
IAS 29 application			
Effect on equity of Banco Millennium Atlântico, S.A.	(204)	(204)	—
Fiscal impact	(10,008)	(8,455)	(1,553)
	63,550	46,440	17,110
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the period			
Subsidiaries (note 42)	446	420	26
Associates	2,186	2,186	—
	2,632	2,606	26
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	2,480	2,480	—
Actuarial gains / (losses) for the period			
Pension Funds of foreign subsidiaries and associated companies	(3,021)	(2,743)	(278)
Fiscal impact	(913)	(908)	(5)
	1,178	1,435	(257)
Other comprehensive income / (loss) for the period	64,728	47,875	16,853
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	321,355	282,184	39,171

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	31 March 2023 (restated)		
		Attributable to	
	Continuing operations	Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	251,258	216,127	35,131
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 42)			
Debt instruments at fair value through other comprehensive income			
Gains / (losses) for the period	90,294	60,592	29,702
Reclassification of (gains) / losses to profit or loss (note 5)	832	57	775
Cash flows hedging			
Gains / (losses) for the period	139,458	127,052	12,406
Other comprehensive income from investments in associates and others	(11,006)	(10,991)	(15)
Exchange differences arising on consolidation	(12,264)	(8,850)	(3,414)
IAS 29 application			
Effect on equity of Banco Millennium Atlântico, S.A.	384	384	—
Fiscal impact	(61,302)	(53,157)	(8,145)
	146,396	115,087	31,309
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Equity instruments at fair value through other comprehensive income			
Gains / (losses) for the period			
Subsidiaries (note 42)	6,316	6,354	(38)
	6,316	6,354	(38)
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 42)	8,831	8,831	—
Actuarial gains / (losses) for the period			
Pension Funds of foreign subsidiaries and associated companies	3,820	3,820	—
Fiscal impact	(2,588)	(2,588)	—
	16,379	16,417	(38)
Other comprehensive income / (loss) for the period	162,775	131,504	31,271
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	414,033	347,631	66,402

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2024 AND 31 DECEMBER 2023

(Thousands of euros)

	Notes	31 March 2024	31 December 2023 (restated)
ASSETS			
Cash and deposits at Central Banks	18	4,108,736	4,545,526
Loans and advances to credit institutions repayable on demand	19	195,279	337,687
Financial assets at amortised cost			
Loans and advances to credit institutions	20	846,515	908,477
Loans and advances to customers	21	53,483,511	53,305,159
Debt securities	22	18,205,388	17,579,136
Financial assets at fair value through profit or loss			
Financial assets held for trading	23	1,610,067	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	23	445,912	467,254
Financial assets designated at fair value through profit or loss	23	32,956	32,004
Financial assets at fair value through other comprehensive income	23	13,002,748	10,834,291
Hedging derivatives	24	45,189	40,628
Investments in associated companies	25	394,936	347,257
Non-current assets held for sale	26	74,761	80,317
Investment property	27	39,646	39,100
Other tangible assets	28	604,856	606,447
Goodwill and intangible assets	29	224,024	223,105
Current tax assets	30	21,271	20,469
Deferred tax assets	30	2,485,943	2,554,331
Other assets	31	1,975,643	1,626,684
TOTAL ASSETS		97,797,381	94,370,776
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	32	1,015,315	829,126
Resources from customers	33	78,687,238	75,606,813
Non subordinated debt securities issued	34	2,724,669	2,712,682
Subordinated debt	35	1,381,415	1,397,425
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	36	226,769	207,387
Financial liabilities at fair value through profit or loss	37	3,459,922	3,608,487
Hedging derivatives	24	40,227	67,825
Provisions	38	845,144	753,103
Current tax liabilities	30	87,924	197,085
Deferred tax liabilities	30	4,619	8,795
Other liabilities	39	1,751,901	1,691,552
TOTAL LIABILITIES		90,225,143	87,080,280
EQUITY			
Share capital	40	3,000,000	3,000,000
Share premium	40	16,471	16,471
Other equity instruments	40	400,000	400,000
Legal and statutory reserves	41	316,375	316,375
Reserves and retained earnings	42	2,607,203	1,714,173
Net income for the period attributable to Bank's Shareholders		234,309	856,050
Non-controlling interests	43	997,880	987,427
TOTAL EQUITY		7,572,238	7,290,496
TOTAL LIABILITIES AND EQUITY		97,797,381	94,370,776

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2024 AND 2023

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	888,339	766,965
Commissions received	255,131	247,975
Fees received from services rendered	17,569	24,327
Interests paid	(380,615)	(279,540)
Commissions paid	(39,795)	(47,608)
Recoveries on loans previously written off	4,723	6,136
Payments (cash) to suppliers and employees (*)	(365,485)	(276,088)
Income taxes (paid) / received	(122,710)	(19,206)
	257,157	422,961
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	140,129	10,778
Deposits held with purpose of monetary control	(76,847)	324,535
Loans and advances to customers receivable / (granted)	(434,421)	359,934
Short term trading securities	(765,239)	(686,406)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	66,684	7,552
Deposits from credit institutions with agreed maturity date	118,771	(387,660)
Loans and advances to customers repayable on demand	(540,339)	(1,842,273)
Deposits from customers with agreed maturity date	3,359,301	898,271
	2,125,196	(892,308)
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control	–	106,810
Dividends received	35	44
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	164,066	84,139
Sale of financial assets at fair value through other comprehensive income and at amortised cost	3,551,953	422,072
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(42,995,461)	(33,969,313)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	36,714,696	31,197,185
Acquisition of tangible and intangible assets	(18,937)	(11,778)
Sale of tangible and intangible assets	1,030	1,028
Decrease / (increase) in other sundry assets	(125,429)	(19,122)
	(2,708,047)	(2,188,935)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of debt securities	225	114
Reimbursement of debt securities	(97,874)	(9,548)
Issuance of commercial paper and other securities	22,596	2,845
Reimbursement of commercial paper and other securities	(4,677)	(5,588)
Dividends paid to non-controlling interests	(28,727)	(23,719)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(9,250)	(9,250)
Increase / (decrease) in other sundry liabilities and non-controlling interests (**)	94,797	141,976
	(22,910)	96,830
Exchange differences effect on cash and equivalents	26,563	(12,264)
Net changes in cash and equivalents	(579,198)	(2,996,677)
Cash (note 18)	688,501	593,033
Deposits at Central Banks (note 18)	3,857,025	5,428,968
Loans and advances to credit institutions repayable on demand (note 19)	337,687	213,460
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,883,213	6,235,461
Cash (note 18)	566,924	539,846
Deposits at Central Banks (note 18)	3,541,812	2,495,430
Loans and advances to credit institutions repayable on demand (note 19)	195,279	203,508
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	4,304,015	3,238,784

(*) As at 31 March 2024, this balance includes the amount of Euros 37,000 (31 March 2023: Euros 133,000) related to short-term lease contracts and the amount of Euros 606,000 (31 March 2023: Euros 633,000) related to lease contracts of low value assets.

(**) As at 31 March 2024, this balance includes the amount of Euros 14,097,000 (31 March 2023: Euros 13,725,000) corresponding to principal payments on lease liabilities.

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIODS ENDED 31 MARCH 2024 AND 2023

(Thousands of euros)

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Reserves and retained earnings	Net income for the period attributable to Bank's Shareholders	Non-controlling interests (note 43)	Total equity
BALANCE AS AT 31 DECEMBER 2022 (RESTATED)	3,000,000	16,471	400,000	268,534	1,272,262	197,386	782,114	5,936,767
Transition adjustments - Adoption of IFRS 17 and IFRS 9 (note 42)	—	—	—	—	(9,002)	—	—	(9,002)
BALANCE AS AT 1 JANUARY 2023	3,000,000	16,471	400,000	268,534	1,263,260	197,386	782,114	5,927,765
Net income for the period	—	—	—	—	—	216,127	35,131	251,258
Other comprehensive income	—	—	—	—	131,504	—	31,271	162,775
TOTAL COMPREHENSIVE INCOME	—	—	—	—	131,504	216,127	66,402	414,033
Results application:								
Transfers for reserves and retained earnings	—	—	—	—	197,386	(197,386)	—	—
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—	—	—	(9,250)	—	—	(9,250)
Dividends (a)	—	—	—	—	—	—	(23,719)	(23,719)
Other reserves	—	—	—	—	(9)	—	(8)	(17)
BALANCE AS AT 31 MARCH 2023	3,000,000	16,471	400,000	268,534	1,582,891	216,127	824,789	6,308,812
Net income for the period	—	—	—	—	—	639,923	56,428	696,351
Other comprehensive income	—	—	—	—	206,943	—	106,242	313,185
TOTAL COMPREHENSIVE INCOME	—	—	—	—	206,943	639,923	162,670	1,009,536
Results application:								
Legal reserve	—	—	—	47,841	(47,841)	—	—	—
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—	—	—	(27,750)	—	—	(27,750)
Other reserves	—	—	—	—	(70)	—	(32)	(102)
BALANCE AS AT 31 DECEMBER 2023	3,000,000	16,471	400,000	316,375	1,714,173	856,050	987,427	7,290,496
Net income for the period	—	—	—	—	—	234,309	22,318	256,627
Other comprehensive income	—	—	—	—	47,875	—	16,853	64,728
TOTAL COMPREHENSIVE INCOME	—	—	—	—	47,875	234,309	39,171	321,355
Results application:								
Transfers for reserves and retained earnings	—	—	—	—	856,050	(856,050)	—	—
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—	—	—	(9,250)	—	—	(9,250)
Early repayment of the AT1 issue issued in January 2019 (note 40)	—	—	(400,000)	—	—	—	—	(400,000)
New AT1 issue issued in January 2024 (note 40)	—	—	400,000	—	—	—	—	400,000
Costs with the new AT1 issue (January 2024)	—	—	—	—	(2,400)	—	—	(2,400)
Taxes on Costs with the new AT1 issue (January 2024)	—	—	—	—	751	—	—	751
Dividends (a)	—	—	—	—	—	—	(28,727)	(28,727)
Other reserves	—	—	—	—	4	—	9	13
BALANCE AS AT 31 MARCH 2024	3,000,000	16,471	400,000	316,375	2,607,203	234,309	997,880	7,572,238

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

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the three-month periods ended on 31 March 2024 and 2023.

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 28 May 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 three-month periods ended on 31 March 2024 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 2024. The accounting policies were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

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

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

B. Basis of consolidation

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

The 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".

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 51, 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 March 2024, 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 March 2024, Banco Comercial Português has in Portugal four 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.

Caravela SME no.6, initiated on 28 February 2024, is supported on a credit portfolio of short-term exposures to Portuguese SME and Corporate clients, current accounts overdrafts, revolving credit facilities and reverse factoring credit lines.

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 and no.6, 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 113.5 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 65 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 26 and 31.

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 2024, 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 take 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 2024.

R3. Defined contribution plan

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

As at 31 March 2024, 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. As in the year 2023 the indicated requirements were 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 March 2024, 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 2024 and 2023, 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 contribution of the participation in the associate in Angola is included in the "Other" segment (foreign activity).

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.

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) customer behaviours monitoring as regards the number of future court cases (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)

	31 March 2024	31 March 2023 (restated)
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	28,927	22,021
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	20,748	18,887
Loans and advances to customers	809,079	739,781
Debt securities	149,002	101,164
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	6,854	10,538
Financial assets not held for trading mandatorily at fair value through profit or loss	60	791
Financial assets designated at fair value through profit or loss	228	—
Interest on financial assets at fair value through other comprehensive income	110,864	69,652
Interest on hedging derivatives	35,559	12,125
Interest on other assets	4,688	3,639
	1,166,009	978,598
Interest expense and similar charges		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(10,944)	(7,766)
Resources from customers	(290,115)	(200,267)
Non subordinated debt securities issued	(43,178)	(15,249)
Subordinated debt	(20,610)	(20,428)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives	(12,023)	(6,204)
Financial liabilities at fair value through profit or loss		
Resources from customers	(2,284)	—
Non subordinated debt securities issued	(100)	(98)
Interest on hedging derivatives	(87,359)	(61,132)
Interest on leasing	(3,096)	(2,872)
Interest on other liabilities	(63)	(31)
	(469,772)	(314,047)
	696,237	664,551

The balance Interest and similar income - Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 8,369,000 (31 March 2023: Euros 15,050,000) 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 17,707,000 (31 March 2023: Euros 18,052,000) 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 59,204,000 (31 March 2023: positive interests of Euros 10,246,000), Interest on financial assets at amortized cost - Debt securities, positive interests of Euros 16,156,000 (31 March 2023: positive interests of Euros 15,918,000), Interest on financial assets at fair value through other comprehensive income, negative interests of Euros 453,000 (31 March 2023: positive interests of Euros 1,248,000), 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 841,000 and Euros 202,000, respectively (31 March 2023: Euros 713,000 and Euros 113,000, respectively) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 C3.

