



H1 2024 REPORT & ACCOUNTS

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

H1 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 H1 2024 Annual Report is a translation of the “Relatório e Contas do 1S 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 do 1S 2024” prevails.

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

The changes presented and the ratios were calculated based on the values in Euros and not those presented in the body of the report.

JOINT MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND OF THE CEO	5
INFORMATION ON BCP GROUP	7
MAIN HIGHLIGHTS OF RESULTS IN 2023	8
MAIN HIGHLIGHTS	9
INFORMATION ON BCP GROUP	11
GOVERNANCE	13
MAIN EVENTS IN 2023	16
BCP SHARE	19
QUALIFIED HOLDINGS	27
BUSINESS MODEL	28
REGULATORY, ECONOMIC AND FINANCIAL SYSTEM ENVIRONMENT	28
BUSINESS MODEL	32
MILLENNIUM NETWORK	35
FINANCIAL INFORMATION	36
RESULTS AND BALANCE SHEET	37
BUSINESS AREAS	68
STRATEGY	84
STRATEGIC PLAN 2021-2024	84
RISK AND OUTLOOK	88
INTERNAL CONTROL SYSTEM	89
MAIN RISKS AND UNCERTAINTIES	95
RISK MANAGEMENT	99
RATINGS ASSIGNED TO BCP	141
CAPITAL	143
PENSION FUND	144
INFORMATION ON TRENDS	147
REGULATORY INFORMATION	148
CONSOLIDATED FINANCIAL STATEMENTS	148
ALTERNATIVE PERFORMANCE MEASURES	150
GLOSSARY	153
ACCOUNTS AND NOTES TO THE CONSOLIDATED ACCOUNTS	156
DECLARATION OF COMPLIANCE	402
EXTERNAL AUDITORS' REPORT	404



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



Nuno Amado
Chairman of the Board
of Directors

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

Economic activity remained robust in the first half of 2024, despite the ongoing significant international geopolitical tensions. At the same time, inflation continued on a downward trend, contributing to the beginning of a process of gradual reduction in restrictiveness of global monetary policy. In particular, we would like to highlight the European Central Bank's (ECB) decision to reduce benchmark interest rates in June, thereby reversing the rate hike cycle that began in mid-2022.

In Portugal, economic activity expanded at a rate greater than that of the euro area, as a whole, benefiting from the recovery in private consumption, supported by the increase in real disposable family income, together with robust exports. For the full year, the Bank of Portugal forecasts GDP growth of 2.0%. With regard to inflation, there was a reduction in its average value in the first half of the year to 2.8%.

In Poland, after the stagnation of activity in 2023, the first quarter of 2024 recorded an acceleration in the pace of GDP growth, in year-on-year terms, from 1.0% to 2.0%. In the coming quarters, the strength of domestic demand should continue to drive the recovery of activity.

In Mozambique, the pace of economic growth slowed in the first quarter (from 4.8% to 3.2%), penalized by the highly restrictive monetary policy. For the year as a whole, the IMF forecasts GDP growth of 4.3%.

In the first six months of this year, consolidated net income amounted to 485.3 million euros, which compares with 423.2 million euros achieved in the first half of 2023, a rise of 14.7% in relation to the same period of the previous year. This evolution reflects the favourable performance of the activity in the Bank's various markets, with emphasis to Portugal, where activity contributed with a net income of 411 million euros, an increase of 16.2% compared to the same period in 2023.

The consolidated net profit was also positively influenced by the 1.8% growth in core income, rising 1.76 billion euros in June 2023 to 1.79 billion euros in June 2024, mainly reflecting the performance of the net interest income, which until June this year was 1.7% above the amount reached in the first half of last year, despite an environment of progressively declining interest rates.

In the international activity, net income for the first six months of the year amounted to Euros 74.3 million, an increase of 6.8% compared to the Euros 69.5 million achieved in the same period of the previous year.

Bank Millennium in Poland contributed to this evolution, with net income amounting to Euros 82.8 million at the end of June, an amount in line with that obtained in the same period last year, despite the first half of the previous year having been positively influenced by the non-recurring income of Euros 127 million resulting from the sale of 80% of Millennium Financial Services and the second quarter of this year been negatively influenced by credit holidays in Poland, in the amount of Euros 46.6 million.

Despite the charges of Euros 376 million associated with the portfolio of mortgage loans denominated in Swiss francs (for which provisions were made amounting to Euros 237.8 million) and the costs related to the already mentioned credit holidays on mortgage loans in zlotys, Bank Millennium presented its seventh consecutive quarter of positive results.

Bank Millennium's capital protection plan and the exit from the recovery plan, which was implemented with remarkable success, as evidenced by the Bank's solid capital position in June, with a Common Equity Tier 1 (CET1) ratio of 14.3% and a total capital ratio of 17.1%, both comfortably above the minimum requirements, of 8.1% and 12.2%, respectively, and exceeding the MREL requirements.

Millennium bim also continues to contribute consistently to the Group's profitability, generating a net income of Euros 46.8 million in the first six months of 2024. This result in Mozambique is even more relevant as it was strongly influenced by the unfavourable impact on financial margin from the significant increase for non-interest-bearing cash reserves coefficient to be maintained with the central bank.

The Group's core operating result remained essentially in line with the same period last year, amounting to 1.17 billion euros in the first half of this year, in which return on equity (ROE) reached 15.4%.

Millennium bcp continues to demonstrate a strong capacity for organic capital generation, reflected in the robust capital position in June 2024, with CET1 and total capital ratios vastly surpassing regulatory requirements and standing at 16.2% and 20.6%, respectively, corresponding to increases in the last twelve months of 220 bps and 226 bps.

In addition to this solid capital position, the Bank continued to present an equally comfortable liquidity position at the end of the first half of 2024, largely exceeding regulatory requirements. In June of this year the ratio of net loans to deposits stood at 67%, with assets eligible for discounting with the ECB in the amount of Euros 28.9 billion.

Millennium bcp pursued an intense and dynamic commercial activity supported on a robust business model that allowed it to record, in June of this year, an 8.9% growth in total consolidated resources from customers compared to June last year, which rose above Euros 100 billion for the first time ever.

The Bank's customer base continues to grow, with the first half of this year recording an increase of 4.1%, highlighted by the 11% increase in mobile customers, who already represent 70% of the Group's total active customers.

With a balance sheet built on asset quality, this quality was expressed also in an NPE ratio of 3.4% at the consolidated level and 2.9% in Portugal. Millennium bcp continued in the period under review on a consistent path of reducing non-performing assets. In the last 12 months, the NPE stock, in consolidated terms, fell by Euros 176 million and there was a reduction of Euros 59 million euros in the property received through recovery.

In this context of improving balance sheet quality, the cost of risk remains well anchored within the range presented in the strategic plan, standing at 34 bp at Group level in the first half of 2024.

With the Excelling 24 Strategic Plan now complete and its respective targets achieved ahead of schedule, Millennium bcp has once again demonstrated its proximity to customers, for their trust and for the high quality of the services provided to them, continuing to contribute with determination to economic and social development, supporting families and businesses in all the markets served by the Bank.

A final word to highlight the performance of BCP share throughout the first half of 2024, in which the share recorded an appreciation of 22.7%, surpassing the appreciation of 15.2% achieved in the same period in the STOXX® Europe 600 Banks index.

Following the end of the Bank's normalisation period, we closed the first half of 2024 with the work carried out by Employees and with the relevant support and trust of Shareholders, achieving results in line with our plans and reinforcing the recognition rates with which Customers continue to distinguish us as leaders on multiple business fronts, thus giving us increased confidence to envision the future.



Miguel Maya

Chairman of the Executive Committee

Vice-Chairman of the Board of Directors



Nuno Amado

Chairman of the Board of Directors



From left to right:

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

Main highlights of the Results in H1 2024

A Solid and Efficient Bank

Profitability

- Net income of 485.3 million euros in the first half of 2024, 14.7% above the first half of 2023.
- Group's core operating profit stood at 1,174.1 million euros.
- In Portugal, net income amounted to 411.0 million euros in the first half of 2024, corresponding to an increase of 16.2% compared to the same period in 2023.
- Bank Millennium net income stood at 82.8 million euros in the first half of 2024, despite charges of 376,0¹ million euros related with CHF mortgage loan portfolio (of which 237.8 million euros in provisions) and costs related to the extension of credit holidays (mortgage in Zlotys) which totalled 46.6² million euros.
- Millennium bim net income stood at 46.8 million euros in the first half of the year.

Business model

- Solid capital ratios. CET1³ ratio stood at 16.2% and total capital ratio³ at 20.6% (increases of 220 bp and 226 bp, respectively, compared with the same period last year), reflecting the capacity to generate organic capital.
- Liquidity indicators⁴ well above regulatory requirements: LCR at 296%, NSFR at 175% and LtD at 67%.
- Group's total Customer funds grew 8.9% year on year to 100.6 billion euros.
- Reduction in non-performing assets compared to June 2023: 176 million euros in NPE and 59 million euros in foreclosed assets.
- Cost of risk⁵ of the Group stood at 34 bp in the first half of 2024, which compares with 50 bp in the same period of last year.
- Customer base grew 4.1%, highlighting the increase in mobile Customers (11% from June 2023), which represent 70% of total active Customers at the end of June 2024.

¹ Before taxes and non-controlling interests. Includes provisions for legal risk, costs with out-of-court settlements and legal advice. Does not include provisions for legal risk on CHF mortgages of Euro Bank (guaranteed by a third party). ² Before taxes and non-controlling interests. ³ Fully implemented ratio including unaudited net income of the first half of 2024. ⁴ Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Loans to Deposits Ratio (LtD). ⁵ Includes the impact of certain impairments reversal in the second quarter of 2024. Excluding this impact, the cost of risk in the first half of 2024 stood at 50 bp.

Main highlights ⁽¹⁾

	Million euros		
	30 Jun. 24	30 Jun. 23 (restated ²)	Chg. 24/23
BALANCE SHEET			
Total assets	99,698	90,941	9.6%
Equity	7,627	6,568	16.1%
Loans to customers (net)	55,625	56,336	(1.3%)
Total customer funds	100,644	92,453	8.9%
Balance sheet customer funds	83,873	76,733	9.3%
Deposits and other resources from customers	82,555	75,355	9.6%
Loans to customers (net) / Deposits and other resources from customers (3)	67%	75%	
Loans to customers (net) / Balance sheet customer funds	66%	73%	
RESULTS			
Net interest income	1,398	1,374	1.7%
Net operating revenues	1,750	1,844	(5.1%)
Operating costs	619	562	10.3%
Operating costs excluding specific items (4)	617	550	12.2%
Results on modification	(61)	(12)	<-200%
Loan impairment charges (net of recoveries)	97	146	(33.3%)
Other impairment and provisions	293	403	(27.3%)
Income taxes	138	246	(44.0%)
Net income	485	423	14.7%
PROFITABILITY AND EFFICIENCY			
Net operating revenues / Average net assets (3)	3.6%	4.1%	
Return on average assets (ROA)	1.1%	1.1%	
Income before tax and non-controlling interests / Average net assets (3)	1.4%	1.6%	
Return on equity (ROE)	15.4%	16.1%	
Return on tangible equity (ROTE)	16.0%	16.7%	
Income before tax and non-controlling interests / Average equity (3)	19.2%	24.7%	
Net interest margin	3.08%	3.34%	
Cost to core income (4)	34.4%	31.2%	
Cost to income (3)	35.4%	30.4%	
Cost to income (3)(4)	35.3%	32.0%	
Cost to income - Activity in Portugal (3)(4)	32.7%	31.0%	
Staff costs / Net operating revenues (3)(4)	19.3%	17.3%	
CREDIT QUALITY			
Cost of risk (net of recoveries, in b.p.) (5)	34	50	
Non-Performing Exposures (loans to customers) / Loans to customers	3.4%	3.7%	
Total impairment (balance sheet) / NPE (loans to customers)	81.4%	73.6%	
Restructured loans / Loans to customers	3.0%	3.2%	
LIQUIDITY			
Liquidity Coverage Ratio (LCR)	296%	214%	
Net Stable Funding Ratio (NSFR)	175%	155%	
CAPITAL (6)			
Common equity tier I phased-in ratio	16.2%	14.0%	
Common equity tier I fully implemented ratio	16.2%	14.0%	
Total ratio fully implemented	20.6%	18.3%	
BRANCHES			
Activity in Portugal	398	402	(1.0%)
International activity	804	817	(1.6%)
EMPLOYEES			
Activity in Portugal	6,274	6,256	0.3%
International activity (7)	9,431	9,393	0.4%

- (1) Some indicators are presented according to management criteria of the Group, with concepts being described and detailed at the glossary.
- (2) On 1 January 2023, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Mbcpc Ageas), an entity 49.9% owned by the Group and accounted for under the equity method, adopted simultaneously IFRS9 - Financial Instruments and IFRS17 - Insurance Contracts. During the first half of 2024, Mbcpc Ageas reviewed the transition adjustments relating to the adoption of those IFRS, which resulted in a reduction in the amount of the participation by 9 million euros against reserves. The participations in Lusofundo - Fundo de Investimento Imobiliário Fechado (42.5%) and Fundo Especial de Investimento Imobiliário Eurofundo (35.1%), received at the end of 2022 as part of the sale process designated as project Crow (sale of hospitality assets and of all the units in two corporate restructuring funds), were reclassified to investments in associates with reference to the end of that year. The book value of the participation units in these two entities on 30 June 2024 totalled 27 million euros (28 million euros on 30 June 2023), with the contribution of these entities to equity accounted earnings being 1 million euros in the first half of 2024 (-2 million euros in the first half of 2023, previously recognised in net trading income).
- (3) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
- (4) Excludes the impact of specific items: negative impact of 2 million euros in the first half of 2024 and positive impact in the amount of 115 million euros in the first half of 2023. In the first half of 2024, specific items include costs with employees terminations, namely indemnities and early retirements and income recognised after an agreement related to liabilities with former directors of the Bank. In the first half 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 costs of 12 million euros recognised as staff costs in the activity in Portugal [(i) costs related to the compensation for the temporary reduction in employee remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022; (ii) costs with mortgage financing to former employees and (iii) income recognised after an agreement related to liabilities with former directors of the Bank].
- (5) Includes the impact of certain impairments reversal in the second quarter of 2024. Excluding this impact, the cost of risk in the first half of 2024 stood at 50 bp.
- (6) Presented figures include the cumulate net results of the respective periods.
- (7) Of which, in Poland: 6,834 employees as at 30 June 2024 (corresponding to 6,710 FTE - Full-time equivalent) and 6,869 employees as at 30 June 2023 (corresponding to 6,746 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.

In the 1st half of 2024, Bank Millennium S.A. informed that it took a decision to complete the implementation of the Recovery Plan, notifying of the fact Polish Financial Supervision Authority and Bank Guarantee Fund.

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 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 articles of association, the BD 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 June 30, 2024, the Board of Directors was made up of 16 members, of which 14 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 16 members that make up the BD, 6 are executive and 10 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.

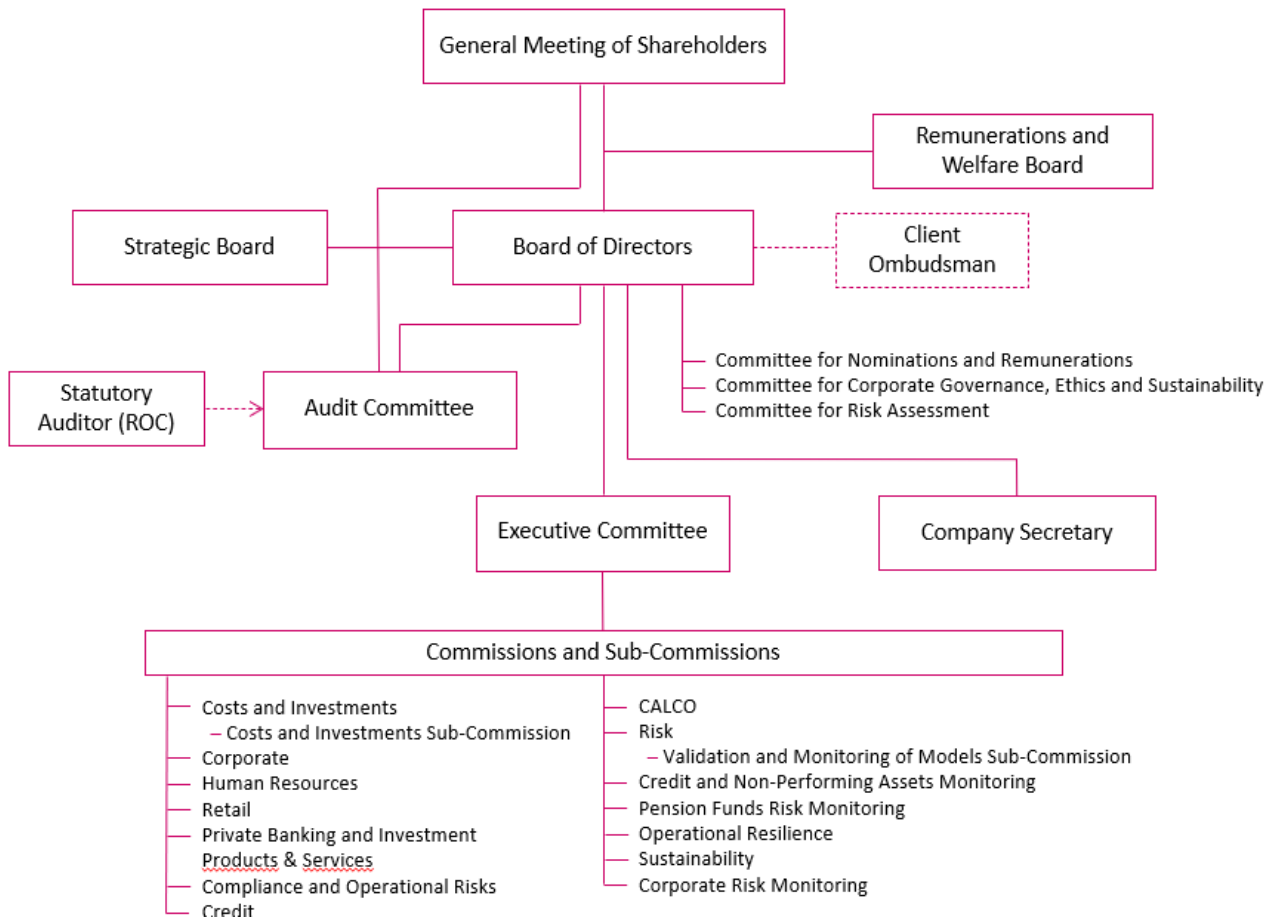
Banco Comercial Português, S.A. is in the process of identifying and selecting a new non-executive member to join the Board of Directors.

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)	Committee for Corporate Governance, Ethics and Sustainability (CCGES)	Committee for Nominations and Remunerations (CNR)	Risk Assessment Committee (RAC)
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 (RAC)	●		●			●
João Nuno de Oliveira Jorge Palma	●	●				
Lingzi Yuan (Smilla Yuan) (Chairman of CNR)	●				●	
José Miguel Bensliman Schorch 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-chairmen Jorge Magalhães Correia e Valter Barros.

The Strategic Council, as an advisory and non-permanent body, has a variable composition, with the Chairman and Vice-Chairmen of the Board of Directors being inherent members.

The Board of the General Meeting elected for the term of office 2024/2027 in the General meeting of Shareholders held on 22 May 2024, has the following composition:

Chairman: Pedro Rebelo de Sousa

Vice-chairman: Octávio Castelo Paulo

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

Main events in H1 2024

During the 1st half of 2024, in a context of continued uncertainty about the international geopolitical situation and progressive normalization in Portugal through the government action, which had an impact on the decisions of companies as well as families, BCP stood out for its central role in proximity, trust and quality in the services provided to its Customers, continuing to decisively support families and companies.

On June 19, 2024, the Executive Management Board of Bank Millennium S.A. informed on that day it took a decision to complete the implementation of the Recovery Plan, notifying of the fact Polish Financial Supervision Authority and Bank Guarantee Fund. In the Bank's Executive Management Board's opinion, all key assumptions of the Recovery Plan have been achieved. In particular, all indicators defined in the Plan have reached adequate and safe levels, profitability and financial results of Bank Millennium S.A. Capital Group improved sustainably, capital ratios were restored to levels comfortably above required regulatory minimums while the Group and the Bank meet MREL requirements, including the combined buffer requirements. The Bank's Management Board also does not identify future circumstances that would justify further continuation of the Recovery Plan.

On May 28, 2024, BCP, in accordance with legal terms and taking into account the deliberation of the Annual General Meeting held on May 22nd, 2024, informed the Shareholders that, from June 21, 2024, the dividend would be paid relating to the 2023 financial year.

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.

On May 22, 2024, BCP informed that, at the General Shareholders' Meeting held on that date, 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.

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 began 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.
- **Millennium bcp won the APCC Best Contact Centers 2024 award in the category of Best Banking Contact Center in Portugal.**
- Millennium bcp was distinguished in the ranking of Companies Committed to Youth, which aims to recognize the best companies in the Iberian Peninsula and Latin America that promote initiatives for the development of Young Talent. This initiative is the responsibility of the OIJ-International Youth Organization and DCH-International Organization for Human Capital Management.
- 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 awarded by the eleventh time as "Service Quality Star".
- Bank Millennium was distinguished in Global Finance's "The Innovators 2024" awards.
- Bank Millennium came in second place in the Multichannel Service Quality category in the Golden Banker 2024 ranking.
- Bank Millennium was distinguished by the Global Finance registry with the title "The Greatest innovation in Finance" in the Corporate Finance category.
- Bank millennium achieved second place in the "Best Employers in Poland 2024" ranking, in the Banking and Financial Services category, by Forbes in collaboration with the company Statista.
- Bank Millennium stands out in the "ESG Responsible Management" ranking, having come in third place in the Governance section and in the TOP 10 of the general classification.
- The Millennium bim brand was considered by Mozambican consumers to be the best in the financial sector in the "Large Banks" category, within the scope of the first edition of the "Mozambican Consumer Choice" project, organized by Consumer Choice, in which Millennium bim was the only distinguished national bank.

SUBSEQUENT EVENTS

On July 4, 2024, the Fitch Ratings agency improved BCP's Outlook from Stable to Positive.

On July 22, 2024, the Bank informed that it has been notified by Banco de Portugal, as the national resolution authority, about the update of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board.

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

- 25.17% of the total risk exposure amount ("TREA") (to which adds further a combined buffer requirement ("CBR") of 3.5%, thus corresponding to total requirements of 28.67%); and
- 6.67% of the leverage ratio exposure measure ("LRE").