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

3. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Dividends from financial assets through other comprehensive income	35	44
	35	44

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

4. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Fees and commissions received		
Banking services provided	125,693	120,686
Management and maintenance of accounts	42,181	41,974
Bancassurance	30,661	32,927
Securities operations	18,570	15,643
From guarantees granted	11,779	13,551
From commitments to third parties	1,325	1,411
Management and intervention commissions	6,313	6,071
Other commissions	5,381	5,506
	241,903	237,769
Fees and commissions paid		
Banking services provided by third parties	(34,938)	(32,603)
Securities operations	(2,059)	(2,051)
From guarantees received	(1,447)	(2,096)
Other commissions	(7,052)	(5,614)
	(45,496)	(42,364)
	196,407	195,405

5. Gains / (losses) on financial operations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Gains/(losses) on financial operations at fair value through profit or loss		
Gains/(losses) on financial assets held for trading	88,824	63,178
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss	9,716	6,818
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	(105,319)	(57,508)
	(6,779)	12,488
Foreign exchange gains/(losses)	9,833	6,567
Gains/(losses) on hedge accounting	(7,409)	668
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	1,456	111,840
	(2,899)	131,563

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

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Gains/(losses) on financial assets held for trading		
Gains		
Debt securities portfolio	2,757	4,221
Equity instruments	12,779	700
Derivative financial instruments	147,222	119,420
Other operations	179	334
	162,937	124,675
Losses		
Debt securities portfolio	(1,663)	(2,918)
Equity instruments	(12,436)	(68)
Derivative financial instruments	(59,911)	(58,399)
Other operations	(103)	(112)
	(74,113)	(61,497)
	88,824	63,178

(continues)

(continuation)

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss		
Gains		
Loans and advances to customers	1,113	1,032
Debt securities portfolio	14,178	23,245
Equity instruments	634	927
	15,925	25,204
Losses		
Loans and advances to customers	(256)	(1,599)
Debt securities portfolio	(1,555)	(15,189)
Equity instruments	(4,398)	(1,598)
	(6,209)	(18,386)
	9,716	6,818
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss		
Gains		
Resources from customers	9,719	9,104
Debt securities issued		
Certificates and structured securities issued	474	23,450
Other debt securities issued	32	88
	10,225	32,642
Losses		
Debt securities portfolio	(291)	—
Resources from customers	(8,454)	—
Debt securities issued		
Certificates and structured securities issued	(103,585)	(88,105)
Other debt securities issued	(3,214)	(2,045)
	(115,544)	(90,150)
	(105,319)	(57,508)

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)

	31 March 2024	31 March 2023 (restated)
Foreign exchange gains/(losses)		
Gains	952,461	820,121
Losses	(942,628)	(813,554)
	9,833	6,567
Gains/(losses) on hedge accounting		
Gains		
Hedging derivatives	45,212	33,291
Hedged items	53,935	90,769
	99,147	124,060
Losses		
Hedging derivatives	(77,441)	(79,923)
Hedged items	(29,115)	(43,469)
	(106,556)	(123,392)
	(7,409)	668
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss		
Gains		
Credit sales	2,819	343
Debt securities portfolio at fair value through other comprehensive income	74	1,555
Debt securities issued	519	364
Others	507	117,834
	3,919	120,096
Losses		
Credit sales	(1,177)	(5,570)
Debt securities portfolio at fair value through other comprehensive income	(768)	(2,387)
Debt securities issued	(374)	(216)
Others	(144)	(83)
	(2,463)	(8,256)
	1,456	111,840

6. Other operating income / (losses)

The amount of this account is comprised of

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Operating income		
Gains on leasing operations	5,206	694
Income from services provided	8,553	8,588
Rents	483	438
Sales of cheques and others	1,928	2,317
Other operating income	14,782	14,394
	30,952	26,431
Operating costs		
Donations and contributions	(1,362)	(1,379)
Contributions to Resolution Funds	(14,604)	(17,737)
Contributions to the Deposit Guarantee Fund	(78)	(46)
Taxes	(3,530)	(4,725)
Losses on financial leasing operations	(10)	—
Other operating costs	(42,883)	(18,583)
	(62,467)	(42,470)
	(31,515)	(16,039)

7. Staff costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Remunerations	134,945	120,253
Mandatory social security charges	26,393	20,537
Voluntary social security charges	3,787	3,679
Other staff costs	582	(132)
	165,707	144,337

8. Other administrative costs

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Water, electricity and fuel	3,900	4,327
Credit cards and mortgage	4,990	(3,021)
Communications	6,758	6,335
Maintenance and related services	4,865	4,208
Legal expenses	2,042	1,207
Travel, hotel and representation costs	2,297	1,892
Advisory services	10,007	9,849
Training costs	139	131
Information technology services	6,997	6,837
Consumables	2,242	1,887
Outsourcing and independent labour	27,427	25,857
Advertising	7,692	6,841
Rents and leases	7,191	6,327
Insurance	1,446	1,356
Transportation	2,890	2,807
Other specialised services	9,094	7,415
Other supplies and services	6,979	6,006
	106,956	90,261

The balance Rents and leases includes the amount of Euros 37,000 (31 March 2023: Euros 133,000) related to short-term lease contracts and the amount of Euros 606,000 (31 March 2023: Euros 633,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H.

9. Amortisations and depreciations

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Amortisations of intangible assets (note 29):		
Software	8,751	8,839
Other intangible assets	1,569	1,127
	10,320	9,966
Depreciations of other tangible assets (note 28):		
Properties	3,669	3,568
Equipment		
Computers	4,522	4,227
Security equipment	247	220
Installations	814	750
Machinery	426	390
Furniture	612	647
Motor vehicles	1,272	1,203
Other equipment	442	370
Right-of-use		
Real estate	13,087	12,573
	25,091	23,948
	35,411	33,914

10. Results on modification

The Group has accounted for in this balance the negative amount of Euros 7,240,000 (31 March 2023: negative amount of Euros 5,949,000) 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 51, which amounted, in the first quarter of 2024, to Euros 4,780,000 (31 March 2023: Euros 3,989,000).

11. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Loans and advances to credit institutions (note 20)		
Charge for the period	68	7
Reversals for the period	(160)	(648)
	(92)	(641)
Loans and advances to customers (note 21)		
Charge for the period	203,126	208,809
Reversals for the period	(123,556)	(123,080)
Recoveries of loans and interest charged-off	(4,722)	(6,136)
	74,848	79,593
Debt securities (note 22)		
Associated to credit operations		
Charge for the period	15	843
Reversals for the period	(1,315)	(14)
	(1,300)	829
Not associated to credit operations		
Charge for the period	880	1,445
Reversals for the period	(1,297)	—
	(417)	1,445
	(1,717)	2,274
	73,039	81,226

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

The detail of this balance is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Impairment of financial assets at fair value through other comprehensive income (note 23)		
Charge for the period	1,437	266
Reversals for the period	—	(511)
	1,437	(245)

13. Impairment of other assets

The amount of this account is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Impairment of non-current assets held for sale (note 26)		
Charge for the period	1,738	1,817
Reversals for the period	(7)	(1,948)
	1,731	(131)
Impairment of other assets (note 31)		
Charge for the period	3,684	4,662
Reversals for the period	(776)	(2,463)
	2,908	2,199
Impairment of real estate and other assets arising from recovered loans (note 31)		
Charge for the period	1,168	940
Reversals for the period	(126)	(219)
	1,042	721
	5,681	2,789

14. Other provisions

This balance is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Provision for guarantees and other commitments (note 38)		
Charge for the period	7,378	15,136
Reversals for the period	(11,892)	(12,807)
	(4,514)	2,329
Other provisions for liabilities and charges (note 38)		
Charge for the period	143,651	232,995
Reversals for the period	(549)	(925)
	143,102	232,070
	138,588	234,399

The balance Other provisions for liabilities and charges - Charge for the period refers essentially to provisions for legal risk accounted for by Bank Millennium, related to foreign currency-indexed mortgage loans, as described in note 51, which, in the first quarter of 2024, amounted to Euros 127,017,000 (31 March 2023: Euros 183,597,000).

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)

	31 March 2024	31 March 2023 (restated)
Banco Millennium Atlântico, S.A. (note 25)		
Appropriation relating to the current period	835	494
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (a)	(39)	(75)
	796	419
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	6,426	9,944
Unicre - Instituição Financeira de Crédito, S.A.	(183)	(516)
SIBS, S.G.P.S, S.A.	2,102	3,546
Banque BCP, S.A.S.	769	1,075
Fidelidade Moçambique - Companhia de Seguros S.A.	476	467
Other companies	29	—
	9,619	14,516
	10,415	14,935

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

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

This balance is comprised of:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Gains /(Losses) on disposal of investments	(13)	9,199
Gains /(Losses) on disposal of other assets	152	476
	139	9,675

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 289,000 (31 March 2023: gain of Euros 450,000).

17. Earnings per share

The earnings per share are calculated as follows:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Continuing operations		
Net income from continuing operations	256,627	251,258
Non-controlling interests	(22,318)	(35,131)
Appropriated net income from continuing operations	234,309	216,127
Interests on perpetual subordinated bonds (Additional Tier 1)	(9,250)	(9,250)
Adjusted net income from continuing operations	225,059	206,877
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.061	0.056
from discontinued or discontinuing operations	0.000	0.000
	0.061	0.056
Diluted earnings per share (Euros):		
from continuing operations	0.061	0.056
from discontinued or discontinuing operations	0.000	0.000
	0.061	0.056

As at 31 March 2024, the Bank's share capital amounts to Euros 3,000,000,000 (31 March 2023: 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 March 2024 and 2023, so the diluted result is equivalent to the basic result.

18. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Cash	566,924	688,501
Central Banks		
Bank of Portugal	1,805,845	2,134,395
Central Banks abroad	1,735,967	1,722,630
	4,108,736	4,545,526

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.

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Credit institutions in Portugal	3,676	1,285
Credit institutions abroad	134,327	260,227
Amounts due for collection	57,276	76,175
	195,279	337,687

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.

20. Loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Loans and advances to Central Banks		
Central Banks abroad	261,497	184,650
	261,497	184,650
Loans and advances to credit institutions in Portugal		
Term deposits	77,341	(23)
Term deposits to collateralise CIRS and IRS operations (*)	—	330
Other	783	10,175
	78,124	10,482
Loans and advances to credit institutions abroad		
Term deposits	347,496	371,647
Term deposits to collateralise CIRS and IRS operations (*)	40,057	58,446
Other	119,465	283,476
	507,018	713,569
	846,639	908,701
Impairment for loans and advances to credit institutions	(124)	(224)
	846,515	908,477

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

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

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Balance on 1 January	224	862
Transfers	(9)	28
Charge for the period (note 11)	68	92
Reversals for the period (note 11)	(160)	(762)
Exchange rate differences	1	4
Balance at the end of the period	124	224

21. Loans and advances to customers

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

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Mortgage loans	28,823,976	28,622,845
Loans	16,400,328	16,520,496
Finance leases	4,244,363	4,195,116
Factoring operations	2,767,117	2,909,570
Current account credits	908,267	847,455
Overdrafts	1,155,086	1,019,668
Discounted bills	151,844	156,603
	54,450,981	54,271,753
Overdue loans - less than 90 days	118,263	110,996
Overdue loans - Over 90 days	496,509	505,060
	55,065,753	54,887,809
Loans impairment	(1,582,242)	(1,582,650)
	53,483,511	53,305,159

The balance Loans and advances to customers, as at 31 March 2024, is analysed as follows:

(Thousands of euros)

	31 March 2024				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	552,960	—	552,960	(1,106)	551,854
Asset-backed loans	31,856,223	124,846	31,981,069	(577,010)	31,404,059
Other guaranteed loans	4,513,776	62,747	4,576,523	(169,939)	4,406,584
Unsecured loans	8,354,405	282,206	8,636,611	(609,507)	8,027,104
Foreign loans	2,162,137	22,789	2,184,926	(54,019)	2,130,907
Factoring operations	2,767,117	29,484	2,796,601	(58,344)	2,738,257
Finance leases	4,244,363	92,700	4,337,063	(112,317)	4,224,746
	54,450,981	614,772	55,065,753	(1,582,242)	53,483,511

The balance Loans and advances to customers, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

	31 December 2023 (restated)				
	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 analysis of loans and advances to customers, as at 31 March 2024, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2024					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	421,767	5,897	427,664	(13,485)	414,179	0.78 %
Fisheries	22,828	4,489	27,317	(4,852)	22,465	0.05 %
Mining	62,137	2,199	64,336	(6,424)	57,912	0.12 %
Food, beverage and tobacco	722,353	6,301	728,654	(30,728)	697,926	1.32 %
Textiles	400,735	11,803	412,538	(54,582)	357,956	0.75 %
Wood and cork	228,138	3,552	231,690	(6,156)	225,534	0.42 %
Paper, printing and publishing	115,584	1,525	117,109	(4,276)	112,833	0.21 %
Chemicals	684,313	14,940	699,253	(28,392)	670,861	1.27 %
Machinery, equipment and basic metallurgical	1,369,362	23,090	1,392,452	(55,624)	1,336,828	2.53 %
Electricity and gas	262,513	110	262,623	(4,405)	258,218	0.48 %
Water	200,533	578	201,111	(7,176)	193,935	0.37 %
Construction	1,514,384	28,221	1,542,605	(78,938)	1,463,667	2.80 %
Retail business	1,650,124	20,734	1,670,858	(35,606)	1,635,252	3.03 %
Wholesale business	2,032,965	23,874	2,056,839	(75,355)	1,981,484	3.74 %
Restaurants and hotels	1,343,630	16,000	1,359,630	(78,826)	1,280,804	2.47 %
Transports	1,309,569	15,399	1,324,968	(30,523)	1,294,445	2.41 %
Post offices	24,841	385	25,226	(623)	24,603	0.05 %
Telecommunications	344,985	4,350	349,335	(7,809)	341,526	0.63 %
Services						
Financial intermediation	1,447,037	636	1,447,673	(50,215)	1,397,458	2.63 %
Real estate activities	2,047,583	15,575	2,063,158	(55,149)	2,008,009	3.75 %
Consulting, scientific and technical activities	988,865	8,002	996,867	(158,102)	838,765	1.81 %
Administrative and support services activities	484,364	4,474	488,838	(20,747)	468,091	0.89 %
Public sector	647,816	—	647,816	(2,694)	645,122	1.18 %
Education	113,863	781	114,644	(2,140)	112,504	0.21 %
Health and collective service activities	338,981	1,516	340,497	(7,820)	332,677	0.62 %
Artistic, sports and recreational activities	212,879	819	213,698	(26,925)	186,773	0.39 %
Other services	256,714	3,222	259,936	(61,193)	198,743	0.47 %
Consumer loans	6,680,744	259,667	6,940,411	(445,132)	6,495,279	12.60 %
Mortgage credit	27,987,687	112,787	28,100,474	(201,423)	27,899,051	51.03 %
Other domestic activities	1,437	195	1,632	(120)	1,512	0.00 %
Other international activities	532,250	23,651	555,901	(26,802)	529,099	1.01 %
	54,450,981	614,772	55,065,753	(1,582,242)	53,483,511	100 %