Additionally, the Bank informed that is not subject to any subordination requirements.

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

On that date, BCP reported that it complied with the established MREL requirements, both as a percentage of the TREA (including the CBR) and as a percentage of the LRE.

BCP Share

In the first half of 2024, the return of global equity markets, measured by the MSCI World index, was +13.2% (+14.7% in euros).

During the first half of 2024, the worsening of geopolitical risks was significant, namely the escalation of conflicts in Palestine and Ukraine, as well as the growth of tensions between the main economic blocs.

After a long period of consecutive interest rate hikes, the European Central Bank carried out its first rate cut of 25bps. on June 7, reducing the deposit rate to 3.75%. At the same time, the ECB revised upwards its projections for GDP growth and

inflation for the euro zone, signalling that the monetary policy adjustment process will be gradual. The Fed kept interest rates unchanged based on the slow reduction in inflation. In the United Kingdom, the Bank of England postponed the start of monetary policy adjustments to August due to the slow slowdown in inflation compared to expectations.

The International Monetary Fund (IMF) maintained, globally, its estimate for 2024 growth in Gross Domestic Product (GDP) at 3.2%. However, the IMF has revised the growth forecast for the Euro Zone economy slightly upwards, to 0.9% in 2024. Regarding the growth of the US economy, the IMF is less optimistic, having revised the estimate slightly downwards to 2.6% for 2024.

BCP SHARES INDICATORS

	Units	H1'24	H1'23
ADJUSTED PRICES			
Maximum price	(€)	0.3782	0.2389
Average price	(€)	0.3067	0.2085
Minimum price	(€)	0.2543	0.1529
Closing price	(€)	0.3366	0.2196
SHARES AND EQUITY			
Number of ordinary shares (outstanding)	(M)	15,114	15,114
Shareholder's Equity attributable to the group (1)	(M€)	6,588	5,668
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.063	0.054
Book value (4)	(€)	0.417	0.375
MARKET INDICATORS			
Closing price to book value	(PBV)	0.81	0.59
Market capitalisation (closing price)	(M€)	5,087	3,319
LIQUIDITY			
Turnover	(M€)	2,876	2,391
Average daily turnover	(M€)	22.8	18.8
Volume	(M)	9,269	11,637
Average daily volume	(M)	73.6	91.6
Capital rotation (4)	(%)	61.3%	77.0%

(1) Includes Other Equity Instruments (400 million euros of AT1 in H1 2024 and H1 2023).

(2) Considering the average number of shares outstanding

(3) Considering the average number of shares minus the number of treasury shares in portfolio

(4) Total number of shares traded divided by the average number of shares issued in the period

BCP share, in the first half of 2024, outperformed the European banking benchmark index, the STOXX® Europe 600 Banks. In the first six months of 2024, BCP shares appreciated by 22.7%, surpassing the appreciation of the index, which stood at 15.2%.

Despite the geopolitical context, the uncertainty about economic developments and the inflation trajectory, which allowed the ECB to ease monetary policy, BCP's performance in the 1st half of 2024 was mainly related to the improvement in profitability in the Portuguese operation.

BCP's operational efficiency and strong organic capital generation (CET1 of 16.2% at the end of June) were also determining factors for the share's positive performance in the first half of 2024.

The presentation of results for the first quarter of 2024 exceeded analysts' expectations, having been positively received by various market agents. Consequently, in May, several research notes were published by analysts, which resulted in several upward revisions to the price targets for the BCP share. The upward revisions resulted from more favourable updates to BCP's projections for the period 2024-2026, and include the reinforcement of profitability, continued capital generation and balance sheet resilience.

At the end of June, buy recommendations represented 84% of the total (10 analysts), 8% of analysts (1 analyst) with a neutral recommendation and 1 analyst with a sell recommendation (which changed to buy in July). The average price target for BCP shares at the end of June was 0.47 euros, representing an increase of 0.07 euros compared to the 0.40 euros observed in December 2023.

PERFORMANCE

Index	Change H1 2024
BCP share	22.7%
Eurostoxx 600 Banks	15.2%
PSI20	1.3%
IBEX 35	8.3%
CAC 40	-0.8%
DAX XETRA	8.9%
FTSE 100	5.6%
MIB FTSE	9.2%
Dow Jones Indu Average	3.8%
Nasdaq	17.0%
S&P500	14.5%

Source: Euronext, Reuters, Bloomberg

Liquidity

During the first half of 2024, 2,876 million euros in BCP shares were traded, which represented an average daily turnover of 22.8 million euros. In H1'24, 9,269 million shares were traded, corresponding to an average daily volume of 73.6 million shares. The capital turnover ratio stood at 61.3% of the average annual number of shares issued.

Follow-up with Investors

During the first half of 2024, the Bank participated in several events, having been present at 7 conferences/roadshows, through which it held more than two hundred meetings with investors.

Indexes listing BCP shares

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

At the end of the first half of 2024, Millennium bcp was included in the European Banks Index of Standard Ethics and, among the STOXX Indices of which it is part, the EURO STOXX Banks ESG-X, the STOXX Europe 600 Banks ESG-X, the EURO STOXX Total Market ESG-X and the STOXX Developed Markets Total Market ESG-X. Bank Millennium in Poland is also part of the WIG-ESG of the Warsaw Stock Exchange.

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

The following table summarizes the relevant facts directly related to Banco Comercial Português that occurred during the first half of 2024, as well as the changes in the share price, both on the following day and in the 5 subsequent days, and the relative evolution vis-à-vis the main national reference indices and European banking sector in the periods mentioned.

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs. PSI20 (5D)	Chg. vs. STOXX® Europe 600 Banks (5D)
1	1/Jan	Banco Comercial Português, S.A. informs about decision to call AT1	3.4%	2.4%	2.5%	6.3%	5.1%	3.8%
2	5/Jan	Banco Comercial Português, S.A. informs about the resignation of a member of the Board of Directors	0.0%	0.8%	-0.4%	5.2%	5.1%	7.9%
3	8/Jan	Banco Comercial Português, S.A. informs about estimated provisions against legal risk related to FX mortgage loans portfolio booked by Bank Millennium, S.A. in 4Q 2023	0.1%	0.3%	0.9%	2.3%	1.9%	6.1%
4	10/Jan	Banco Comercial Português, S.A. informs about potential issue of perpetual subordinated notes	1.0%	1.2%	2.9%	-6.3%	-2.1%	-2.2%
5	11/Jan	Banco Comercial Português, S.A. informs on the issuance of perpetual subordinated notes (Additional Tier 1)	0.4%	1.2%	0.1%	-5.1%	-1.1%	-3.6%
6	15/Jan	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-4.0%	-2.6%	-2.9%	-3.7%	-1.1%	-3.7%
7	16/Jan	Banco Comercial Português, S.A. informs about notice of transaction of securities	-1.1%	0.4%	-0.4%	-6.5%	-4.2%	-7.5%
8	18/Jan	Banco Comercial Português, S.A. informs about notice of acquisition of securities	-1.5%	7.2%	11.8%	-6.6%	-6.2%	-8.5%
9	22/Jan	Banco Comercial Português, S.A. ("Bank") informs about communication received from Chiado (Luxembourg) S.À.R.L regarding the sale of Bank shares through an Accelerated Bookbuilding process	-6.7%	-5.7%	-6.6%	-7.7%	-6.4%	-8.8%
10	22/Jan	Banco Comercial Português S.A. informs about the result of the share offering announced by Chiado Luxembourg S.À.R.L.	-6.7%	-5.7%	-6.6%	-7.7%	-6.4%	-8.8%

(Continues)

(Continuation)

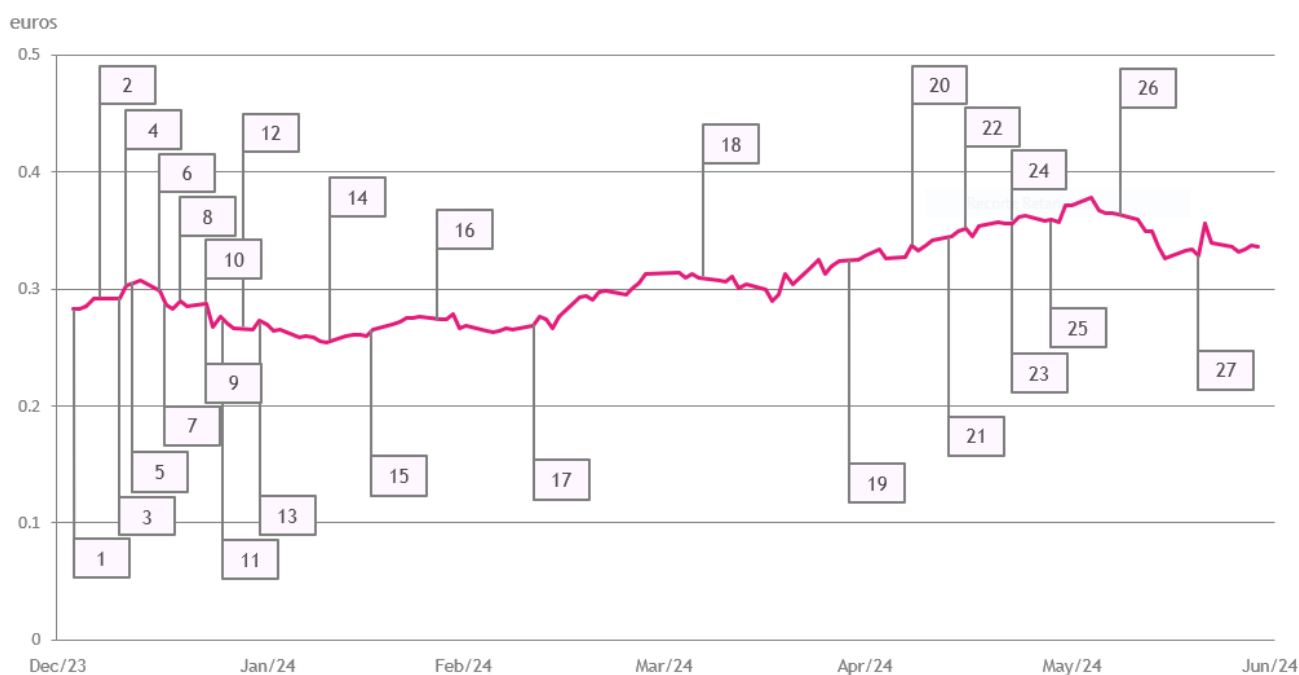
Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs STOXX® Europe 600 Banks (5D)
11	24/Jan	Banco Comercial Português, S.A. informs about notice of acquisition of securities by Fidelidade	-2.2%	1.0%	10.4%	-2.5%	-2.4%	-3.9%
12	26/Jan	Banco Comercial Português, S.A. informs on notice received from Chiado (Luxembourg) S.à r.l. about qualified shareholding	-0.6%	-0.2%	0.0%	-0.6%	-0.3%	-0.5%
13	30/Jan	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in 2023	-1.0%	-1.4%	-1.0%	-4.8%	-3.9%	-3.9%
14	12/Feb	Banco Comercial Português, S.A. informs about notices received from Bank of America	0.1%	2.5%	8.4%	3.8%	2.9%	1.9%
15	16/Feb	Banco Comercial Português, S.A. informs on a notice received from Bank of America Corporation	1.7%	1.0%	1.3%	4.1%	3.4%	2.3%
16	26/Feb	Millennium bcp Earnings release as at 31 December 2023	0.3%	-0.4%	-0.1%	-3.4%	-3.3%	-5.6%
17	11/Mar	Banco Comercial Português, S.A. informs on a notice received from Bank of America Corporation	2.9%	3.2%	1.0%	9.2%	9.0%	6.4%
18	8/Apr	Banco Comercial Português, S.A. informs about estimated provisions against legal risk related to FX mortgage loans portfolio booked by Bank Millennium, S.A. in 1Q 2024	-0.4%	-0.5%	0.7%	-2.6%	-2.7%	-0.4%
19	29/Apr	Banco Comercial Português, S.A. informs about the attribution of shares within the scope of the variable remuneration policy for Persons with Managing Responsibilities and Employees	0.9%	1.9%	1.3%	0.5%	0.9%	-0.3%
20	7/May	Banco Comercial Português, S.A. informs about expected negative impact of extension of credit holidays on 2nd quarter 2024 results of Bank Millennium S.A. Capital Group	-1.4%	7.2%	17.1%	3.8%	0.7%	2.7%
21	10/May	Banco Comercial Português, S.A. informs about Bank Millennium (Poland) results in Q1 2024	0.8%	1.4%	0.5%	3.5%	3.8%	1.6%