The analysis of loans and advances to customers, as at 31 December 2023, by sector of activity, is as follows:

(Thousands of euros)

	31 December 2023 (restated)					
	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 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)

	31 March 2024			31 December 2023 (restated)		
	Restructured loans	Impairment (*)	Net amount	Restructured loans	Impairment (*)	Net amount
Agriculture and forestry	20,941	(1,908)	19,033	21,199	(1,928)	19,271
Fisheries	3,378	(2,641)	737	3,381	(2,708)	673
Mining	5,906	(3,234)	2,672	5,919	(3,246)	2,673
Food, beverage and tobacco	16,082	(7,519)	8,563	18,625	(7,781)	10,844
Textiles	8,262	(2,036)	6,226	7,766	(1,948)	5,818
Wood and cork	3,520	(434)	3,086	3,670	(428)	3,242
Paper, printing and publishing	6,390	(2,246)	4,144	6,563	(1,868)	4,695
Chemicals	22,832	(7,006)	15,826	22,807	(6,719)	16,088
Machinery, equipment and basic metallurgical	32,226	(13,919)	18,307	35,284	(14,955)	20,329
Electricity and gas	23,964	(342)	23,622	951	(6)	945
Water	932	(86)	846	1,749	(934)	815
Construction	140,223	(26,268)	113,955	141,642	(27,956)	113,686
Retail business	20,648	(3,276)	17,372	22,524	(4,587)	17,937
Wholesale business	49,915	(29,724)	20,191	25,671	(6,607)	19,064
Restaurants and hotels	53,255	(20,362)	32,893	63,536	(21,319)	42,217
Transports	5,958	(1,462)	4,496	4,666	(1,513)	3,153
Post offices	61	(17)	44	100	(40)	60
Telecommunications	2,810	(448)	2,362	1,861	(404)	1,457
Services						
Financial intermediation	24,059	(12,945)	11,114	24,992	(2,430)	22,562
Real estate activities	73,593	(14,390)	59,203	74,959	(14,492)	60,467
Consulting, scientific and technical activities	165,060	(131,328)	33,732	192,379	(130,306)	62,073
Administrative and support services activities	28,753	(10,562)	18,191	28,633	(10,843)	17,790
Public sector	62,281	(394)	61,887	60,886	(464)	60,422
Education	1,835	(100)	1,735	2,089	(234)	1,855
Health and collective service activities	9,763	(1,386)	8,377	9,543	(1,352)	8,191
Artistic, sports and recreational activities	30,162	(22,031)	8,131	38,720	(27,782)	10,938
Other services	8,134	(1,762)	6,372	8,596	(1,801)	6,795
Consumer loans	278,801	(118,550)	160,251	276,092	(115,154)	160,938
Mortgage credit	646,942	(79,335)	567,607	623,740	(71,001)	552,739
Other domestic activities	1	—	1	3	—	3
Other international activities	709	(646)	63	705	(621)	84
	1,747,396	(516,357)	1,231,039	1,729,251	(481,427)	1,247,824

(*)The impairment presented in the table does not include the amounts of impairment calculated using the overlays methodology.

The changes occurred in Loans impairment are analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Balance on 1 January	1,582,650	1,502,373
Charge for the period in net income interest	9,877	3,545
Transfers resulting from changes in the Group's structure	—	411
Other transfers	120	(1,054)
Impairment charge for the period (note 11)	203,126	805,500
Reversals for the period (note 11)	(123,557)	(511,733)
Loans charged-off		
Write-offs	(48,139)	(192,473)
Credit assignments	(45,732)	(62,044)
Exchange rate differences	3,897	38,125
Balance at the end of the period	1,582,242	1,582,650

According to note 38, regarding the proceedings related to foreign currency-indexed mortgage loans of Bank Millennium the amount of Euros 1,421,563,000 has been written-off from the gross carrying amount of loans portfolio (31 December 2023: Euros 1,500,209,000).

The analysis of Write-offs, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Agriculture and forestry	10	1,046
Fisheries	1	—
Food, beverage and tobacco	129	3,799
Textiles	176	1,141
Wood and cork	22	567
Paper, printing and publishing	38	103
Chemicals	50	1,058
Machinery, equipment and basic metallurgical	55	6,091
Electricity and gas	—	377
Water	3	51
Construction	350	3,100
Retail business	257	1,714
Wholesale business	225	3,338
Restaurants and hotels	228	891
Transports	267	475
Post offices	20	134
Telecommunications	7	234
Services		
Financial intermediation	1	20,210
Real estate activities	169	208
Consulting, scientific and technical activities	23,419	5,975
Administrative and support services activities	107	35,569
Education	29	10
Health and collective service activities	10	173
Artistic, sports and recreational activities	5,483	222
Other services	22	268
Consumer loans	14,772	64,537
Mortgage credit	741	1,968
Other domestic activities	15	761
Other international activities	1,533	38,453
	48,139	192,473

According with the accounting policy described in note 1 C1.3, the Group writes off a loan when it does not have reasonable expectations of recovering a financial asset in its entirety or partially. Loans written-off are recognised in off-balance sheet accounts.

The analysis of recovered loans and interest occurred during the first quarter of 2024 and 2023, by sector of activity, is as follows:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Agriculture and forestry	3	—
Food, beverage and tobacco	550	6
Textiles	1	8
Wood and cork	15	7
Chemicals	70	7
Machinery, equipment and basic metallurgical	2	3
Construction	78	68
Retail business	476	921
Wholesale business	355	1,154
Restaurants and hotels	3	5
Transports	65	101
Telecommunications	1	—
Services		
Financial intermediation	—	2
Consulting, scientific and technical activities	—	1
Administrative and support services activities	1	23
Health and collective service activities	29	1
Artistic, sports and recreational activities	—	19
Other services	—	598
Consumer loans	2,970	3,052
Mortgage credit	88	156
Other domestic activities	14	3
Other international activities	1	1
	4,722	6,136

22. Debt securities

The balance Debt securities is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	111,320	115,629
Commercial paper	1,611,371	1,762,453
Foreign issuers		
Commercial paper	22,875	38,900
	1,745,566	1,916,982
Overdue securities - less 90 days	5,178	—
Overdue securities - over 90 days	40	40
	1,750,784	1,917,022
Impairment	(7,416)	(8,668)
	1,743,368	1,908,354
Debt securities held not associated with credit operations		
Bonds issued by public entities (*)		
Portuguese issuers	3,551,464	3,552,807
Foreign issuers	11,924,450	11,237,924
Bonds issued by public companies and other entities		
Portuguese issuers	563,271	459,392
Foreign issuers	440,106	395,102
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	—	42,277
	16,479,291	15,687,502
Impairment	(17,271)	(16,720)
	16,462,020	15,670,782
	18,205,388	17,579,136

(*) Includes the negative amount of Euros 340,471,000 (31 December 2023: negative amount of Euros 356,628,000) related to adjustments resulting from the application of fair value hedge accounting.

Under the terms of IFRS 9, the balance Debt securities held not associated with credit operations - Bonds issued by public issuers, includes essentially a portfolio of securities to support Bank's ALM (Asset and Liability Management), whose business model seeks to receive the respective income until maturity, that is, of a portfolio Held to Collect, whose value as at 31 March 2024 amounts to Euros 10,128,911,000 (31 December 2023: Euros 9,905,849,000).

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Debt securities held associated with credit operations		
Agriculture and forestry	2,456	2,479
Mining	96,457	85,939
Food, beverage and tobacco	131,684	102,720
Textiles	41,905	45,203
Wood and cork	20,934	23,720
Paper, printing and publishing	8,961	9,206
Chemicals	209,183	215,972
Machinery, equipment and basic metallurgical	58,683	42,787
Electricity and gas	193,750	211,183
Water	31,981	31,955
Construction	10,455	10,633
Retail business	47,313	28,973
Wholesale business	71,075	64,044
Restaurants and hotels	8,932	8,857
Transports	34,753	33,392
Telecommunications	4,074	4,018
Services		
Financial intermediation	126,584	114,283
Real estate activities	60,543	55,566
Consulting, scientific and technical activities	535,773	751,610
Administrative and support services activities	15,906	11,217
Health and collective service activities	4,973	4,974
Artistic, sports and recreational activities	2,115	7,058
Other services	2,003	3,665
Other international activities	22,875	38,900
	1,743,368	1,908,354
Debt securities held not associated with credit operations		
Machinery, equipment and basic metallurgical	19,315	11,977
Electricity and gas	101,075	99,846
Services		
Financial intermediation	440,105	437,378
Consulting, scientific and technical activities	440,843	346,117
	1,001,338	895,318
Government and Public securities	15,460,682	14,775,464
	16,462,020	15,670,782
	18,205,388	17,579,136

The analysis of restructured debt securities portfolio, by sector of activity, is analysed as follows:

(Thousands of euros)

	31 March 2024			31 December 2023 (restated)		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Debt securities held associated with credit operations						
Food, beverage and tobacco	7,712	(114)	7,598	7,711	(126)	7,585
Chemicals	5,178	(1,518)	3,660	–	–	–
Services						
Administrative and support services activities	10,503	(90)	10,413	10,311	(90)	10,221
	23,393	(1,722)	21,671	18,022	(216)	17,806

The changes occurred in impairment of debt securities are analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Debt securities held associated with credit operations		
Balance on 1 January	8,668	4,676
Charge for the period in net income interest	48	2
Charge for the period (note 11)	15	3,991
Reversals for the period (note 11)	(1,315)	–
Exchange rate differences	–	(1)
Balance at the end of the period	7,416	8,668
Debt securities held not associated with credit operations		
Balance on 1 January	16,720	9,563
Other transfers	815	–
Charge for the period (note 11)	880	9,323
Reversals for the period (note 11)	(1,297)	(688)
Amounts charged-off	–	(1,282)
Exchange rate differences	153	(196)
Balance at the end of the period	17,271	16,720

23. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The balances Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,096,633	355,526
Equity instruments	65,040	53,432
Trading derivatives	448,394	413,946
	1,610,067	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	1,677	4,454
Debt instruments	265,499	280,558
Equity instruments	178,736	182,242
	445,912	467,254
Financial assets designated at fair value through profit or loss		
Debt instruments	32,956	32,004
	32,956	32,004
Financial assets at fair value through other comprehensive income		
Debt instruments	12,978,149	10,809,872
Equity instruments	24,599	24,419
	13,002,748	10,834,291
	15,091,683	12,156,453

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 March 2024, is analysed as follows:

(Thousands of euros)

	31 March 2024				
	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	24,107	–	32,956	2,030,273	2,087,336
Foreign issuers	103,420	–	–	5,138,816	5,242,236
Bonds issued by public companies and other entities					
Portuguese issuers	–	51	–	520,098	520,149
Foreign issuers	4,273	–	–	1,317,381	1,321,654
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	721,270	–	–	–	721,270
Foreign issuers	243,563	–	–	3,971,581	4,215,144
Shares of foreign companies (a)	–	25,727	–	–	25,727
Investment fund units (b)	–	239,721	–	–	239,721
	1,096,633	265,499	32,956	12,978,149	14,373,237
Equity instruments					
Shares					
Portuguese companies	–	–	–	16,066	16,066
Foreign companies	28	15,458	–	8,533	24,019
Investment fund units (c)	–	163,278	–	–	163,278
Other securities (d)	65,012	–	–	–	65,012
	65,040	178,736	–	24,599	268,375
Trading derivatives	448,394	–	–	–	448,394
	1,610,067	444,235	32,956	13,002,748	15,090,006

(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 64,566,000 in Exchange Traded Funds (ETFs).

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 64,000 (31 December 2023: Euros 66,000).

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 37).

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)

	31 December 2023 (restated)				
	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

(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 52,854,000 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)

	31 March 2024	31 December 2023 (restated)
Balance on 1 January	1,150	1,067
Transfers to fair value changes (note 42)	(1,437)	(1,322)
Impairment through profit and loss (note 12)	1,437	2,641
Reversals through profit and loss (note 12)	—	(1,319)
Exchange rate differences	9	83
Balance at the end of the period	1,159	1,150

The accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 7,839,000 and is recognised against Fair value reserves (31 December 2023: Euros 6,272,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 31 March 2024, is analysed as follows:

(Thousands of euros)

	31 March 2024			
	Amortised cost (a)	Fair value hedge adjustments (note 42)	Fair value adjustments (note 42)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,164,190	(90,480)	(43,437)	2,030,273
Foreign issuers	5,153,568	5,299	(20,051)	5,138,816
Bonds issued by public companies and other entities				
Portuguese issuers	527,944	(9,058)	1,212	520,098
Foreign issuers	1,376,448	(52,363)	(6,704)	1,317,381
Treasury bills (Public Issuers and Central Banks)				
Foreign issuers	3,970,830	—	751	3,971,581
	13,192,980	(146,602)	(68,229)	12,978,149
Equity instruments				
Shares				
Portuguese companies	22,967	—	(6,901)	16,066
Foreign companies	4,959	—	3,574	8,533
	27,926	—	(3,327)	24,599
	13,220,906	(146,602)	(71,556)	13,002,748

(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 2023, is analysed as follows:

(Thousands of euros)

	31 December 2023 (restated)			
	Amortised cost (a)	Fair value hedge adjustments (note 42)	Fair value adjustments (note 42)	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 balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Unsecured loans	613	2,688
Overdue loans - less than 90 days	42	106
Overdue loans - Over 90 days	1,022	1,660
	1,677	4,454

The analysis of Financial assets at fair value through profit or loss (excluding loans and advances to customers at fair value and trading derivatives) and Financial assets at fair value through other comprehensive income, by sector of activity, as at 31 March 2024, is as follows:

(Thousands of euros)

	31 March 2024			
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Mining	—	6	—	6
Paper, printing and publishing	47,892	—	—	47,892
Chemicals	8,035	3	—	8,038
Machinery, equipment and basic metallurgical	2,468	2	—	2,470
Electricity and gas	88,124	—	—	88,124
Water	7,191	—	—	7,191
Construction	—	2	—	2
Wholesale business	7,151	474	—	7,625
Transports	42,403	—	—	42,403
Telecommunications	41,445	4,553	—	45,998
Services				
Financial intermediation	3,847,235	54,465	467,435	4,369,135
Consulting, scientific and technical activities	115,119	131	—	115,250
Administrative and support services activities	24,219	6,149	—	30,368
Public sector	15,030	—	446	15,476
Other services	—	27	—	27
	4,246,312	65,812	468,011	4,780,135
Government and Public securities	9,861,477	—	—	9,861,477
	14,107,789	65,812	468,011	14,641,612

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)

	31 December 2023 (restated)			
	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

24. Hedging derivatives

This balance is analysed, by hedging instruments, as follows:

(Thousands of euros)

	31 March 2024		31 December 2023 (restated)	
	Assets	Liabilities	Assets	Liabilities
Swaps	45,189	40,227	40,628	67,825

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Portuguese credit institutions	50,064	51,793
Foreign credit institutions	130,972	128,467
Other Portuguese companies	217,865	170,310
Other foreign companies	42,875	43,042
	441,776	393,612
Impairment	(46,840)	(46,355)
	394,936	347,257

The balance Investments in associated companies, as at 31 March 2024, is analysed as follows:

(Thousands of euros)

	31 March 2024		
	Global value of participation	Impairment of investments in associated companies	Book value of participation
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	123,943	—	123,943
Banco Millennium Atlântico, S.A.	77,114	(28,829)	48,285
Banque BCP, S.A.S.	53,858	—	53,858
SIBS, S.G.P.S, S.A.	66,646	—	66,646
Unicre - Instituição Financeira de Crédito, S.A.	50,064	—	50,064
Fidelidade Moçambique - Companhia de Seguros S.A.	12,676	—	12,676
Lusofundo - Fundo de Investimento Imobiliário Fechado	18,724	—	18,724
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	8,552	—	8,552
Millennium Financial Services Sp. z o.o.	12,188	—	12,188
Webspectator Corporation	18,011	(18,011)	—
	441,776	(46,840)	394,936

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 2023, is analysed as follows:

(Thousands of euros)

	31 December 2023 (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.	105,765	—	105,765
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
Unicre - Instituição Financeira de Crédito, S.A.	51,793	—	51,793
Fidelidade Moçambique - Companhia de Seguros S.A.	12,942	—	12,942
Millennium Financial Services Sp. z o.o.	12,089	—	12,089
Webspectator Corporation	18,011	(18,011)	—
	393,612	(46,355)	347,257

The Group's companies included in the consolidation perimeter are presented in note 52, as well as the main indicators of the most relevant ones.

The movements occurred in Impairment of investments in associated companies are analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Balance on 1 January	46,355	66,263
Exchange rate differences	485	(19,908)
Balance at the end of the period	46,840	46,355

26. Non-current assets held for sale

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024			31 December 2023 (restated)		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	77,290	(34,168)	43,122	87,735	(39,327)	48,408
Assets belong to investments funds and real estate companies	19,857	(6,150)	13,707	19,854	(6,149)	13,705
Assets for own use (closed branches)	3,342	(1,327)	2,015	3,472	(1,671)	1,801
Equipment and other	5,720	(706)	5,014	5,006	(696)	4,310
Other assets (*)	16,630	(5,727)	10,903	16,446	(4,353)	12,093
	122,839	(48,078)	74,761	132,513	(52,196)	80,317

(*) 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 31) 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.

The Group has a strategy for sale these assets, consistent with the characteristic of each asset as well as with the breakdown of underlying valuations. However, considering the formal constraints, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Group having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Group has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market. The Group requests, regularly, to the European Central Bank, the extension of the period of holding these properties.

The changes occurred in Impairment of non-current assets held for sale are analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Balance on 1 January	52,196	149,565
Transfer to other assets	—	(51,802)
Other transfers	(1,338)	(21,143)
Charge for the period (note 13)	1,737	12,899
Reversals for the period (note 13)	(7)	(1,656)
Amounts charged-off	(4,547)	(35,249)
Exchange rate differences	37	(418)
Balance at the end of the period	48,078	52,196

27. 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.

28. Other tangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Real estate	670,303	669,847
Equipment		
Computer equipment	347,851	346,220
Security equipment	67,783	67,587
Interior installations	152,079	151,649
Machinery	50,941	49,712
Furniture	84,305	84,154
Motor vehicles	35,939	35,839
Other equipment	32,871	31,842
Right of use		
Real estate	404,307	390,625
Work in progress	17,221	20,563
Other tangible assets	37	36
	1,863,637	1,848,074
Accumulated depreciation		
Relative to the current period (note 9)	(25,091)	(98,282)
Relative to the previous periods	(1,233,690)	(1,143,345)
	(1,258,781)	(1,241,627)
	604,856	606,447

The balance Real Estate includes the amount of Euros 107,833,000 (31 December 2023: Euros 107,833,000) related to real estate held by the Group's real estate investment funds.

The balance Right-of-use essentially corresponds to real estate (branches and central buildings) and to a residual number of vehicles, which are amortized according to the lease term of each contract, as described in the accounting policy 1 H.

The changes occurred in Other tangible assets during the first quarter of 2024 are analysed as follows:

(Thousands of euros)

	2024					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March
Real estate	669,847	25	(2,648)	720	2,359	670,303
Equipment:						
Computer equipment	346,220	3,121	(4,165)	1,366	1,309	347,851
Security equipment	67,587	209	(142)	—	129	67,783
Interior installations	151,649	263	(112)	(62)	341	152,079
Machinery	49,712	151	(24)	846	256	50,941
Furniture	84,154	164	(234)	89	132	84,305
Motor vehicles	35,839	1,887	(2,089)	—	302	35,939
Other equipment	31,842	—	(25)	809	245	32,871
Right of use						
Real estate	390,625	14,229	(2,276)	—	1,729	404,307
Work in progress	20,563	2,837	(587)	(5,810)	218	17,221
Other tangible assets	36	—	—	—	1	37
	1,848,074	22,886	(12,302)	(2,042)	7,021	1,863,637
Accumulated depreciation						
Real estate	(410,455)	(3,669)	2,585	832	(1,034)	(411,741)
Equipment:						
Computer equipment	(294,471)	(4,522)	4,161	172	(963)	(295,623)
Security equipment	(63,599)	(247)	137	—	(99)	(63,808)
Interior installations	(134,380)	(814)	112	32	(219)	(135,269)
Machinery	(42,015)	(426)	23	(167)	(191)	(42,776)
Furniture	(79,822)	(612)	230	147	(102)	(80,159)
Motor vehicles	(19,188)	(1,272)	1,713	(80)	(189)	(19,016)
Other equipment	(25,101)	(442)	25	(52)	(189)	(25,759)
Right of use						
Real estate	(172,560)	(13,087)	2,035	—	(982)	(184,594)
Other tangible assets	(36)	—	—	—	—	(36)
	(1,241,627)	(25,091)	11,021	884	(3,968)	(1,258,781)
	606,447	(2,205)	(1,281)	(1,158)	3,053	604,856

The changes occurred in Other tangible assets during 2023 are analysed as follows:

(Thousands of euros)

	2023 (restated)					
	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

29. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	111,539	110,640
Euro Bank, S.A. (Poland)	44,590	44,231
Others	10,179	10,172
	166,308	165,043
Impairment		
Bank Millennium, S.A. (Poland)	(111,539)	(110,640)
Others	(9,880)	(9,880)
	(121,419)	(120,520)
	44,889	44,523
Intangible assets		
Software	292,665	309,776
Other intangible assets	34,525	80,598
	327,190	390,374
Accumulated amortisation		
Charge for the period (note 9)	(10,320)	(39,217)
Charge for the previous periods	(137,735)	(172,575)
	(148,055)	(211,792)
	179,135	178,582
	224,024	223,105

The changes occurred in Goodwill and intangible assets, during the first quarter of 2024, are analysed as follows:

(Thousands of euros)

	2024					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 March
Goodwill - Differences arising on consolidation	165,043	—	—	—	1,265	166,308
Impairment for goodwill	(120,520)	—	—	—	(899)	(121,419)
	44,523	—	—	—	366	44,889
Intangible assets						
Software	309,776	10,280	(27,206)	(1,946)	1,761	292,665
Other intangible assets	80,598	—	(48,602)	2,004	525	34,525
	390,374	10,280	(75,808)	58	2,286	327,190
Accumulated depreciation						
Software	(138,508)	(8,751)	26,919	(141)	(1,001)	(121,482)
Other intangible assets	(73,284)	(1,569)	48,602	141	(463)	(26,573)
	(211,792)	(10,320)	75,521	—	(1,464)	(148,055)
	178,582	(40)	(287)	58	822	179,135
	223,105	(40)	(287)	58	1,188	224,024

The changes occurred in Goodwill and intangible assets during 2023 are analysed as follows:

(Thousands of euros)

	2023 (restated)					
	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

30. Income tax

Income tax assets and liabilities are analysed as follows:

(Thousands of euros)

	31 March 2024			31 December 2023 (restated)		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	850,191	–	850,191	862,261	–	862,261
Employee benefits	676,728	–	676,728	732,273	–	732,273
	1,526,919	–	1,526,919	1,594,534	–	1,594,534
Deferred taxes depending on the future profits						
Impairment losses (b)	446,023	–	446,023	419,544	–	419,544
Tax losses carried forward	165,250	–	165,250	167,995	–	167,995
Employee benefits	103,278	(142,349)	(39,071)	103,938	(141,506)	(37,568)
Financial assets at fair value through other comprehensive income	490,231	(88,749)	401,482	500,202	(82,879)	417,323
Derivatives	–	(6,552)	(6,552)	–	(7,750)	(7,750)
Intangible assets	995	–	995	968	–	968
Other tangible assets	10,177	(2,868)	7,309	9,401	(3,268)	6,133
Others	98,973	(120,004)	(21,031)	92,615	(108,258)	(15,643)
	1,314,927	(360,522)	954,405	1,294,663	(343,661)	951,002
Total deferred taxes	2,841,846	(360,522)	2,481,324	2,889,197	(343,661)	2,545,536
Offset between deferred tax assets and deferred tax liabilities	(355,903)	355,903	–	(334,866)	334,866	–
Net deferred taxes	2,485,943	(4,619)	2,481,324	2,554,331	(8,795)	2,545,536
Current taxes (c)	21,271	(87,924)	–	20,469	(197,085)	–

(a) Special Regime applicable to deferred tax assets.
(b) The amounts for 2024 and 2023 include deferred tax assets related with credit impairments losses not deducted for tax purposes of which credits were written-off, according to the expectation that the use of such impairments will be deductible in 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 March 2024, the balance deferred tax assets amounts to Euros 2,485,943,000, of which Euros 2,362,773,000 are related to the Bank's activity. The deferred taxes assets relating to the individual activity include a net amount of Euros 390,479,000 resulting from losses on cash flow hedging derivatives operations of interest rate risk recognized in other comprehensive income, whose average maturity of operations is 1.9 years and Euros 445,376,000 which depends on the existence of future taxable 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 258,389,000 (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 Meeting of the Bank which took place on 15 October 2014 approved the accession to the Special Regime approved by Law No. 61/2014, of 26 August, applicable to deferred tax assets that resulted from the non-deduction of expenses and negative equity variations related to 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 tax periods commencing on or after 1 January 2016, nor to deferred tax assets associated with them.

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 due to 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 1,323,224,000 (31 December 2023: Euros 1,387,878,000), of which Euros 836,169,000 relate to impairment losses on credits (31 December 2023: Euros 848,120,000) and Euros 487,055,000 relate to post-employment or long-term employee benefits (31 December 2023: Euros 539,758,000).

- 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, a special reserve corresponding to 110% of the tax credit must be constituted and, simultaneously, conversion rights of equivalent value attributable to the State are also constituted. These 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. Since neither Banco Comercial Português nor Banco ActivoBank recorded negative net results in the years 2015 to 2023, 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 tax rates enacted or substantively enacted 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 tax authority over the same taxable entity.

The current tax rate for Banco Comercial Português, S.A. is analysed as follows:

	31 March 2024	31 December 2023 (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 31 March 2024 and 31 December 2023.

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 and 32% in Mozambique.

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 assessed 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 reduced 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 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., and, from 2024, Imoserit, S.A. In 2024 and 2023, the application of RETGS was maintained.

Regarding the activity in Portugal, Law No. 98/2019, of 4 September, established the tax regime for credit impairments losses and provisions for guarantees for tax periods beginning on or after 1 January 2019, providing for the approximation between the accounting and tax rules in what concerns the deductibility of credit impairment losses. 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 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 tax purposes, with the exceptions provided for in the Corporate Income Tax Code. The exceptions apply to impairment losses related to credits and other rights over natural or legal persons who hold, directly or indirectly, more than 10 % of the Bank's share capital, over members of its corporate bodies, over companies in which the Bank holds, directly or indirectly, more than 10 % of the share capital or over related parties.

Impairment losses and other value corrections for specific credit risk recorded until 31 December 2021 and still not deducted 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, with no material impact on its financial statements resulting from its application.