(Continues)

(Continuation)

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. STOXX® Europe 600 Banks (1D)	Chg. +5D	Chg. vs. PSI20 (5D)	Chg. vs. STOXX® Europe 600 Banks (5D)
22	15/May	Millennium bcp Earnings release as at 31 March 2024	-1.8%	-1.0%	-1.6%	1.2%	1.5%	2.0%
23	22/May	Banco Comercial Português, S.A. informs about the election of the Statutory Auditor and of the External Auditor for the four-year period 2024/2027	1.7%	2.1%	1.7%	0.4%	2.6%	1.5%
24	22/May	Banco Comercial Português, S.A. informs about resolutions of the Annual General Meeting	1.7%	2.1%	1.7%	0.4%	2.6%	1.5%
25	28/May	Banco Comercial Português, S.A. informs on the payment of the dividend relating to the 2023 financial year	-0.4%	1.2%	0.9%	2.1%	3.1%	3.8%
26	7/Jun	Banco Comercial Português, S.A. informs about the attribution of shares within the scope of the variable remuneration policy for Persons with Managing Responsibilities	-1.2%	-1.1%	-0.4%	-10.3%	-7.4%	-4.8%
27	19/Jun	Banco Comercial Português, S.A. informs about completion of the implementation of the Recovery Plan by Bank Millennium in Poland	8.3%	6.7%	7.4%	1.6%	1.5%	1.6%

The following chart depicts BCP's share price performance in the first half of 2024:



Dividend policy

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

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

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

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

Shareholder structure

According to information from Interbolsa, on June 30, 2024, the number of Shareholders of Banco Comercial Português amounted to 127,001.

At the end of June 2024, there were two Shareholders with qualifying holdings holding more than 5% of the Bank's share capital.

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	1,780	0.32%
Other	120,951	20.52%
COMPANIES		
Institutional	422	18.62%
Qualified Shareholders	2	39.52%
Other companies	3,846	21.02%
TOTAL	127,001	100%

Shareholders with more than 5 million shares represented 76.86% of the share capital.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	150	76.86%
500,000 a 4,999,999	1,158	9.30%
50,000 a 499,999	10,862	9.66%
5,000 a 49,999	31,953	3.70%
< 5,000	82,878	0.48%
TOTAL	127,001	100%

The Bank's shareholding structure, at the end of the first half of 2024, is presented in the table below.

	Nr. of Shares (%)
Portugal	25.6%
China	20.0%
Africa	19.7%
UK / EUA	25.7%
Other	9.0%
Total	100%

Qualified Holdings

The following Shareholders held more than 5% of the share capital of Banco Comercial Português, S.A. as of June 30, 2024:

30 June 2024

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.à.r.l. (Fosun Group)	3,027,936,381	20.03%	20.03%
TOTAL FOR FOSUN GROUP	3,027,936,381	20.03%	20.03%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	2,946,353,914	19.49%	19.49%
TOTAL FOR SONANGOL GROUP	2,946,353,914	19.49%	19.49%
Total of Qualified Shareholdings	5,974,290,295	39.52%	39.52%

Regulatory, economic and financial system environment

Regulatory environment

The financial system has been demonstrating overall strength with banks maintaining robust capitalization levels and substantial liquidity buffers, despite persisting economic and financial uncertainties. Bank regulators' concerns remain mainly oriented to address elevated geopolitical risks, economic and interest rate uncertainties, operational risks some relating to digitalization and, cyber challenges, AML and climate risks, among others.

The EU banking package, implementing the final Basel III rules amending the Capital Requirements Regulation and Directive has been published (CRR3/CRD6). The EU Capital Requirements Directive (CRD6) introduces a revised framework for assessing the suitability of directors and other senior managers of EU banks, and other changes to the EU rules on bank governance. It enters into force in July 2024 and Member States will have 18 months to transpose it into national law. The CRR3 amends requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor. CRR3 takes effect from 1 January 2025. The new EU banking package also includes provisions on the management, reporting, disclosure, governance, and supervisory review of the ESG risks. Following formal publication of CRR, the EBA has developed and will put into place in a gradual manner a comprehensive set of technical standards, guidelines and other products. To align start dates and not jeopardise the level playing field at global level, the EU authorities have proposed to delay the start date of the new trading book rules by one year.

The new package of anti-money-laundering rules for tackling money laundering and terrorist financing, was published. The EBA will maintain its AML and CFT powers and mandates until December 2025 to minimise disruption and provide continuity before transferring the powers that are specific to AML/TF to the new Anti-Money Laundering Authority (AMLA).

As part of the Digital Operational Resilience Act (DORA), which comes into force on 17 January 2025, EU financial entities and ICT third-party service providers to financial entities identified as critical will be subject to an EU oversight framework. The European Supervisory Authorities

(ESAs) are currently preparing for the application of the DORA. In that regard the ESAs are carrying out a dry run exercise, on an best effort basis, to help banks prepare for the register of contractual arrangements with ICT third-party service providers.

Relating to cyber resilience, the ECB and NCAs have also conducted stress test to assess how banks respond to and recover from a cyberattack. As mandated by the EC, the EBA conducted a one-off fit-for-55 climate risk scenario analysis on the extent to which climate risk related shocks could generate stress for the financial system in the period up to 2030. In 2025, an EU level stress test will take place to assess the resilience of banks in the face of adverse economic conditions providing essential data for the 2025 SREP. The EBA expects to launch the exercise in January 2025 and release the results by the end of July 2025.

In Portugal the countercyclical buffer rate remained at 0% of the total risk exposure amount, and the 4% sectoral systemic risk buffer applicable to domestic RRE exposures for institutions using the internal ratings-based (IRB) approach will apply from 1 October 2024.

As one of the public measures to support the purchase of a first home by young people under 35 in Portugal, Decree-Law 44/2024 establishes the conditions under which the State may provide a personal guarantee to credit institutions.

In Poland, the Financial Stability Committee recommended the setting of a countercyclical capital buffer rate at 1% and 2%, respectively 12 months and 24 months from the publication of a specific regulation by the Ministry of Finance. The Polish Ministry of Justice is working on the preparation of a draft CHF loan bill to support the conclusion of settlements for CHF loans and plans to prepare legal changes to simplify and accelerate court proceedings in these cases. On relief measures for households, the credit holidays were extended into 2024, allowing borrowers to defer up to 4 instalments per year at no charge.

On the Macroprudential front, Banco de Moçambique (BdM) maintained the classification of Millennium bim as a Domestic Systemically Important Institution and kept the conservation buffers for systemically important and quasi-systemically important domestic banks unchanged at 2.0% and 1.0%, respectively while maintain

other macro-prudential lending requirements, namely LTV and DTI at a maximum of 100%.

The BdM is reviewing its banking regulation and is moving forward in banking supervision, namely with the ongoing revision of BdM's organic Law, implementation of Basel III standards expected to take place by 2026. A regulation on cybersecurity risks was approved in March 2024. Other initiatives are underway not only in this area, but also to improve the AML/CFT framework, reform the law on payment systems, improving foreign exchange market procedures and promote financial inclusion. The crisis management framework has been strengthened with a new resolution framework, which includes guidelines for recovery plans and reforms to the deposit guarantee fund regulation. Mozambique has also recently amended the standards and procedures for conducting foreign exchange transactions and investments abroad. Measures to strengthen resilience to climate change are also underway.

Economic environment

The International Monetary Fund (IMF) has kept its forecast for global Gross Domestic Product (GDP) growth rate in 2024 unchanged at 3.2%. However, the risks to this projection are tilted to the downside and relate mainly to the possibility of escalating geopolitical tensions.

The performance of financial markets in the second quarter of 2024 was positive, with the major global equity indices registering valuations. However, this occurred at a more moderate pace compared to the first three months of the year, due to persistent geopolitical risks and uncertainty regarding the global economic outlook. In this context, the US government bond yields have since May reversed their upward trend, reflecting a greater moderation of economic activity and a decrease in the inflation rate. Regarding the euro area sovereign debt market, there was increased volatility at the end of the quarter, driven by the uncertainty surrounding the outcome of snap legislative elections in France. This resulted in a moderate depreciation of the Euro and a widening of French public debt risk premium against Germany, which also translated into higher risk premia for Italy, Spain, and Portugal. In early June, the European Central Bank (ECB) announced, as expected, a 25 basis point (b.p.) reduction in reference interest rates, as the inflation rate has been gradually approaching levels closer to the central bank's target. Market expectations suggest that the easing cycle of euro area monetary policy will continue in the coming quarters, which contributed to the downward trajectory of Euribor interest rates.

In the second quarter of 2024, activity indicators suggest that the Portuguese economy continued to evolve positively after the 0.8% quarter-on-quarter growth observed in the first three months of the year. The favourable performance of the economic activity has been supported by the recovery of private consumption, resulting from rising real disposable income for households, and expectations of greater investment dynamism on the back of reduced financing costs and the execution of the Recovery and Resilience Plan, alongside robust exports. Against this backdrop, Banco de Portugal has kept its projection for economic growth in 2024 unchanged at 2.0%. Concerning inflation, despite the uneven trajectory observed in the second quarter, a downward trend is expected to resume in the second half of the year. For 2024, Banco de Portugal predicts that the inflation rate will be 2.5%, following the average value of 2.8% recorded in the first half of the year.

In Poland, the GDP accelerated in the first quarter of 2024, from 1.0% to 2.0%, year-on-year and the European Commission projects a GDP

growth rate of 2.8% for 2024. The dynamism of economic activity is expected to continue to be supported by private consumption, benefiting from rising real disposable income and historically low levels of the unemployment rate. Concerning the inflation rate, a gradual increase in prices is anticipated in the second half of the year, with the European Commission projecting an inflation rate of 4.3% for the whole year, after a reduction in the first months of the year to 2.6% in May. In the second quarter, the central bank of Poland held the reference interest rate at 5.75%, and the Zloty appreciated, with the exchange rate against the euro reaching 4.25 in May, the lowest value since 2020.