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 Y3 and with the requirements of IAS 12, the deferred tax assets were recognised based on the Group's expectation of their recoverability. The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred 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 with 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 from 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 are adequate under the IAS 12 requirements. This analysis has not been updated with reference to 31 March 2024.

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)

	31 March 2024	31 December 2023 (restated)
Temporary differences	30,255	40,976
Tax losses carried forward		
2014	161,906	161,906
2015	2	2
2016	281,028	282,498
2017	2,773	2,773
2018	118,295	118,295
2019 (*)	24,126	24,192
2020 (*)	15,524	15,213
2021	193,426	193,878
2022	19,594	19,469
2023	1,072	2,402
2024	2,423	—
Total	820,169	820,628

(*) 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 by year of expiry is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
2024	139	206
2025	13,934	13,623
2026	130	129
2027	11,052	12,051
2028	963	2,293
2029	2,285	—
No expiry date	791,666	792,326
Total	820,169	820,628

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 March 2024, is analysed as follows:

(Thousands of euros)

	31 March 2024		
	Net income for the period	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(12,070)	—	—
Employee benefits	(55,545)	—	—
	(67,615)	—	—
Deferred taxes depending on the future profits			
Impairment losses	29,632	(440)	(2,713)
Tax losses carried forward (a)	(2,825)	—	80
Employee benefits	(1,547)	—	44
Financial assets at fair value through other comprehensive income	—	(8,871)	(6,970)
Derivatives	1,258	—	(60)
Intangible assets	19	—	8
Other tangible assets	1,177	—	(1)
Others	(10,866)	(859)	6,338
	16,848	(10,170)	(3,274)
	(50,767)	(10,170)	(3,274)
Current taxes			
Current period	(27,366)	(751)	—
	(27,366)	(751)	—
	(78,133)	(10,921)	(3,274)

The impact of income taxes in Net income and in other balances of Group's equity, as at 31 March 2023 , is analysed as follows:

(Thousands of euros)

	31 March 2023 (restated)		
	Net income for the period	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(2,442)	—	—
Employee benefits	(56,722)	—	—
	(59,164)	—	—
Deferred taxes depending on the future profits			
Impairment losses	(5,817)	(1,531)	44
Tax losses carried forward (a)	561	—	(291)
Employee benefits	(2,507)	174	—
Financial assets at fair value through other comprehensive income	—	(58,933)	15,682
Derivatives	—	—	(5)
Intangible assets	(63)	—	—
Other tangible assets	237	—	—
Others	(13,194)	(3,600)	(15,628)
	(20,783)	(63,890)	(198)
	(79,947)	(63,890)	(198)
Current taxes			
Current period	(76,309)	—	—
Correction of previous periods	10	—	—
	(76,299)	—	—
	(156,246)	(63,890)	(198)

(a) The amount recorded in reserves refers to the deferred tax on the part of tax loss arising from the deduction of negative equity changes recorded in reserves that contribute to the calculation of taxable income.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Net income before income taxes	334,760	407,504
Current tax rate (%)	31.5%	31.5%
Expected tax	(105,449)	(128,364)
Non-deductible impairment and provisions (a)	(8,547)	(49,364)
Mandatory contributions to the banking sector (b)	(2,775)	(3,370)
Results of companies accounted by the equity method	3,283	4,707
Interests on other equity instruments (c)	2,914	2,914
Effect of the tax rate difference (d)	7,610	18,312
Effect of recognition/derecognition net of deferred taxes (e)	20,403	(111)
Non-deductible costs and other corrections	2,161	(951)
Correction of previous periods (f)	2,432	169
Autonomous tax	(165)	(188)
Total	(78,133)	(156,246)
Effective rate (%)	23.3%	38.3%

(a) In 2024 includes the negative amount of Euros 9,473,000 (2023: negative Euros 34,767,000) 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.

(b) Refers to mandatory contributions to the banking sector 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 2024 this balance includes the amount of Euros 4,739,000 (2023: Euros 2,656,000) related with the effect of the taxation of 20% tax on interests of Mozambique's public debt securities and the amount of Euros 3,740,000 (2023: Euros 14,179,000) related to the effect of the difference in the tax rate on taxable profits in Poland, which is 19%, on a net income before income tax.

(e) In 2024, with regard to the activity in Portugal, includes the amount of Euros 10,752,000 related to the recognition of deferred tax assets related to credit impairments not tax deducted in previous years. In Poland, on 6 December 2023, the Polish Supreme Administrative Court confirmed that the costs incurred for the cancellation of foreign currency-indexed mortgage loans and mortgage loans contracts granted in foreign currency (in particular in Swiss francs) following court decisions are not deductible for tax purposes, establishing, however, the possibility of recovering the current tax paid in relation to the income (interest, commissions and foreign exchange gains) obtained with such contracts in the last five years prior to the cancellation. As a result of this decision, a deferred tax asset in the amount of Euros 11,934,000 was recognized in the first quarter of 2024 related to income taxes amounts to be recovered in the future in relation to probable cancellations of credit contracts granted that currently have ongoing legal actions associated with them and whose outcome may turn out to be unfavourable.

(f) In 2024, it includes the amount of Euros 2,421,000 relating to the excess of the current tax estimate for the financial year 2023 resulting from the aforementioned decision of 6 December 2023 of the Polish Supreme Administrative Court.

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.

Until the date, Portugal has not yet ensured the transposition of this new regime into its domestic legislation, and it is expected that this will occur during the current year 2024. In Poland, the transposition process is ongoing, and the necessary legislative process has already been initiated, and the rules are expected to enter into force on 1 January 2025.

As previously mentioned, 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.

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 top-up tax.

31. Other assets

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Deposit account applications	57,847	57,866
Capital supplies	175,487	173,175
Obligations with post-employment benefits	394,333	390,258
Debtors for futures and options transactions	131,903	118,472
Real estate and other assets arising from recovered loans (a)	338,731	338,486
Debtors		
Residents		
Receivables from real estate, transfers of assets and other securities	82,397	87,816
Prosecution cases / agreements with the Bank	10,766	11,163
SIBS	2,080	3,579
Others	20,992	21,779
Non-residents	31,796	50,992
Amounts due for collection	80,438	81,614
Interest and other amounts receivable	80,465	80,094
Amounts receivable on trading activity	66,997	10,736
Amounts due from customers	68,736	76,047
Artistic patrimony	28,796	28,796
Prepaid expenses	24,371	25,505
Subsidies receivables	10,307	8,347
Other recoverable tax	7,934	8,112
Gold and other precious metals	3,717	3,562
Capital supplementary contributions	165	165
Associated companies	65	116
Sundry assets	684,068	371,836
	2,302,391	1,948,516
Impairment for other assets	(326,748)	(321,832)
	1,975,643	1,626,684

(a) assets transferred from Non-current assets held for sale

The strong increase in Sundry assets results from the high volume of timely payment processing associated with the Easter weekend, which were settled on the following business day.

The detail of the item Real estate and other assets arising from recovered loans is analysed as follows:

(Thousands of euros)

	31 March 2024			31 December 2023 (restated)		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	139,516	(48,738)	90,778	138,165	(45,829)	92,336
Assets belong to investments funds and real estate companies	173,455	(84,917)	88,538	173,443	(84,904)	88,539
Assets for own use (closed branches)	13,666	(5,314)	8,352	13,537	(5,432)	8,105
Equipment	94	(83)	11	92	(81)	11
Other assets (*)	12,000	(47)	11,953	13,249	(594)	12,655
	338,731	(139,099)	199,632	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)

	31 March 2024	31 December 2023 (restated)
Balance on 1 January	184,992	191,752
Other transfers	(109)	(513)
Charge for the period (note 13)	3,684	17,673
Reversals for the period (note 13)	(776)	(7,150)
Amounts charged-off	(174)	(17,232)
Exchange rate differences	32	462
Balance at the end of the period	187,649	184,992

The changes occurred in impairment for Real Estate and other assets arising from recovered loans, are analysed as follow:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Balance on 1 January	136,840	—
Transfer of Non-current assets held for sale (note 26)	—	51,802
Other transfers	1,447	52,488
Charge for the period (note 13)	1,168	34,706
Reversals for the period (note 13)	(126)	(98)
Amounts charged-off	(588)	(1,953)
Exchange rate differences	358	(105)
Balance at the end of the period	139,099	136,840

32. Resources from credit institutions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Resources and other financing from Central Banks		
Central Banks abroad	111,660	110,776
	111,660	110,776
Resources from credit institutions in Portugal		
Sight deposits	46,368	63,128
Term Deposits	155,378	79,198
	201,746	142,326
Resources from credit institutions abroad		
Repayable on demand	69,011	88,864
Term deposits	188,703	127,224
Loans obtained	266,539	264,635
CIRS and IRS operations collateralised by deposits (*)	167,363	88,633
Other resources	10,293	6,668
	701,909	576,024
	1,015,315	829,126

(*) 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.

33. Resources from customers and other loans

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Deposits from customers		
Repayable on demand	44,508,592	45,048,931
Term deposits	29,042,683	25,106,121
Saving accounts	4,127,778	4,487,509
Treasury bills and other assets sold under repurchase agreement	88,293	—
Cheques and orders to pay	563,972	630,497
Other	52,500	60,000
	78,383,818	75,333,058
Corrections to the liabilities value subject to hedging operations	67,913	103,654
Deferred costs/ (income)	(251)	(621)
Interests to pay	235,758	170,722
	78,687,238	75,606,813

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.

34. Non subordinated debt securities issued

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Bonds	234,757	232,866
Medium term notes (MTN)	2,346,238	2,347,610
Securitisations	117,159	121,933
	2,698,154	2,702,409
Corrections to the liabilities value subject to hedging operations	(31,939)	(22,873)
Deferred cost s/ (gains)	(11,209)	(11,142)
Interests to pay	69,663	44,288
	2,724,669	2,712,682

35. Subordinated debt

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Bonds		
Non-Perpetual	1,405,139	1,402,278
Corrections to the liabilities value subject to hedging operations	(43,573)	(41,831)
Deferred costs / (income)	(1,754)	(1,956)
Interests to pay	21,603	38,934
	1,381,415	1,397,425

As at 31 March 2024, the subordinated debt issues are analysed as follows:

(Thousands of euros)

	31 March 2024					
Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value (*)
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtn 854	December, 2017	December, 2027	See reference (i)	166,300	167,791	122,568
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	432,903	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	287,003	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	131,798	133,700
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	8.12%	162,462	166,618	49,533
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	8.15%	192,634	195,258	58,732
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,381,415	1,114,533

(*) Amount of subordinated loans, eligible as Level 2 own funds, in accordance with Articles 62 a), 63 to 65, 66 a) and 67 of the CRR.

As at 31 December 2023, the subordinated debt issues are analysed as follows:

(Thousands of euros)

	31 December 2023 (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	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%.

36. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Short selling securities	—	626
Trading derivatives (note 23)		
Swaps	118,026	96,824
Options	101,594	100,702
of which: Embedded derivatives	95,357	95,357
Forwards	7,149	9,235
	226,769	206,761
	226,769	207,387

37. Financial liabilities designated at fair value through profit or loss

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Deposits from customers (*)	2,121,297	2,321,000
Certificates	1,110,546	989,703
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	228,079	297,784
	3,459,922	3,608,487

(*) Deposits from customers whose remuneration is indexed to a set of shares and/or indices.

38. Provisions

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Provision for guarantees and other commitments	116,557	121,574
Other provisions for liabilities and charges	728,587	631,529
	845,144	753,103

Changes in Provisions for guarantees and other commitments are analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Balance on 1 January	121,574	110,754
Transfers	(613)	(1,990)
Charge for the period (note 14)	7,378	40,602
Reversals for the period (note 14)	(11,892)	(28,372)
Exchange rate differences	110	580
Balance at the end of the period	116,557	121,574

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Balance on 1 January	631,529	451,032
Transfers	—	(24,858)
Charge for the period (note 14)	143,651	785,928
Reversals for the period (note 14)	(549)	(4,000)
Amounts charged-off	(9,345)	(42,138)
Allocation to loan's portfolio (note 21)	(40,044)	(583,027)
Exchange rate differences	3,345	48,592
Balance at the end of the period	728,587	631,529

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 51, which, in the first quarter of 2024, amounted to Euros 127,017,000 (31 December 2023: Euros 675,252,000).

Legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

Bank Millennium estimated the impact of legal risk on the recoverability of the expected cash flows resulting from concluded contracts for the active portfolio of mortgage loans in CHF, adjusting, in accordance with point B5.4.6 of IFRS 9, the gross carrying amount of the portfolio by reducing the expected cash flows from mortgage loan contracts denominated or indexed to CHF, and recognized a provision in accordance with International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") for fully repaid loans and in a situation where the gross carrying amount of the loan was lower than the value of the assessed risk.

A detailed description of the adopted valuation methodology is presented in note 51 "Legal risk related to foreign currency mortgage loans in Bank Millennium (Poland)".

As at 31 March 2024, the Loans and advances to customers portfolio in CHF has a gross amount of Euros 1,480,266,000 (31 December 2023: Euros 2,218,947,000).

As at 31 March 2024, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 1,823,448,000 (PLN 7,856,693,000), of which Euros 1,421,563,000 (PLN 6,125,090,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 21) and Euros 401,885,000 (PLN 1,731,603,000) are presented under Provisions.

With reference to 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 21) and Euros 312,022,000 (PLN 1,355,329,000) 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.

39. Other liabilities

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Interests and other amounts payable	185,176	169,842
Operations to be settled - foreign, transfers and deposits	210,613	249,509
Credit insurance received and to accrued	43,402	49,181
Holidays, subsidies and other remuneration payable	47,333	58,018
Transactions on securities to be settled	111,510	3,855
Public sector	43,064	51,675
Creditors		
Rents to pay	218,278	215,714
Deposit account and other applications	158,496	157,102
Suppliers	35,401	57,652
From factoring operations	40,744	47,987
For futures and options transactions	9,746	11,121
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	10,235	10,561
Associated companies	8	26
Other creditors		
Residents	39,929	35,660
Non-residents	78,579	96,525
Deferred income	10,270	10,424
Other administrative costs payable	9,219	7,809
Other liabilities	499,898	458,891
	1,751,901	1,691,552

The balance Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

40. Share capital, Share premium and Other equity instruments

As at 31 March 2024, the Bank's share capital amounts to Euros 3,000,000,000 and is represented by 15,113,989,952 nominative book-entry shares without nominal value, fully subscribed and paid up.