In Mozambique, the economic activity slowed down from 4.8% to 3.2% (year-on-year) during the first quarter of 2024. For the whole year, the IMF predicts that the GDP will grow 4.3%. The downward trajectory of inflation in the first half of the year, which stood at 3.0% in June, led to a reduction in the reference interest rate from 15.75% to 15.00% in May. In its turn, the Metical remained relatively stable throughout the second quarter. In Angola, the IMF projects an acceleration in GDP growth in 2024, from 0.9% to 2.4%. Persistent upward inflationary pressures determined an interest rate hike by the central bank of Angola from 19.00% to 19.50% in May, and over the quarter, the Kwanza appreciated slightly.

Financial system

The intensification of geopolitical risks persisted throughout the first semester of 2024, with still unpredictable consequences at political, social, economic and financial level: escalating conflicts in Palestine and Ukraine, growing tensions between the main economic blocs, as well as a higher social protests putting pressure on political stability, mainly in Western countries (2024 will be the busiest national elections year in living memory), and the uncertainty regarding political developments in the US, both domestically and internationally.

The outlook for the Eurozone's economy points to a gradual recovery over the course of the year, but the medium-term prospects remain challenging. In the first semester of 2024, the ECB started a new monetary policy cycle, adopting the first cut to reference interest rates in June (-25 basis points), although there is still uncertainty regarding the pace of future cuts, which impacts the speed of the economic and financial recovery. The ECB remains confident that inflation will return sustainably to the 2% medium-term target. Within the scope of the PEPP ('Pandemic Emergency Purchase Programme'), the ECB announced that it intended to reduce the portfolio over the second semester of 2024 and to discontinue reinvestments at the end of 2024, noting that the current monetary policy instruments will continue to provide liquidity support to the Eurozone financial system and to preserve the regular transmission of monetary policy.

The Portuguese banking system maintained positive and growing profitability levels essentially through the evolution of Net Interest Income. However, the recent profitability levels do not ensure a return above the cost of capital in the medium term given the high uncertainty regarding the current political, economic, financial, and regulatory context. The prospects of a less restrictive monetary stance will put additional pressure on Portuguese banking system's Net Interest Income (which has allowed the sustained creation of capital buffers in recent years), thus requiring the maintenance of proactive and careful management of operating costs and of assets and capital risks.

The Portuguese banking system continues to operate under very demanding supervision and regulation, with ad-hoc reporting intensifying, and also bearing very costly regulatory contributions, which distort competition in the banking union market (e.g. contributions to the European and National Resolution Funds and contributions to the Banking Sector, in the latter two cases at a clear disadvantage compared to European peers). The Portuguese banking system is in a strong position both in terms of capital and liquidity, and with asset quality indicators now more aligned with European metrics, reflecting the efforts made in

recent years to reduce NPE and to raise loan loss coverage levels.

The Portuguese banking system has contributed to ensure the regular funding of the economy, being a source of stability. The evolution of the financial system will continue to be influenced, among other factors, by (i) the level of implementation of the Recovery and Resilience Plan ('PRR'), initially created to mitigate the negative economic effects of the Covid-19 pandemic and nowadays also to address the impacts of the current geopolitical context, (ii) the evolution of investment levels and demand for credit by corporates, which will tend to increase as financing costs decrease and confidence in economic recovery and risk appetite rise, and (iii) the evolution of disposable income and of consumption behaviour and savings profile of households, given the still high inflation levels and interest rates, even when mitigated by income support from social security, from employers and by resilient employment levels. The recent announcement of the approval of new large public infrastructure projects (e.g. Lisbon Airport, Third Tagus Bridge and High-Speed Rail projects) creates business opportunities for the Portuguese banking system, and will support credit growth.

Banks have adjusted their business and customer relationships models, making them more digital, proximate, simple, safe and sustainable, improving the overall quality of service provided to increasingly demanding customers, by investing strongly in new ways of operating. The investment in IT, with particular emphasis on AI/GenAI, has intensified in recent years and is essential for banks to remain competitive, also reflecting a global trend of transformation in the financial sector, making it possible to increase productivity, reduce costs and create growth opportunities.

It is important to highlight that the absence of a single regulatory framework applying to all entities that can operate in specific business segments, which would ensure a level playing field, will continue to force the banking system to constantly innovate and to improve efficiency levels to mitigate the impact of the loss of business and revenues to unregulated non-bank players ('shadow banks'). The mitigation of compliance and cybersecurity risks, which is essential to secure customer data and to the quality of customer data, the integrity of financial systems and the compliance with demanding regulations, requires a continued focus on appropriate operational and technological risk assessment and control policies, with emphasis on investment in data security systems and in risk control frameworks, together with the ESG requirements integration (Environmental, Social & Governance) in daily management, so as to attain a more resilient response of the financial system to the current and prospective economic context.

Business Model

Nature of operations and main activities

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, where it is present in the following markets: Poland, Mozambique, Angola (through its associate BMA) and China (Macao branch). 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 June 2024, Millennium bcp continued to be the largest Portuguese privately-owned bank on business volumes and with a relevant position in the countries where it operates.

On 30 June 2024, operations in Portugal accounted for 65% of total assets, 67% of total loans to Customers (gross) and 69% of total customer funds. The Bank, in Portugal, had more than 2.7 million active Customers at the end of June 2024 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 June 2024, Millennium bcp had an international presence throughout the world through its banking operations, representative offices and/or commercial protocols, serving more than 6.8 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 May 2024, Bank Millennium had a market share of 5.6% in loans to Customers and of 6.0% in deposits.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has about 1.2 million Active Customers and is the reference bank in this country, with market shares of 16.0% in loans and advances to Customers and of 22.8% in deposits, in the end of May 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).

Proximity to Customers

In 2024, Millennium bcp won the Consumer Choice and Five Star Awards, in the “Large Banks” and “Banking Apps” categories. With this strategy based on proximity to Customers, the first half of the year was marked by commercial and relational communication, either through the launch of product campaigns and innovative solutions - many in the digital area - or through the continued holding of events and sponsorships that make Millennium bcp a reference in the market.

At a commercial level, the Spread 0 Mortgage Loans Campaigns are worth highlighting; Payroll delivery with cashback in Supermarkets, as well as the relaunch of Family Advantage, which provided Millennium Customers and their families with a set of advantages in day-to-day solutions.

In the Business segment, it is worth highlighting the launch of the publicity campaign for Banco Português do Fomento's Invest EU Program, with 3,670 million euros to support Companies, in the most diverse sectors of activity.

The Companies' communication effort in the first six months of 2024 was also felt in the continued investment in relational events with Customers, Non-Customers and official entities, of which the three editions of the Millennium Talks initiative stand out - in the Algarve, Aveiro and Lisbon. More than 2,500 businesspeople and decision-makers from the most varied activities participated in these three proximity events.

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

(Médias) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launching of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the Customer, including the opening of a current account using Mobile Banking solutions.

In the first half of 2024, in the Private Customer segment, the Bank maintained the growth trend in the Digital Asset base, highlighting the 12% growth in users of the App channel. Customers using the App represent around 88% of the total Digital Customers and of these 70% use this channel exclusively.

In the main Digital Transactions, the Bank recorded growth of 20%, compared to the same period of 2023, largely driven by the growth of the App channel (+26%). Digital Sales, in the first half of the year, represented around 85% of the Bank's total sales.

In active Digital Business Customers, it is worth mentioning the growth in the Customer base (+5% year-on-year), of which around 52% carried out Payments and Collections in the first half of 2024 in online channels.

The Bank continued the development plan for a digital experience focused on mobile, with the application of an increasingly personalized and targeted communication strategy with Customers, highlighting the greater convenience of the products and services available on the Millennium App and always seeking to simplify the day-to-day life of Customers.

In Personal loans, the product penetration rate increased significantly in terms of number of transactions, with the App being responsible for 93% of digital transactions.

Still within the scope of loans, a new functionality was developed on the App in the mortgage loans journey, which allows the Customer to check whether the simulated conditions allow approval by the Bank, and an area was also made available where the Customer can consult aggregated information of the contracted credit.

The sale of credit cards on the App represented 85% of digital sales in the first half of 2024.

In the creation and reinforcement of savings, there was a significant increase compared to December 2023 in the penetration rate in number of transactions.

In investments, the significant weight of digital was maintained in most products sold on these channels, namely investment fund subscriptions, stock exchange certificate operations as well as stock exchange orders.

In the online trading business, the weight of the MTrader platform stands out, with 80% of orders placed, with more than 6,500 new additions recorded in 2024, a variation of more than 30% year-on-year.

Risk insurance represented 34% of digital sales with the App being the majority responsible for digital subscriptions. Following the trend of growing Customer demand for products related to their protection, the Bank made Volta Personal Accident Insurance available on the App. In Móbis car insurance, Digital Survey was made available, which allows Customers to carry out this action digitally, without the need to go to a workshop or Millennium branch.

Business Model Sustainability

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

The Bank has, within the framework of its governance and decision-making model, a Committee of the Board of Directors for the issues of Corporate Governance, Ethics and Sustainability, a Sustainability Committee led by the CEO and a Sustainability Master Plan (PDS), a management instrument that must be understood as a coherent aggregator of multidisciplinary actions to be developed within the scope of ESG dimensions. Since 2024, the Bank has also had, at the level of the Executive Committee, an ESG Officer, who is responsible for the Sustainability function and for supervising the organic units that implement and operationalize corporate and corporate sustainability policies, processes and practices. ESG risk management at Millennium bcp.

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

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 corporate performance expected of the company in these dimensions. The Bank is aware of the competitive advantage of incorporating environmental, social and corporate governance factors, opportunities, risks and impacts into decision-making processes and reflecting them in the offering of solutions, products and services, in line with what is recommended by the Strategic Plan "Excelling 24", document that summarizes Millennium bcp's vision and objectives for the three-year period 2021-2024.

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

Millennium network



Brazil
2 Representative offices

Portugal
398 Branches
139* 0 342

Poland
609 Branches
284 91 260

Mozambique
195 Branches
29 62 186

Macao (China)
1 Branch

France
Partnership
Commercial protocols

United Kingdom
1 Representative office

Angola
Partnership

China
1 Representative office

Switzerland
2 Representative offices

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

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

	Customers (Thousands)	Internet	Call Centre	Mobile Banking	ATM ¹	POS ²
Portugal	2,737	467,194	483,488	1,474,559	1,857	92,379
Poland	2,828	1,945,725	236,381	2,564,143	503	4,462
Mozambique	1,275	14,077	1,285	883,415	468	19,202
Macao (China)	2	-	-	-	-	-

Note: Considered Customers/active users those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days. Do not include AtivoBank Customers.

¹ Automated Teller Machines.
² Points of Sale.

Financial information

Results and Balance Sheet

The consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), in accordance with Regulation (EC) no. 1606/2002 of 19 July (in the version in force) and in accordance with the reporting model determined by the Bank of Portugal (Notice 5/2015, in the version in force).

To provide a better reading of the evolution of the Group's financial situation and to ensure comparability with the information from previous periods, a set of concepts are described in this analysis that reflect the management criteria adopted by the Group in the preparation of the financial information. The relation between these management criteria and the accounting information presented in the consolidated financial statements (referred to as "accounting balance sheet" or "accounting P&L") is outlined in the glossary and throughout the document.

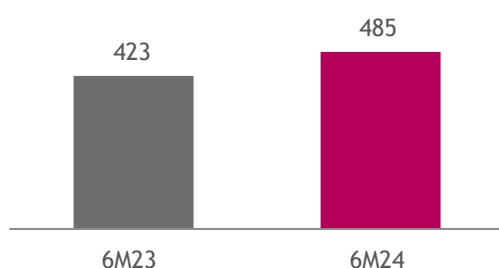
PROFITABILITY ANALYSIS

NET INCOME

In the first six months of 2024, the consolidated net income of Millennium bcp amounted to 485 million euros, showing a 14.7% growth from the 423 million euros achieved in the same period of the previous year.