As at 31 March 2024, the Share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 31 March 2024, the Other equity instruments in the amount of Euros 400,000,000 corresponds to 2,000 perpetual subordinated notes issued on 18 January 2024, with a nominal value of Euros 200,000 each which was classified as Additional Tier 1 (AT1) in accordance with the specific rules of IAS 32 and accounting policy 1 E. The issue has the option of early repayment by the Bank 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% a year. As the operation is classified as AT1, the corresponding interest payment can be cancelled by the Bank at its discretion or by imposition of the competent authorities and is still subject to compliance with a set of conditions, including compliance with the combined capital reserve requirement and the existence of sufficient distributable funds.

The Bank also decided, in accordance with its terms and conditions, to exercise the option of early repayment of the entire AT1 issue issued on 31 January 2019 in the amount of Euros 400,000,000. The early redemption took place on their first call date, 31 January 2024, at the nominal value plus the respective accrued interests.

41. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. As at 31 March 2024 the Legal Reserves amount to Euros 316,375,000 (31 December 2023: Euros 316,375,000).

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 42).

42. Reserves and retained earnings

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 23)		
Debt instruments (*)	(68,229)	(75,326)
Equity instruments	(3,327)	(3,747)
Of associated companies and other changes	23,355	13,439
Cash-flow hedge	(1,252,389)	(1,274,684)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(116)	(2,596)
	(1,300,706)	(1,342,914)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	18,617	20,266
Equity instruments	1,271	1,403
Cash-flow hedge	391,401	398,207
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	38	814
	411,327	420,690
	(889,379)	(922,224)
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(28,642)	(35,347)
BIM - Banco Internacional de Moçambique, S.A.	(143,925)	(152,108)
Banco Millennium Atlântico, S.A.	(179,281)	(180,187)
Others	2,028	2,031
	(349,820)	(365,611)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	50,380	50,584
Others	(3,965)	(3,965)
	46,415	46,619
Other reserves and retained earnings	3,799,987	2,964,391
	2,607,203	1,723,175

(*) Includes the effects arising from the application of hedge accounting.

During the first quarter of 2024, Millennium Ageas corrected the transition adjustments relating to the adoption of IFRS 17 and IFRS 9 in the negative amount of Euros 9,002,000.

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.

43. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Fair value changes		
Debt instruments	(21,224)	(27,718)
Equity instruments	2,950	2,924
Cash-flow hedge	(4,833)	(6,226)
Other	8	4
	(23,099)	(31,016)
Deferred taxes		
Debt instruments	4,074	5,362
Equity instruments	(605)	(600)
Cash-flow hedge	918	1,183
	4,387	5,945
	(18,712)	(25,071)
Exchange differences arising on consolidation	(125,852)	(136,624)
Actuarial losses (net of taxes)	619	897
Other reserves and retained earnings	1,141,825	1,148,225
	997,880	987,427

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)

	Balance Sheet		Income Statement	
	31 March 2024	31 December 2023 (restated)	31 March 2024	31 March 2023 (restated)
Bank Millennium Group	820,180	792,061	14,832	26,747
BIM - Banco Internacional de Moçambique Group	160,882	178,500	7,534	8,429
Other subsidiaries	16,818	16,866	(48)	(45)
	997,880	987,427	22,318	35,131

44. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Guarantees granted		
Guarantees	3,893,871	3,893,124
Stand-by letter of credit	79,552	75,018
Open documentary credits	258,843	238,962
Bails and indemnities	135,252	135,256
	4,367,518	4,342,360
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	1,156	2,051
Irrevocable credit lines	4,870,827	5,279,307
Securities subscription	21,677	22,145
Other irrevocable commitments	158,091	157,711
Revocable commitments		
Revocable credit lines	6,181,062	6,013,393
Bank overdraft facilities	859,908	890,579
Other revocable commitments	159,577	181,380
	12,252,298	12,546,566
Guarantees received	27,817,823	28,126,885
Commitments from third parties	12,427,031	12,352,650
Securities and other items held for safekeeping	84,301,081	85,357,406
Securities and other items held under custody by the Securities Depository Authority	87,806,616	87,167,519
Other off balance sheet accounts	140,613,433	146,614,201

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 38).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore, the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short-term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk are limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1.C. The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

45. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value that was based on the valuation of the senior security and the value of the transferred receivables. These junior securities, being subscribed by the Group, will entitle the Group to a contingent positive value if the value of the assets transferred exceeds the amount of the senior tranches plus the remuneration on them. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;

- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IFRS 9 3.2 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards. Considering that it does not hold control and does not exercise significant influence on the funds or companies' management, the Group performed, under the scope of IAS IFRS 9 3.2, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets. During the first quarter of 2024 and in the financial year 2023, no credits were sold to corporate restructuring funds.

The amounts accumulated as at 31 March 2024, 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 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.

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 March 2024, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 March 2024		
	Senior securities	Junior securities	
	Investment fund units (note 23)	Capital supplies (note 31)	Total
Fundo Recuperação FCR			
Gross value	166,637	75,833	242,470
Impairment and other fair value adjustments	(142,980)	(75,833)	(218,813)
	23,657	–	23,657
Fundo Aquarius FCR			
Gross value	105,498	–	105,498
Impairment and other fair value adjustments	(6,745)	–	(6,745)
	98,753	–	98,753
Discovery Real Estate Fund			
Gross value	157,716	–	157,716
Impairment and other fair value adjustments	15,821	–	15,821
	173,537	–	173,537
Fundo Vega FCR			
Gross value	46,587	92,313	138,900
Impairment and other fair value adjustments	(10,168)	(92,313)	(102,481)
	36,419	–	36,419
Total Gross value	476,438	168,146	644,584
Total impairment and other fair value adjustments	(144,072)	(168,146)	(312,218)
	332,366	–	332,366

As at 31 March 2024, 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.

As at 31 December 2023, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	31 December 2023 (restated)		
	Senior securities	Junior securities	
	Investment fund units (note 23)	Capital supplies (note 31)	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.

Project Crow

As part of the sale process called Project Crow concluded at the end of 2022, Banco Comercial Português, S.A. now holds an investment in a venture capital fund, in 2 real estate funds and in a company, as follows:

(Thousands of euros)

	31 March 2024	31 December 2023 (restated)
Financial assets not held for trading mandatorily at fair value through profit or loss (note 23)		
Fundo Turismo Algarve, FCR	40,867	40,758
Lusofundo - Fundo de Investimento Imobiliário Fechado	–	18,780
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	–	8,467
	40,867	68,005
Investments in associated companies (note 25)		
Lusofundo - Fundo de Investimento Imobiliário Fechado	18,764	–
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	8,552	–
	27,316	–
Other assets (note 31)		
Imoserit, S.A.	14,805	14,805
	82,988	82,810

46. Relevant events occurred during the first quarter of 2024

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 29 February 2024.

The Bank informed that it will begin the process of identifying and selecting a new non-executive member to join its Board of Directors in accordance with the applicable Bank's regulations. The conclusion of this process will be announced in due course and will not affect the regular functioning of the Board of Directors.

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.

47. 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 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.

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.

B. Business Segments

For the purposes of business segments reporting, Retail Banking segment comprises its own segment in Portugal as well as the the Group's operations developed in other countries, namely in Poland and in Mozambique.

Business segments activity

The figures reported for each segment resulted from aggregating the subsidiaries and business units integrated in each segment. For the business units in Portugal, the aggregation process reflects the impact from capital allocation and balancing process in the balance sheet and income statement, based on average figures. The balance sheet headings for each business unit in Portugal were calculated considering the allocation process, based on the regulatory solvency criteria.

Considering that the process of capital allocation complies with the regulatory criteria of solvency in force, as at 31 March 2024, 31 December 2023 and 31 March 2023 the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of a target capital ratio to the risks managed by each segment, reflecting the application of the Basel III methodology previously referred. Each operation is balanced through internal transfers of funds, with impact on the net interest income and income taxes of each segment, hence with no impact on consolidated accounts.

Commissions and other net income, as well as operating costs calculated for each business area, are based on the amounts accounted for directly in the respective cost centres, on the one hand, and the amounts resulting from internal processes for allocating revenues and costs, for another. In this case, the allocation is based on the application of pre-defined criteria related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 31 March 2024. 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 March 2024, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	31 March 2024						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total				
INCOME STATEMENT							
Net interest income	291,461	357,183	648,644	68,848	11,438	(32,693)	696,237
Net fees and commissions income	108,794	55,023	163,817	35,299	7,599	(10,308)	196,407
Other net income	3,556	(38,277)	(34,721)	4,069	16	(740)	(31,376)
Net gains arising from trading activity (2)	390	1,433	1,823	428	14	(5,164)	(2,899)
Dividends from equity instruments	—	35	35	—	—	—	35
Share of profit of associates under the equity method	—	1,272	1,272	—	—	9,143	10,415
Net operating revenue	404,201	376,669	780,870	108,644	19,067	(39,762)	868,819
Operating expenses	81,388	153,506	234,894	14,916	3,840	54,424	308,074
Results on modification (3)	—	(7,240)	(7,240)	—	—	—	(7,240)
Impairment for credit and financial assets (4)	(7,871)	(26,385)	(34,256)	(37,874)	12	(2,451)	(74,569)
Other impairments and provisions (5)	—	(128,637)	(128,637)	—	—	(15,539)	(144,176)
Net income before income tax	314,942	60,901	375,843	55,854	15,239	(112,176)	334,760
Income tax	(98,577)	(7,765)	(106,342)	(17,482)	(4,770)	50,461	(78,133)
Net income for the period	216,365	53,136	269,501	38,372	10,469	(61,715)	256,627
Non-controlling interests	—	(22,366)	(22,366)	—	—	48	(22,318)
Net income for the period attributable to Bank's Shareholders	216,365	30,770	247,135	38,372	10,469	(61,667)	234,309

(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 March 2024, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	31 March 2024						
	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	14,074,590	2,630,100	16,704,690	1,568,522	2,775,828	(15,898,510)	5,150,530
Loans and advances to customers (1)	26,246,357	17,782,690	44,029,047	10,758,331	342,354	98,824	55,228,556
Financial assets (2)	—	12,043,989	12,043,989	—	—	19,553,226	31,597,215
Other assets	—	1,087,583	1,087,583	—	—	4,733,497	5,821,080
Total Assets	40,320,947	33,544,362	73,865,309	12,326,853	3,118,182	8,487,037	97,797,381
Resources from credit institutions (3)	246,508	151,344	397,852	1,086,472	—	(469,009)	1,015,315
Resources from customers (4)	37,960,747	28,506,796	66,467,543	9,754,896	2,900,979	1,685,118	80,808,536
Debt securities issued (5)	1,147,951	771,372	1,919,323	310	190,364	1,953,296	4,063,293
Other financial liabilities (6)	—	506,021	506,021	—	—	1,142,390	1,648,411
Other liabilities (7)	—	1,435,313	1,435,313	—	—	1,254,275	2,689,588
Total Liabilities	39,355,206	31,370,846	70,726,052	10,841,678	3,091,343	5,566,070	90,225,143
Total Equity	965,741	2,173,516	3,139,257	1,485,175	26,839	2,920,967	7,572,238
Total Liabilities and Equity	40,320,947	33,544,362	73,865,309	12,326,853	3,118,182	8,487,037	97,797,381
Number of employees	3,561	9,432	12,993	433	103	2,172	15,701

(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 March 2023, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)

	31 March 2023 (restated)						
	Commercial banking						
	Retail in Portugal	Foreign business (1)	Total	Companies and Corporate in Portugal	Private banking	Other	Consolidated
INCOME STATEMENT							
Net interest income	195,026	324,693	519,719	43,099	8,120	93,613	664,551
Net fees and commissions income	109,889	53,709	163,598	31,190	7,930	(7,313)	195,405
Other net income	3,023	(8,029)	(5,006)	12,750	(40)	(14,068)	(6,364)
Net gains arising from trading activity (2)	319	121,384	121,703	4	7	9,849	131,563
Dividends from equity instruments	—	44	44	—	—	—	44
Share of profit of associates under the equity method	—	886	886	—	—	14,049	14,935
Net operating revenue	308,257	492,687	800,944	87,043	16,017	96,130	1,000,134
Operating expenses	82,160	122,062	204,222	13,865	3,614	46,811	268,512
Results on modification (3)	—	(5,949)	(5,949)	—	—	—	(5,949)
Impairment for credit and financial assets (4)	(1,671)	(27,832)	(29,503)	(50,728)	(5)	(1,385)	(81,621)
Other impairments and provisions (5)	(98)	(188,110)	(188,208)	—	—	(48,340)	(236,548)
Net income before income tax	224,328	148,734	373,062	22,450	12,398	(406)	407,504
Income tax	(70,215)	(69,411)	(139,626)	(7,027)	(3,880)	(5,713)	(156,246)
Net income for the period	154,113	79,323	233,436	15,423	8,518	(6,119)	251,258
Non-controlling interests	—	(35,176)	(35,176)	—	—	45	(35,131)
Net income for the period attributable to Bank's Shareholders	154,113	44,147	198,260	15,423	8,518	(6,074)	216,127

(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 (restated) the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	31 December 2023 (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	14,517,884	2,803,205	17,321,089	1,257,129	2,372,757	(15,159,285)	5,791,690
Loans and advances to customers (1)	25,893,659	17,581,929	43,475,588	11,203,697	332,319	206,363	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	—	—	4,497,120	5,497,710
Total Assets	40,411,543	31,655,126	72,066,669	12,460,826	2,705,076	7,138,205	94,370,776
Resources from credit institutions (3)	276,739	151,175	427,914	1,726,426	—	(1,325,214)	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	39,355,624	29,486,246	68,841,870	11,191,722	2,678,795	4,367,893	87,080,280
Total Equity	1,055,919	2,168,880	3,224,799	1,269,104	26,281	2,770,312	7,290,496
Total Liabilities and Equity	40,411,543	31,655,126	72,066,669	12,460,826	2,705,076	7,138,205	94,370,776
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 March 2024, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	31 March 2024								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Net interest income	291,461	68,848	11,438	(32,693)	339,054	307,281	49,902	—	696,237
Net fees and commissions income	108,794	35,299	7,599	(10,308)	141,384	46,191	8,832	—	196,407
Other net income	3,556	4,069	16	(740)	6,901	(38,614)	337	—	(31,376)
Net gains arising from trading activity (2)	390	428	14	(5,164)	(4,332)	(2,233)	3,666	—	(2,899)
Dividends from equity instruments	—	—	—	—	—	35	—	—	35
Share of profit of associates under the equity method	—	—	—	9,143	9,143	—	476	796	10,415
Net operating revenue	404,201	108,644	19,067	(39,762)	492,150	312,660	63,213	796	868,819
Operating expenses	81,388	14,916	3,840	54,424	154,568	121,953	31,553	—	308,074
Results on modification (3)	—	—	—	—	—	(7,240)	—	—	(7,240)
Impairment for credit and financial assets (4)	(7,871)	(37,874)	12	(2,451)	(48,184)	(25,726)	(659)	—	(74,569)
Other impairments and provisions (5)	—	—	—	(15,539)	(15,539)	(127,817)	(820)	—	(144,176)
Net income before income tax	314,942	55,854	15,239	(112,176)	273,859	29,924	30,181	796	334,760
Income tax	(98,577)	(17,482)	(4,770)	50,461	(70,368)	(201)	(7,564)	—	(78,133)
Net income for the period	216,365	38,372	10,469	(61,715)	203,491	29,723	22,617	796	256,627
Non-controlling interests	—	—	—	48	48	(14,832)	(7,534)	—	(22,318)
Net income for the period attributable to Bank's Shareholders	216,365	38,372	10,469	(61,667)	203,539	14,891	15,083	796	234,309

(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 March 2024, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	31 March 2024								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	14,074,590	1,568,522	2,775,828	(15,898,510)	2,520,430	1,347,181	1,282,919	—	5,150,530
Loans and advances to customers (1)	26,246,357	10,758,331	342,354	98,824	37,445,866	17,151,600	631,090	—	55,228,556
Financial assets (2)	—	—	—	19,553,226	19,553,226	11,375,384	668,641	(36)	31,597,215
Other assets	—	—	—	4,733,497	4,733,497	793,564	245,859	48,160	5,821,080
Total Assets	40,320,947	12,326,853	3,118,182	8,487,037	64,253,019	30,667,729	2,828,509	48,124	97,797,381
Resources from other credit institutions (3)	246,508	1,086,472	—	(469,009)	863,971	129,686	21,658	—	1,015,315
Resources from customers (4)	37,960,747	9,754,896	2,900,979	1,685,118	52,301,740	26,356,758	2,150,038	—	80,808,536
Debt securities issued (5)	1,147,951	310	190,364	1,953,296	3,291,921	771,372	—	—	4,063,293
Other financial liabilities (6)	—	—	—	1,142,390	1,142,390	506,021	—	—	1,648,411
Other liabilities (7)	—	—	—	1,254,275	1,254,275	1,260,210	175,103	—	2,689,588
Total Liabilities	39,355,206	10,841,678	3,091,343	5,566,070	58,854,297	29,024,047	2,346,799	—	90,225,143
Total Equity	965,741	1,485,175	26,839	2,920,967	5,398,722	1,643,682	481,710	48,124	7,572,238
Total Liabilities and Equity	40,320,947	12,326,853	3,118,182	8,487,037	64,253,019	30,667,729	2,828,509	48,124	97,797,381
Number of employees	3,561	433	103	2,172	6,269	6,861	2,571	0	15,701

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 March 2023, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)

	31 March 2023 (restated)								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other (1)	Consolidated
INCOME STATEMENT									
Net interest income	195,026	43,099	8,120	93,613	339,858	268,307	56,386	—	664,551
Net fees and commissions income	109,889	31,190	7,930	(7,313)	141,696	42,715	10,994	—	195,405
Other net income	3,023	12,750	(40)	(14,068)	1,665	(9,040)	1,011	—	(6,364)
Net gains arising from trading activity (2)	319	4	7	9,849	10,179	116,359	5,025	—	131,563
Dividends from equity instruments	—	—	—	—	—	44	—	—	44
Share of profit of associates under the equity method	—	—	—	14,049	14,049	—	467	419	14,935
Net operating revenue	308,257	87,043	16,017	96,130	507,447	418,385	73,883	419	1,000,134
Operating expenses	82,160	13,865	3,614	46,811	146,450	91,665	30,397	—	268,512
Results on modification (3)	—	—	—	—	—	(5,949)	—	—	(5,949)
Impairment for credit and financial assets (4)	(1,671)	(50,728)	(5)	(1,385)	(53,789)	(23,826)	(4,006)	—	(81,621)
Other impairments and provisions (5)	(98)	—	—	(48,340)	(48,438)	(183,510)	(4,600)	—	(236,548)
Net income before income tax	224,328	22,450	12,398	(406)	258,770	113,435	34,880	419	407,504
Income tax	(70,215)	(7,027)	(3,880)	(5,713)	(86,835)	(59,833)	(9,578)	—	(156,246)
Net income for the period	154,113	15,423	8,518	(6,119)	171,935	53,602	25,302	419	251,258
Non-controlling interests	—	—	—	45	45	(26,747)	(8,429)	—	(35,131)
Net income for the period attributable to Bank's Shareholders	154,113	15,423	8,518	(6,074)	171,980	26,855	16,873	419	216,127

(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 (restated), the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	31 December 2023 (restated)								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other	Consolidated
BALANCE SHEET									
Cash and Loans and advances to credit institutions	14,517,884	1,257,129	2,372,757	(15,159,285)	2,988,485	1,621,924	1,181,281	—	5,791,690
Loans and advances to customers (1)	25,893,659	11,203,697	332,319	206,363	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	—	—	—	4,497,120	4,497,120	724,823	228,803	46,964	5,497,710
Total Assets	40,411,543	12,460,826	2,705,076	7,138,205	62,715,650	28,897,024	2,711,174	46,928	94,370,776
Resources from other credit institutions (3)	276,739	1,726,426	—	(1,325,214)	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	39,355,624	11,191,722	2,678,795	4,367,893	57,594,034	27,309,692	2,176,554	—	87,080,280
Total Equity	1,055,919	1,269,104	26,281	2,770,312	5,121,616	1,587,332	534,620	46,928	7,290,496
Total Liabilities and Equity	40,411,543	12,460,826	2,705,076	7,138,205	62,715,650	28,897,024	2,711,174	46,928	94,370,776
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.

Reconciliation of net income of reportable segments with the net income attributable to shareholders

(Thousands of euros)

	31 March 2024	31 March 2023 (restated)
Net contribution		
Retail banking in Portugal	216,365	154,113
Companies and Corporate	38,372	15,423
Private Banking	10,469	8,518
Foreign business (continuing operations)	53,135	79,323
Non-controlling interests (1)	(22,366)	(35,176)
	295,975	222,201
Amounts not allocated to segments (presented under segment Other):		
Net interest income - bonds portfolio	115,090	60,668
Net interest income - others (2)	(147,782)	32,945
Foreign exchange activity	11,289	2,997
Gains / (losses) arising from sales of subsidiaries and other assets	(284)	(355)
Equity accounted earnings	9,143	14,049
Impairment and other provisions (3)	(17,992)	(49,725)
Operational costs	(54,424)	(46,811)
Gains on sale of Portuguese public debt	(734)	238
Gains on sale of foreign public debt	394	149
Mandatory contributions	(18)	(19)
Loans sale	1,642	(5,227)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss (4)	7,235	5,563
Taxes (5)	50,462	(5,713)
Non-controlling interests	48	45
Others (6)	(35,735)	(14,878)
Total not allocated to segments (presented under segment Other)	(61,666)	(6,074)
Consolidated net income	234,309	216,127

(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. In the current year, with the increase in market interest rates, net interest income of the business segments in Portugal benefited from increased remuneration earned on the internal placement of customer resources, namely demand deposits, with an impact on the cost borne by segment Other in the first quarter of 2024 of approximately Euro 72 million. Net income of this segment Other excluding this impact corresponds to a negative amount of Euro 12 million.

(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.

48. Solvency

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV/CRR).

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, reserves and retained earnings deducted anticipated dividends and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach, goodwill and other intangible assets and the additional value adjustments necessary for the prudent valuation requirements applied to all assets at fair value, adjustments related to minimum commitment with collective investments undertakings, insufficient coverage for non-performing exposures and with the amount of securitisation positions, eligible for deduction as an alternative to a 1 250 % risk weight. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The non-controlling interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively. The irrevocable payment commitments for the Single Resolution Fund, the fair value of the collateral for irrevocable commitments from the Deposits Guarantee Fund and the additional coverage for non-performing exposures, are also deducted, due to a SREP (Supervisory Review and Evaluation Process) recommendation.

Additional tier 1 comprises preference shares, hybrid instruments and perpetual bonds representing subordinated debt that are compliant with the issue conditions established in the Regulation and non-controlling interests related to minimum level 1 additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the non-controlling interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period was extended to the end of 2017 for most of the elements, except for the deferred tax assets already recorded on the balance sheet of 1 January 2014, according to the new regulation, which period ends in 2023.

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

CRD IV/CRR establishes Pilar 1 capital requirements for CET1, Tier 1 and Total Capital. However, under the scope of SREP , European Central Bank notified BCP about the need to comply with phased-in capital ratios, including additional Pilar 2 requirements, O-SII and capital conservation buffer, as following:

2024 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)

	31 March 2024	31 December 2023 (restated)
Common equity tier 1 (CET1)		
Share capital	3,000,000	3,000,000
Share Premium	16,471	16,471
Reserves and retained earnings	2,777,399	2,632,602
Non-controlling interests eligible to CET1	483,285	475,923
Regulatory adjustments to CET1	(2,127)	32,342
	6,275,028	6,157,338
Tier 1		
Capital Instruments	400,000	400,000
Non-controlling interests eligible to AT1	87,344	84,267
	6,762,372	6,641,605
Tier 2		
Subordinated debt	1,006,268	1,014,615
Non-controlling interests eligible to Tier 2	224,734	225,063
Other	37,252	24,303
	1,268,254	1,263,981
Total own funds	8,030,626	7,905,586
RWA - Risk weighted assets		
Credit risk	33,584,371	34,304,305
Market risk	668,422	547,022
Operational risk	4,854,039	4,854,039
CVA	39,618	45,646
	39,146,450	39,751,012
Capital ratios		
CET1	16.0%	15.5%
Tier 1	17.3%	16.7%
Tier 2	3.2%	3.2%
Total own funds	20.5%	19.9%

The presented amounts include the accumulated net income.

49. 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 March 2024, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 321,230,000 (31 December 2023: Euros 356,514,000), with the exchange translation reserve associated with this participation, accounted in Group's consolidated equity, in a negative amount of Euros 143,925,000 (31 December 2023: negative amount of Euros 152,108,000). BIM's contribution to consolidated net income for the first quarter of 2024, attributable to the shareholders of the Bank, amounts to Euros 15,082,000 (31 March 2023: Euros 16,872,000).

As at 31 March 2024, 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 37,612,773,000 corresponding to Euros 545,192,000 (31 December 2023: MZN 40,995,115,000 corresponding to Euros 580,914,000) and Financial assets at fair value through other comprehensive income in the gross amount of MZN 8,879,916,000 corresponding to Euros 128,713,000 (31 December 2023: MZN 6,989,511,000 corresponding to Euros 99,044,000).

Additionally, the Group has also registered as at 31 March 2024, in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 17,986,338,000 corresponding to Euros 260,709,000 (31 December 2023: MZN 18,228,666,000 corresponding to Euros 258,306,000) and in the balance Guarantees granted revocable and irrevocable commitments, an amount of MZN 1,045,995,000 corresponding to Euros 15,154,000 (31 December 2023: MZN 1,035,157,000 corresponding to Euros 14,663,000).

50. 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 in the case on Bank Millennium's website.

In the decision justification delivered in writing the OPCC Chairman stated that FX rates determined by Bank Millennium were determined at Bank Millennium's discretion (on the basis of a concept, not specified in any regulations, of average inter-bank market rate). Moreover, client had no precise knowledge on where to look for said rates since provision referred to Reuters, without precisely defining the relevant site.

Provisions relating to FX rates in Bank Millennium's tables were challenged since Bank Millennium failed to define when and how many times a day these tables were prepared and published.

In justification of the decision, the OPCC Chairman also indicated that in the course of the proceeding, Bank Millennium presented various proposed solutions, which the OPCC Chairman deemed to be insufficient.

Bank Millennium appealed against the said decision within statutory term.

On 31 March 2022, the first instance court revoked the entire decision of the Chairman of the OPCC. On 23 May 2022, the Chairman of the OPCC filed an appeal. On 26 October 2022, the Court of Appeals changed the judgment of the court of first instance and shared the position of the Chairman of the OPCC as to the abusiveness of the provisions regarding the determination of exchange rates in the annexes concluded with foreign currency borrowers. On 21 November 2022, the Court of Appeal, at the request of Bank Millennium, suspended the execution of the judgment until the end of the cassation proceedings. On 30 January 2023, Bank Millennium filled a cassation appeal to the Supreme Court.