NET INCOME

Million euros



This evolution, determined by the favourable performance of the activity in Portugal, corresponded to a return on equity (ROE) of 15.4%.

It should be noted, however, that the performance compared to the same period of the previous year was strongly influenced by the extraordinary gain, recorded in the first quarter of that year in the amount of 127¹ 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.

To the growth of net income of the Group, largely contributed the favourable evolution of impairments and provisions and, although less expressive, also the growth in core income. These positive impacts were, however, offset by the increase in operating costs and the recognition in the second quarter of 2024 of the credit holidays cost in the Polish subsidiary, following the extension of credit holidays (associated with mortgage loans denominated in Zlotys).

Other impairments and provisions contributed decisively to the performance of net income of the Group by decreasing 110 million euros compared to the same period of the last year, standing at 293 million euros at the end of the first half of 2024. Although in the activity in Portugal, other impairments and provisions have shown a 36.9% (-18 million euros) reduction, this performance mainly reflects the decrease of 89 million euros in the additional provisions booked to face the legal risk implicit in foreign exchange mortgage portfolio in the Polish subsidiary (-94 million euros, from 332 million euros to 238 million euros, if net of the amount related to loans originated by Euro Bank S.A., to be reimbursed by a third party recognised in other net operating income).

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 half of 2023, the remaining costs associated with this portfolio have

¹ 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.

increased in the same period, leading to a reduction of the overall cost amount of only 23 million euros (from 399 million euros, to 376 million euros, both before taxes and non-controlling interests), continuing to heavily penalise the results of the Group.

On the other hand, the favourable performance of net income of the Group benefited from the reduction in loans impairment charges (net of recoveries), which in consolidated terms, decreased 49 million euros (-33.3%), totalling 97 million euros, in the first half of 2024, benefiting from the reversal of impairments in the second quarter of the year.

Net income of the Group was also positively influenced by the 1.8% increase recorded in core income, from 1,761 million euros to 1,794 million euros, mainly reflecting the performance of net interest income.

In fact, in the first six months of the year, net interest income of the Group was 1.7% above the amount recorded in the same period of the previous year, rising to 1,398 million euros at the end of June 2024. This growth of 23 million euros was due to the increase in the contribution of the international activity, attenuated by the reduction in the activity in Portugal. Net commissions, in turn, totalled 396 million euros in the first half of 2024, growing 2.3% from the amount achieved in the same period of the previous year. Both in the activity in Portugal and in the international activity, benefiting from commissions related to markets, net commissions as a whole reached a higher level than in the first half of 2023.

On the other hand, despite the disciplined management of operating costs by the Group, net income was influenced by the 10.3% increase, from 562 million euros to 619 million euros in consolidated operating costs. 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. Regarding depreciations, although they were also higher than the amount recorded in the previous year, reflecting the performance of the international activity, their impact on the evolution of operating costs was not significant.

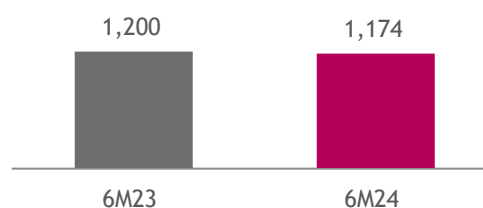
The performance of net income of the Group continues to be also influenced by extraordinary effects associated with the Polish subsidiary, such as the upfront recognition of the costs arising from the moratoriums program (credit holidays). In fact, following the signing by the President of the Republic of Poland and announcement in the Journal of Laws of the Republic of Poland of an Act 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 Zlotys mortgage borrowers by four more months in 2024, Bank Millennium recorded in the second quarter of 2024 the estimated total cost resulting from the Act in the amount of 47 million euros, recognised as results on modification.

Influenced by the aforementioned increase in operating costs and despite the already mentioned increase in core income, core operating profit of the Group amounted to 1,174 million euros, in the first half of 2024, standing 2.1% below the 1,200 million euros achieved in the same period of the previous year.

CORE OPERATING PROFIT

Million euros



The previous analysis does not exclude the impact of specific items considered in each period. In the first half of 2024, specific items had a negative impact of 2 million euros (before taxes), including income recognised after an agreement related to liabilities with former directors of the Bank and costs with employees terminations, namely indemnities and early retirements, recognised in staff costs in the activity in Portugal. In the first half of 2023, the impact was positive, in the amount of 115 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 million euros recognised as net trading income and 9 million euros recognised as other net operating income) and costs of 12 million euros recognised as staff costs in the activity in Portugal.

Excluding specific items in both periods, core operating profit of the Group amounted to 1,176 million euros, 2.9% below the 1,212 million euros accounted for in the first half of the previous year.

INCOME STATEMENT

	Million euros		
	6M24	6M23 (restated)	Chg. 24/23
NET INTEREST INCOME	1,398	1,374	1.7%
OTHER NET INCOME	353	470	(25.0%)
Dividends from equity instruments	1	1	(33.1%)
Net commissions	396	387	2.3%
Net trading income	(5)	126	(104.2%)
Other net operating income	(70)	(72)	2.5%
Equity accounted earnings	32	28	14.1%
NET OPERATING REVENUES	1,750	1,844	(5.1%)
OPERATING COSTS	619	562	10.3%
Staff costs	340	308	10.3%
Other administrative costs	209	185	12.8%
Depreciation	71	69	3.7%
PROFIT BEFORE IMPAIRMENT AND PROVISIONS	1,131	1,283	(11.9%)
Results on modification	(61)	(12)	<-200%
Loans impairment (net of recoveries)	97	146	(33.3%)
Other impairment and provisions	293	403	(27.3%)
INCOME BEFORE INCOME TAX	680	723	(5.9%)
INCOME TAX	138	246	(44.0%)
Current	71	126	(43.7%)
Deferred	67	120	(44.4%)
NET INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	542	477	13.7%
Income arising from discontinued operations	0	0	100.0%
NET INCOME AFTER INCOME TAX	542	477	13.7%
Non-controlling interests	57	53	6.2%
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	485	423	14.7%

In the activity in Portugal, net income, at the end of the first half of 2024 amounted to 411 million euros, growing 16.2% from the 354 million euros achieved in the same period of the previous year.

This evolution was largely due to the reduction in impairments and provisions during last year, with the reversal of impairments in the second quarter of 2024 and the improvement in the risk profile of the credit portfolio allowing a reduction of 48.5% (-51 million euros) in loans impairment (net of recoveries), to 55 million euros, at the end of first half of the current year. Other impairments and provisions, in turn, showed a reduction of 36.9% (-18 million euros) in the same period, standing at 31 million euros at the end of June 2024.

For the favourable performance of net income in the activity in Portugal, also contributed, to a large extent, the reduction, in the amount of 33 million euros, of the costs associated with mandatory contributions borne by the Bank. This reduction was due, on the one hand, to the fact that no contribution to the Single Resolution Fund was collected as the fund had reached its target level and, on the other, to the reduction of the Bank's liabilities, after the repayment of the financing obtained from the European Central Bank (ECB) at the end of 2022, with an impact on the calculation of the amount of contributions payable in the current year.

Conversely, net income of the activity in Portugal was influenced by the reduction in core income, which evolved from 988 million euros at the end of June 2023 to 959 million euros at the end of June of the current year, mainly reflecting the evolution of net interest income, which decreased by 4.8% (-34 million euros) to 673 million euros, in the first half of 2024. Net commissions, in turn, grew by 6 million euros (+2.0%) in the same period, totalling 286 million euros at the end of the first half of the current year.

The performance of net income in the activity in Portugal was also influenced, albeit to a lesser extent, by the increase of 3.1% (+10 million euros) recorded in operating costs which totalled 316 million euros at the end of June 2024 and by the reduction in net trading income, from 4 million euros in the first half of 2023 to a negative amount of 5 million euros in the first half of 2024.

The evolution of operating costs was mainly due to the increase in other administrative costs, although there was also an increase in staff costs. Depreciations, in turn, remained in line with the amount recorded a year earlier.

The impact of the evolution of core income together with operating costs in the activity in Portugal resulted in a reduction of 5.6% in core operating profit last year, from 681 million euros in the first half of 2023, to 643 million euros in the same period of the current year.

Excluding the specific items mentioned above (negative impacts of 2 million euros in the first half of 2024 and 12 million euros in the first half of 2023, both recognised in staff costs), core operating profit in the activity in Portugal decreased by 6.9% from 693 million euros to 645 million euros.

In the international activity, net income of the first six months of 2024 stood at 74 million euros, improving 6.8% from the 70 million euros recorded in the same period of the previous year.

This performance was determined by the contribution of the Polish subsidiary, that presented the seventh quarter in a row with positive results, while in the subsidiary in Mozambique, net income was lower than in the first half of 2023, although with a less significant impact on the results of the international activity.

Net income of Bank Millennium in Poland reached 83 million euros in the first half of 2024, compared to the 77 million euros recorded in the same period of the previous year. Although the change from the first half of 2023 was not very significant, it is the result of different performances in the different items, which almost offset each other.

In fact, the performance of net income of the Polish subsidiary was influenced, on one hand by the reduction in impairments and provisions and by the increase in core income and, on the other, by the impact resulting from the recognition, in the first half of the previous year, of the extraordinary gain resulted from the sale of 80% of the shares of Millennium Financial Services sp. z o.o., by the increase in costs associated with the portfolio of foreign exchange mortgage loans (excluding provisions), by the estimated cost of credit holidays and by the increase in operating costs.

Millennium bim in Mozambique, in turn, showed a net income of 47 million euros, 3.6% below the amount recorded in the first half of the previous year. This performance was strongly influenced by 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 and by the increase in operating costs, benefiting on the other hand from the reduction in loans impairments (net of recoveries).

Despite its smaller relative weight within the scope of this analysis, it is also worth mentioning the contribution of the Angolan operation through the appropriation of the results of Banco Millennium Atlântico recognised in equity accounted earnings, which increased compared to the first half of the previous year, totalling 2 million euros at the end of the first half of the current year.

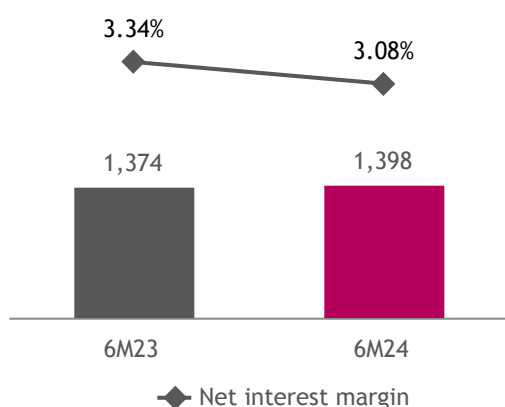
Reflecting the aforementioned performances in each of the geographies, core operating profit of international activity grew by 2.4%, from 519 million euros in the first half of 2023 to 531 million euros in the same period of 2024, benefiting from the increase in core income and despite the increase in operating costs.

NET INTEREST INCOME

In the first six months of 2024, net interest income of the Group reached 1,398 million euros, growing 1.7% from the 1,374 million euros posted in the same period of the previous year, with this evolution being determined by the performance of the international activity.