5. Bank Millennium is a defendant in two court proceedings, in which the subject of the dispute is the amount of the interchange fee. The total value of claims reported in these cases is PLN 729.2 million (Euros 169.2 million). The procedure with the highest value of the reported claim is the case is brought by PKN Orlen SA, the plaintiff demands payment of PLN 635.7 million (Euros 147.5 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In this case, Bank Millennium was sued jointly with another bank and card organizations. In the case brought by LPP S.A. the allegations are similar to those raised in the case brought by PKN Orlen SA, while the period of the alleged agreement is indicated as 2008-2014. In this case, the Bank is sued jointly and severally with another bank. The case was resolved positively for the Bank by the courts of both instances, and is currently at the stage of a cassation appeal filed by LPP S.A. 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 121.1 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, the Bank'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 March 2024, the total value of the subjects of the other litigations in which the Bank Millennium Group's companies appeared as defendant, stood at PLN 5,810.1 million (Euros 1,348.5 million) (excluding the class actions described below and in note 51). 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 1,710,750).

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 March 2024, there were also 119 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 March 2024, Bank Millennium recorded the receipt of 76 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 March 2024, Bank Millennium received 532 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 March 2024, 33 cases have been legally concluded, in 32 cases the Bank Millennium won the dispute and lost in 1 case. 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 March 2024, from Novo Banco's, NB 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 S.A., 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 2020. 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.

51. Provisions for legal risk related to foreign currency-indexed mortgage loans in Bank Millennium (Poland)

1. Court claims and current provisions for legal risk

On 31 March 2024, Bank Millennium had 21,725 loan agreements and additionally 1,917 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 (60% loans agreements before the courts of first instance and 40% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,371.4 million (Euros 1,014.6 million) and CHF 301.6 million (Euros 309.9 million) [(Bank Millennium portfolio: PLN 3,987.6 million (Euros 925.5 million) and CHF 292 million (Euros 300 million) and former Euro Bank portfolio: PLN 383.8 million (Euros 89.1 million) and CHF 9.5 million (Euros 9.8 million)]. Out of 21,725 Bank Millennium's loan agreements in ongoing individual cases 284 are also part of class action. From the total number of individual litigations against the Bank approximately 2,550 or 12% 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 760 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 284 are also part of ongoing individual cases, 999 concluded settlements and 10 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, 1,984 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 6,158 (423), in 2022 the number increased by 5,756 (408), in 2023 the number increased by 6,879 (646), while in the first quarter of 2024 the number increased by 1,588 (196).

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 the first quarter of 2024, 4,193 cases were finally resolved (4,109 in claims submitted by clients against Bank Millennium and 84 in claims submitted by Bank Millennium against clients i.e. debt collection cases) out of which 1,215 were settlements, 56 were remissions, 65 rulings were favourable for Bank Millennium and 2,857 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. 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 March 2024 was PLN 5,998 million (Euros 1,392.1 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 673 million (Euros 156.2 million)].

If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 6,812 million (Euros 1,576.6 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 3 months of 2024, Bank Millennium created PLN 507.3 million (Euros 117.4 million) provisions for Bank Millennium originated portfolio and PLN 41.5 million (Euros 9.6 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for Bank Millennium's portfolio at the end of March 2024 was PLN 7,225.6 million (Euros 1,677 million), and for the former Euro Bank portfolio, PLN 631.1 million (Euros 146.5 million).

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.

(2) As regards the number of future court cases, Bank Millennium monitors customer behaviours, and has the following assumptions:

a) regarding active loans (i.e., loans with an outstanding balance), the Bank estimates the percentage of customers covered by methodology in this group of clients at 84% of the total number of currently active loans (including expected number of amicable settlements) loans compared to 83% at the end of fourth quarter of 2023.

b) regarding loans already fully repaid or converted to polish zloty, the Bank attributes a much lower probability of becoming the subject of a court case based on statistical analysis (the Bank assumes that circa 16% of repaid not settled loans sued or will decide to sue the Bank in the future. In particular, the Bank assesses the risk connected with the settlements reached with the clients in the past as negligible).

(3) the amount of Bank Millennium's potential loss in the event of a specific court judgment;

(4) estimates involved with amicable settlements with clients, concluded in court or out of court:

a. Bank Millennium assumes a 12% probability of success in concluding a settlement as part of negotiations conducted with clients in the course of court proceedings;

b. negotiations are conducted on a case-by-case basis and can be stopped at any time by Bank Millennium;

c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

Bank Millennium is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 22,530: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022; 3,671 in 2023 and 1,104 in the first quarter of 2024. As of the end of first quarter of 2024, Bank Millennium had 30,763 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,507.8 million (Euros 349 million): PLN 44.4 million (Euros 10.3 million) in 2020; PLN 364.6 million (Euros 84.4 million) in 2021; PLN 515.2 million (Euros 119.2 million) in 2022; PLN 415.6 million (Euros 96.2 million) in 2023 and PLN 168 million (Euros 38.9 million) in the first quarter of 2024. This cost 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 S.A..

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 165 million (Euros 38.2 million)
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p	PLN 74 million (Euros 17.1 million)
Change in probability of success in negotiations with court client	Change of probability by 1 p.p	PLN 16 million (Euros 3.7 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 March 2024, 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 (CJEU) 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 (CJEU) 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 93/13 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 March 2024 the Bank filed about 8.1 thousand lawsuits against the borrowers.

On 25 April 2024, a session of the Civil Chamber of the Supreme Court was held to answer questions formulated by the First President of the Supreme Court, published on 29 January 2021, on key issues related to FX mortgage loan agreements. The Supreme Court, composed of the entire Civil Chamber, adopted a resolution having the force of a legal principle, in which it stated that:

a. When finding that a provision of an indexed or denominated credit agreement relating to the manner of determining the foreign currency exchange rate constitutes an unfair contractual provision and is not binding, then in currently existing legal situation it cannot be stated that such a provision could be replaced by another formula of defining the foreign currency exchange rate resulting from law or custom.

b. In case of impossibility to determine the foreign currency exchange rate binding the parties in the indexed or denominated loan agreement, the agreement is not binding also in the remaining scope.

c. If, in the performance of a credit agreement which is not binding due to the unfair nature of its provisions, the bank has disbursed to the borrower all or part of the amount of the credit and the borrower has made repayments of the credit, independent claims for repayment of the undue performance shall arise in favour of each party.

d. If a credit agreement is not binding due to the unfair nature of its provisions, the statute of limitations of the bank's claim for repayment of amounts disbursed under the credit shall, as a rule, start to run from the day following the day on which the borrower challenges being bound by the provisions of agreement.

e. If a credit agreement is not binding due to the unfair nature of its provisions, there shall be no legal basis for any party to claim interest or other remuneration because of using party's pecuniary means during the period from the provision of undue benefit until the delay in the return of this benefit.

Due to the CJEU jurisprudence interpreting the causes and effects of invalidity of foreign currency mortgage loan agreements as well as above indicated resolution of the Civil Chamber of the Supreme Court, 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 certain role in practical realisation of the CJEU's and the Supreme Court’s guidance.

52. List of subsidiaries and associated companies of Banco Comercial Português Group

As at 31 March 2024, 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		Bank
					% economic interests	% effective held	% direct held
Banco ActivoBank, S.A.	Lisbon	127,600,000	EUR	Banking	100 %	100 %	100 %
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1 %	50.1 %	50.1 %
Millennium Bank Hipoteczny S.A.	Warsaw	90,000,000	PLN	Banking	100 %	50.1 %	—
BCP África, S.G.P.S., Lda.	Funchal	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	78,346,142	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 %	—

As at 31 March 2024, 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:

					Group		Bank
Investment funds	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Imosotto acumulação – Fundo de Investimento Imobiliário Fechado	Oeiras	102,385,157	EUR	Real-estate investment fund	100 %	100 %	100 %
Imorenda – Fundo de Investimento Imobiliário Fechado	Oeiras	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.

The Group holds a securitization transaction regarding mortgage loans which was set through specifically created SPE. As referred in accounting policy 1 B, when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE is fully consolidated, following the application of IFRS 10.

As at 31 March 2024, the Special Purpose Entity included in the consolidated accounts under the full consolidation method is as follows:

					Group		Bank
Special Purpose Entities	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Magellan Mortgages No.3 Limited	Dublin	40,000	EUR	Special Purpose Entities	82.4 %	82.4 %	82.4 %

As at 31 March 2024, 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 %
Fundo de Investimento imobiliário fechado Eurofundo	Lisbon	24,156,131	EUR	Real-estate investment fund	35.1 %	35.1 %	35.1 %
Lusofundo - Fundo de Investimento imobiliário fechado	Lisbon	44,336,865	EUR	Real-estate investment fund	42.5 %	42.5 %	42.5 %

As at 31 March 2024, 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)

	31 March 2024			31 March 2023 (restated)		
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.	62,873,528	6,323,527	190,416	61,719,427	5,507,573	150,533
Banco ActivoBank, S.A.	3,714,711	260,133	7,336	3,101,764	225,842	8,431
Bank Millennium, S.A. (1)	30,667,730	1,643,684	29,723	24,320,138	1,297,432	53,602
BIM - Banco Internacional de Moçambique, S.A. (1)	2,828,509	481,709	22,616	2,661,938	463,995	28,749
BCP International B.V.	523,896	523,873	(62)	524,763	524,671	44
BCP Finance Bank, Ltd.	519,087	519,080	(251)	520,073	519,765	(211)
BCP África, S.G.P.S., Lda.	275,383	273,962	(5,719)	561,396	560,159	(110)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	175,979	174,774	94	179,218	178,075	(222)
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	9,654	6,362	289	10,503	8,587	485
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1) (3)	8,387,720	516,412	16,698	8,775,105	428,344	20,294
Banco Millennium Atlântico, S.A. (2)	2,234,991	202,123	3,675	2,879,174	294,377	2,076
Banque BCP, S.A.S.	5,756,950	284,272	4,061	5,018,345	273,204	5,670

1) Consolidated accounts.

2) These indicators correspond to the statutory financial statements that do not include the effects of applying IAS 29.

3) The 2024 amounts are estimated.

53. 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:

Resolutions of the Annual General Meeting of Banco Comercial Português, S.A.

Banco Comercial Português, S.A. concluded on 22 May 2024, at the Bank's facilities and, simultaneously, through electronic means with 64.10% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One - Election of the Board of the General Meeting for the 2024/2027 four-year period;

Item Two – Approval of the management report, the balance sheet and the individual and consolidated financial statements for the 2023 financial year, the Corporate Governance Report, that includes a chapter on the remuneration of the management and supervisory bodies, and the Sustainability Report;

Item Three – Approval of the proposal for the appropriation of profit regarding the 2023 financial year;

Item Four – 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 Five – Approval of the updating of the policy for the remuneration of Members of the Management and Supervisory Bodies;

Item Six – Approval of the acquisition and sale of own shares and bonds;

Item Seven – Approval of the amendment of the articles of association, giving new wording to article 10, no. 2;

Item Eight – Approval of the appointment of the Statutory Auditor and its alternate and the selection of the External Auditor for the four-year period 2024/2027.

Banco Comercial Português, S.A. informed about the election of the Statutory Auditor and of the External Auditor for the four-year period 2024/2027

As at 22 May 2024, Banco Comercial Português, S.A. informed that, at the General Shareholders' Meeting, it proceeded with the election of the Statutory Auditor, Effective and Alternate and the choice of the External Auditor for the four-year period 2024/2027, as follows:

Effective Statutory Auditor: KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A., legal entity no. 502161078, with registered office at Av. Fontes Pereira de Melo, no. 41, 15.º - Ed. FPM 41, 1069-006 Lisbon, registered with OROC under number 189 and registered with CMVM under number 20161489, represented by Miguel Pinto Douradinha Afonso (registered with OROC under number 1454 and registered with CMVM under number 20161064), with professional address at Avenida Fontes Pereira de Melo, no. 41 15th Ed. FPM 41, 1069-006 Lisbon.

Alternate Statutory Auditor: Vítor Manuel da Cunha Ribeirinho (registered with OROC under number 1081 and registered with CMVM under number 20160693), with professional address at Avenida Fontes Pereira de Melo, n.º 41 15th Ed. FPM 41, 1069-006 Lisbon.

External Auditor: KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A.

Extension of credit holidays of Bank Millennium S.A.

As at 7 May 2024, the Management Board of Bank Millennium S.A. informed that, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland of an Act of 12 April 2024 on changes to the Act on support for mortgage borrowers who are in challenging financial situation and the Act on crowdfunding for business ventures and assistance to borrowers (‘the Act’), introducing, among others, an extension of credit holidays for PLN mortgage borrowers by four more months in 2024, the Bank Millennium S.A. preliminarily estimates that the impact of the implementation of this Act on results of the Group would be in the range between PLN 201 million to PLN 247 million before tax. The estimated cost resulting from the Act will be booked in 2nd quarter 2024 accounts and its final estimate will be disclosed in the 1st half 2024 report.

Q1 2024 Annual Report & Accounts

www.millenniumbcp.pt

Banco Comercial Português, S.A.

Registered Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
Euros 3.000.000.000.00

Registered at the
Commercial Registry Office of Oporto
under the Single Registration and
Tax Identification Number 501 525 882

Investor Relations Division
Av. Professor Doutor Cavaco Silva
Edifício 1 Piso 0 Ala B
2744-002 Porto Salvo
Phone: (+351) 211 131 084
investors@millenniumbcp.pt

Communication Division
Av. Professor Doutor Cavaco Silva
Edifício 3 Piso 1 Ala C
2744-002 Porto Salvo
Phone: (+351) 211 131 243
comunicar@millenniumbcp.pt

Millennium
bcp