NET INTEREST INCOME

Million euros



In the activity in Portugal, net interest income totalled 673 million euros, showing a reduction of 4.8% from the 708 million euros recorded in the first half of 2023.

The performance of net interest income in the activity in Portugal, in the last year, reflects above all, the evolution of the commercial business and the positive impact resulting from the management of the securities portfolio.

Thus, the increases in interest rates in the last year were mainly reflected in the increase in the remuneration of the deposit portfolio, also influenced, although to a lesser extent, by a greater weight of the interest-bearing deposits in balance sheet customers funds. On the other hand, the increases in interest rates allowed this evolution to be partially offset by the increase in the income generated by the customer loan portfolio, despite the fact that the average balance of the portfolio decreased in the period under review.

Regarding securities portfolio, although the other securities also generated higher income compared to the first half of 2023, the increased contribution of the income generated by the sovereign debt portfolio stands out, benefiting on the one hand, from the evolution of interest rates and on the other, from the portfolio turnover.

Although on a smaller scale, reference should also be made to the impact on the domestic net interest income of the increase, compared to the first half 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 one issue of senior preferred debt securities, in the amount of 500 million euros, launched in September 2023. This issue, under the Bank's Euro Note Programme, increase the capacity to meet the requirements known as "MREL" (Minimum Requirements for Own Funds and Eligible Liabilities).

Finally, it is worth mentioning the increase in net interest income due to the favourable impact of liquidity deposited at Bank of Portugal and other credit institutions.

In the international activity, net interest income amounted to 724 million euros at the end of June 2024, showing a growth of 8.6% from the 667 million euros accounted in the first half of the previous year.

This evolution was mainly due to the performance of the Polish subsidiary, associated with the higher income generated by the securities portfolio and also the lower cost borne with customer deposits. Although with a much smaller impact, the net interest income of the subsidiary in Mozambique was lower compared to the amount recorded in the first six months of the previous year, influenced by the significant increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank, in February and May of 2023.

In consolidated terms, net interest margin went from 3.34% in the first half of 2023 to 3.08% in the same period of the current year, reflecting both the performance of the activity in Portugal and in the international activity.

In fact, in the activity in Portugal, net interest margin evolved from 2.52% to 2.29% in the same period, mainly influenced by the increase in interest rates underlying interest-bearing deposits.

Net interest margin in the international activity, in turn, went from 5.07% in the first half of 2023, to 4.53% in the first half of 2024, a period in which the central bank of Poland kept interest rates unchanged, after the first cuts in September and October 2023. The increase in the local requirement for non-remunerated cash reserves to be maintained with the central bank of Mozambique also contributed unfavourably to this evolution.

Both in the activity in Portugal and in the international activity, the increase in liquidity invested in public debt securities, resulting from the growth of customer deposits, although contributing positively to net interest income, is reflected in a reduction in net interest margin.

OTHER NET INCOME

Other net income, that aggregates dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, totalled 353 million euros in the first half of 2024, standing 25.0% below the 470 million euros recorded in the same period of the previous year.

It is worth mentioned that this evolution was strongly influenced by the recognition, in the first quarter of the previous year, of the gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., as part of the strategic partnership in bancassurance business. These gains, considered specific items, totalled 127 million euros, of which 118 million euros referring to the gain recognised in net trading income and 9 million euros recognised in other net operating income, associated with the revaluation of the 20% minority stake held by Bank Millennium after the completion of the operation.

In the activity in Portugal, other net income evolved favourably from the 244 million euros obtained in the first six months of 2023, growing 17.6% to 287 million euros at the end of June of the current year. This evolution benefited from the reduction in the costs incurred with mandatory contributions, which overall stood 33 million euros below the amount recognised a year earlier, determining the improvement of 44 million euros recorded in other net operating income. Although to a lesser extent, the growth of 6 million euros and 3 million euros, recorded in net commissions and in equity accounted earnings, respectively, also contributed favourably to the evolution of other net income, while net trading income were 9 million euros lower than a year before. Dividends from equity instruments, in turn, did not change significantly in the period under review.

In the international activity, other net income amounted to 65 million euros in the first half of 2024, significantly below the 226 million euros posted in the same period of the previous year. This performance was mainly due to the recognition in the first quarter of the previous year of the gains obtained with the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium, as mentioned before. Also in the Polish subsidiary, the increase in costs associated with foreign exchange mortgage portfolio and in costs with mandatory contributions to which the subsidiary was subject last year contributed unfavourably to the evolution of other net operating income in the international activity. On the other hand, net commissions, equity accounted earnings and dividends from equity instruments, in the international activity, evolved favourably from the first half of 2023, although its impact was not very significant, particularly in the last item.

OTHER NET INCOME

	6M24	6M23 restated	Chg. 24/23
Dividends from equity instruments	1	1	(33.1 %)
Net commissions	396	387	2.3 %
Net trading income	(5)	126	(104.2 %)
Other net operating income	(70)	(72)	2.5 %
Equity accounted earnings	32	28	14.1 %
	353	470	(25.0 %)
of which:			
Activity in Portugal	287	244	17.6 %
International activity	65	226	(71.1 %)

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments, which incorporates dividends and income from equity shares received from investments classified as financial assets at fair value through other comprehensive income and as financial assets held for trading, totalled 1 million euros at the end of the first half of 2024, arising exclusively from the activity of the Polish subsidiary.

In the first half of 2023, despite the immaterial amount within the scope of this analysis, income associated with investments that are part of the shares portfolio of the activity in Portugal was also recorded, contrary to the first half of the current year, with no amount recorded, which justifies the reduction observed in this item in consolidated terms, as the Polish subsidiary recorded a favourable evolution in the last year.

NET COMMISSIONS

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

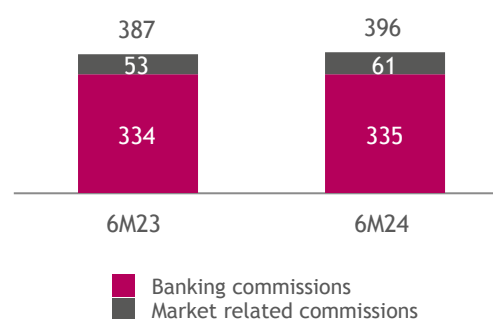
In the first half of 2024, net commissions, as a whole, totalled 396 million euros, showing a growth of 2.3% compared to the 387 million euros recorded in the same period of the previous year, benefiting from the favourable performance of both the activity in Portugal and the international activity.

In consolidated terms, the favourable performance of net commissions was mainly due to the growth of commissions related to financial markets, with banking commissions remaining at the same level as in the same period of the previous year.

In fact, at the end of the first half of the current year banking commissions amounted to 335 million euros, in line (+0.1%) with the amount recorded in the same period of 2023, while commissions related to financial markets totalled 61 million euros, growing 9 million euros (+16.1%) in the same period.

NET COMMISSIONS

Million euros



In the activity in Portugal, net commissions grew by 2.0% compared to the 280 million euros recorded in the first half of 2023, amounting to 286 million euros at the end of the first half of the current year.

Also in this case, commissions related to markets were the main driver for this performance, growing by 11.7% (+5 million euros) from the first half of the previous year, totalling 49 million euros

at the end of June 2024. Banking commissions, in turn, amounted to 237 million euros, in line with the amount achieved in the first half of the previous year (+0.3%).

Although the overall amount of banking commissions, in the activity in Portugal, remained stable compared to the amount recorded in the first half of the previous year, there were changes in the several types of commissions that make up this item. In this sense, it is important to highlight the growth of 4 million euros (+5.0%) in commissions related to cards and transfers, totalling 83 million euros, at the end of the first half of the current year. These commissions include amounts charged for transactions carried out with cards and the respective payment networks, for bank transfers and for the use of points of sale (POS), thus demonstrating the increase in transaction levels in the last year.

Conversely, the performance of banking commissions, in the activity in Portugal, was influenced by the reduction in commissions associated with credit and guarantees, which together stood 2 million euros below the amount reached in the first half of 2023, standing at 39 million euros at the end of June 2024. This evolution reflects the lower credit production in the current context and the legal restrictions imposed in the meantime.

Commissions from the bancassurance activity, which incorporate commissions obtained from placing insurance products through the Bank's distribution networks, totalled 43 million euros in the activity in Portugal, while management and maintenance of account commissions amounted to 71 million euros, none of the items showing significant changes within the scope of this analysis (+0.4% and -0.2% respectively).

In the international activity, net commissions amounted to 110 million euros at the end of the first half of the current year, increasing by 3.1% from the 107 million euros recorded in the same period of the previous year, with this evolution being determined by the performance of the Polish subsidiary.

Commissions related to banking business in the international activity remained at the same level as in the same period of the previous year, totalling 98 million euros at the end of June 2024. This evolution also resulted, however, from different dynamics with regard to the several types of commissions that make up these items, with the increases in commissions related to cards and transfers and to credit and guarantees being offset by the reduction recorded mainly in bancassurance commissions, following the sale of 80% of the shares of Millennium Financial Services sp. z o.o., as part of the strategic partnership in this business area. Other banking commissions also decreased, although with less expression and commissions associated with management and maintenance of accounts did not change materially in the period under review.

With regard to commissions related to financial markets, in the international activity, there was an increase of 37.5%, to 12 million euros at the end of June 2024, determined by the performance of commissions associated with asset management and distribution, since the growth in commissions associated with securities transactions, although relevant, had a small impact on the scope of this analysis.

NET COMMISSIONS

	Million euros		
	6M24	6M23	Chg. 24/23
BANKING COMMISSIONS	335	334	0.1 %
Cards and transfers	131	122	7.4 %
Credit and guarantees	63	64	(1.7 %)
Bancassurance	58	63	(8.3 %)
Management and maintenance of accounts	80	80	(0.2 %)
Other commissions	3	5	(39.5 %)
MARKET RELATED COMMISSIONS	61	53	16.1 %
Securities	24	19	24.3 %
Asset management and distribution	38	34	11.6 %
	396	387	2.3 %
Of which:			
Activity in Portugal	286	280	2.0 %
International activity	110	107	3.1 %

NET TRADING INCOME

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

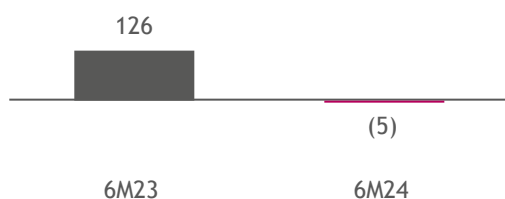
In the first six months of 2024, net trading income totalled a negative amount of 5 million euros, well below the 126 million euros achieved in the same period of the previous year. This performance was strongly influenced by the recognition, in the first quarter of 2023, of the gains obtained by the Polish subsidiary with the sale of 80% of the shares of Millennium Financial Services sp. z o.o., in the scope of the strategic partnership in the bancassurance business, which, as previously mentioned, totalled 118 million euros under this heading.

In the activity in Portugal, although with less expression, net trading income were also below the 4 million euros posted a year earlier, standing at a negative amount of 5 million euros at the end of June 2024.

In the international activity, the evolution of net trading income, from gains of 122 million euros to a marginal cost of 1 million euros at the end of the first half 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., in the first quarter of 2023 considered specific items. The abovementioned amount (118 million euros) does not include an additional gain of 10 million euros, the recognition of which was subject to certain conditions, which was only recognised at the end of the previous year.

NET TRADING INCOME

Million euros



In addition, the performance of this item was also penalised by the increase in costs incurred by the Polish subsidiary in converting mortgage loans granted in Swiss francs, following the agreements with customers holding these loans, that went from 25 million euros to 46 million euros.

In the operation in Mozambique, net trading income was at a similar level to that achieved in the first half of 2023.

NET TRADING INCOME

	Million euros		
	6M24	6M23 restated	Chg. 24/23
Gains/(losses) on financial operations at fair value through profit or loss	(22)	8	<-200%
Foreign exchange gains/(losses)	18	11	66.0 %
Gains/(losses) on hedge accounting	1	1	(34.3%)
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1)	107	(101.2%)
	(5)	126	(104.2%)
of which:			
Activity in Portugal	(5)	4	<-200%
International activity	(1)	122	(100.6%)

OTHER NET OPERATING INCOME

Other net operating income includes other operating income, net of other operating costs, which includes, among others, the costs associated with the resolution and the deposit guarantee funds as well as with the other mandatory contributions, both in the activity in Portugal and in the international activity. In addition, other net operating income also includes the results from the sale of subsidiaries and other assets.

In the first six months of 2024, other net operating income totalled a negative amount of 70 million euros, that compares to the also negative amount of 72 million euros recorded in the same period of the previous year, with the impact of the favourable performance of the activity in Portugal being almost fully offset by the unfavourable evolution recorded in the international activity.

In fact, in the activity in Portugal, other net operating income improved significantly, evolving from a negative amount of 67 million euros in the first half of 2023 to an also negative amount of 23 million euros at the end of June 2024. In this evolution, the overall reduction in the costs with mandatory contributions stands out, with the gains recognised with the sale of non-current assets held for sale also considerably higher compared to the amount recognised a year earlier.

In the last year, the overall amount of mandatory contributions, including the supervisory fee charged by the ECB, decreased from 74 million euros to 41 million euros, corresponding to a 44.8% reduction. This evolution stems largely from the fact that the Single Resolution Board determined that in 2024, once the Single Resolution Fund had reached its target level, no ex-ante contributions would be levied, contrasting with 18 million euros recorded in the first half of 2023. On the other hand, the liabilities reduction, after the repayment of the financing obtained from the European Central Bank (ECB) at the end of 2022, only produced its favourable impact in full on the cost borne with mandatory contributions this year, since both the contributions for the National Resolution Fund (NRF) and the cost incurred with the contribution on the banking sector and the additional solidarity contribution on the banking sector, aiming to finance the costs with the public measures to address the crisis caused by the COVID-19 pandemic, consider the average values of the balance sheet of the previous year to which the contribution relates, considering end-of-month observations.

Thus, despite the slight increase in the contribution rate (from 0.029% to 0.032%), the contribution to the NRF decreased by around 30%, from 9 million euros in the first half of 2023 to 6 million euros in the first half

of 2024, while the cost incurred with the contribution on the banking sector decreased from 38 million euros to 28 million euros in the same period. The additional solidarity contribution on the banking sector, in turn, amounted to 5 million euros, compared to 7 million euros in the first half of the previous year. The supervision fee charged by the ECB did not change significantly, amounting to 1 million euros at the end of June 2024, while the contribution to the deposit guarantee fund recorded a non-material amount in the scope of this analysis.

It should be noted that, in the activity in Portugal, of the total amount of costs recognised with mandatory contributions in the current year, 39 million euros refer to contributions for national entities (54 million euros in the first half of 2023).

In the international activity, other net operating income evolved from a negative amount of 5 million euros recognised in the first six months of 2023 to an also negative amount of 48 million euros at the end of June 2024.

This performance of other net operating income was mainly influenced by the impacts associated to foreign exchange mortgage loan portfolio in the Polish subsidiary, which under this item went from a marginal income of 1 million euros to costs of 27 million euros, reflecting the increase arising from court costs related to the counterclaims filed by Bank Millennium for reimbursement of the amounts owed by customers. On the other hand, the income to be reimbursed from a third party, as compensation for costs incurred with the booking of provisions to address the legal risk implicit in foreign exchange mortgage loans, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A., evolved from 18 million euros in the first half of last year to 23 million euros in the same period this year.

On the other hand, the evolution of other net operating income in the international activity was penalised by the increase in the costs associated with mandatory contributions borne by the Polish subsidiary, which in the last year evolved from 13 million euros to 22 million euros. This evolution was mainly due to the special tax on the Polish banking sector, the payment of which was suspended in the previous year, following the activation of the Bank Millennium Recovery Plan at the beginning of the second half of 2022, whose implementation was completed in June. The contribution to the resolution fund was also higher compared to the amount recognised in the first half of 2023, although with a less significant impact.

It should be noted that 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.

The evolution of other net operating income in the international activity was also influenced 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. The mentioned amount does not include an additional gain amounting to 2 million euros recognised at the end of 2023, compared to the 9 million euros determined in the first quarter of the year.

In the subsidiary in Mozambique, other net operating income did not change materially compared to the amount recorded in the first half of 2023.

EQUITY ACCOUNTED EARNINGS

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

In the first half of 2024, equity accounted earnings of the Group totalled 32 million euros, standing 14.1% above the 28 million euros posted in the same period of the previous year.

In the activity in Portugal, equity accounted earnings evolved from 26 million euros at the end of June 2023, to 29 million euros at the end of June of the current year, highlighting the contribution of the participation in SIBS to that evolution.

In the international activity, equity accounted earnings totalled 3 million euros at the end of the first half of the current year, corresponding to an increase of more than 50% compared to the amount recorded in the first half of 2023, determined by the evolution of the appropriation of the results generated by Banco Millennium Atlântico in Angola. The appropriation of the results generated by Fidelidade Moçambique - Companhia de Seguros S.A. [former Seguradora Internacional de Moçambique, S.A. ("SIM")], in turn, did not change materially compared to the first half of the previous year.

OPERATING COSTS

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

In the first half of 2024, operating costs totalled 619 million euros, standing 10.3% above the 562 million euros recorded in the same period of the previous year, mainly reflecting the performance of the international activity.

In fact, despite the disciplined management of costs followed by the Group, operating costs in the international activity increased 19.0% from the 255 million euros recorded in the first half of 2023, totalling 303 million euros at the end of June 2024, while in the activity in Portugal, the increase in operating costs was of 3.1%, in the same period, from 307 million euros to 316 million euros.

The amounts presented do not exclude the specific items considered in each period in staff costs in the activity in Portugal. In the first half of 2024, specific items had a negative impact of 2 million euros, including costs with employment terminations, namely with indemnities and early retirements, and an income recognised after an agreement related to liabilities with former directors of the Bank. In the first half of 2023, the impact was also negative in the amount of 12 million euros, including costs related to the compensation for temporary reduction in employee remunerations in 2014-2017 as distribution of part of the Bank's results obtained in 2022 by the Bank's employees, costs with mortgage financing to former employees and income recognised after an agreement related to responsibilities with former directors of the Bank.

Excluding specific items, operating costs of the Group amounted to 617 million euros, standing 12.2% above the 550 million euros accounted in the same period of the previous year. This performance was mainly due to the increase in staff costs (+13.9%, +41 million euros) but also in other administrative costs (+12.8%, +24 million euros), in both cases more significant in the international activity. Depreciations, in turn, were also above the amount recorded a year earlier, although its impact, mainly due to the performance of the international activity, was not

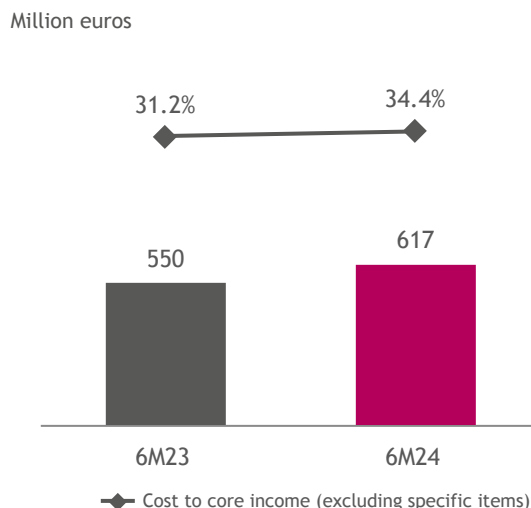
very significant in the evolution of operating costs of the Group in this period (+3.7%, +3 million euros).

Excluding the specific items mentioned above and also excluding the positive impact of 127 million euros, recognised in the first half of 2023, in the international activity, associated with the sale of 80% of the shares in Millennium Financial Services sp. z o.o. also considered specific items, cost to income evolved from 32.0% to 35.3% and cost to core income from 31.2% to 34.4% in the last year.

Cost to income and cost to core income stated ratios evolved, respectively, from 30.4% to 35.4% and from 31.9% to 34.5%.

OPERATING COSTS

(excluding specific items)



In the activity in Portugal, operating costs totalled 316 million euros in the first half of 2024, standing 3.1% above the 307 million euros posted in the same period of the previous year. Excluding the specific items already mentioned the increase was of 6.4%, from 295 million euros to 314 million euros.

This evolution of operating costs in the activity in Portugal reflects the increases recorded in both staff costs and other administrative costs, since depreciations remained stable compared to the amount recorded a year earlier.

In the period under review, cost to income and cost to core income ratios in the activity in Portugal, excluding the impact of specific items, increased from 31.0% to 32.7% and from 29.9% to 32.7%, respectively. Cost to income and cost to core income stated ratios, in turn, stood at 32.9% and 33.0% in the first half of 2024, levels that compare respectively with 32.2% and 31.1% in the same period of the previous year.

In the international activity, operating costs totalled 303 million euros at the end of June 2024, standing 19.0% above the 255 million euros accounted in the same period of the previous year, mainly due to the performance of the Polish subsidiary.

The evolution of operating costs in the international activity was due to the increases of 21.9% (+29 million euros) in staff costs, of 18.5%

(+17 million euros) in other administrative costs and of 8.5% (+3 million euros) in depreciations.

In addition to the inflation levels, especially over the previous year, it is also important to mention the impact that the characteristics of the labour market in Poland, with very low unemployment rates and significant increases in the minimum wage, had in operating costs of the Polish subsidiary.

In the international activity cost to income ratio evolved from 28.5% (33.3%, excluding the already mentioned positive impact, of specific items) in the first half of 2023 to 38.4% in the first half of 2024, while cost to core income ratio in turn, went from 32.9% to 36.3% in the same period.

OPERATING COSTS

	Million euros		
	6M24	6M23	Chg. 24/23
Staff costs	340	308	10.3 %
Other administrative costs	209	185	12.8 %
Depreciations	71	69	3.7 %
	619	562	10.3 %
Of which:			
Activity in Portugal	316	307	3.1 %
International activity	303	255	19.0 %

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

STAFF COSTS

In the first six months of 2024, staff costs totalled 340 million euros, standing 10.3% above the 308 million euros accounted in the same period of the previous year.

These amounts include the impact of the specific items recognised in each period in the activity in Portugal. In the first half of 2024, specific items, related to staff costs, had a negative impact of 2 million euros, including costs with employment terminations, namely indemnities and early retirements and an income recognised after an agreement related to liabilities with former directors of the Bank. In the first half of 2023, the impact was also negative in the amount of 12 million euros, including costs related to the compensation for the temporary reduction in

employees remunerations during 2014-2017, as distribution of part of the Bank's results obtained in 2022 by the Bank's employees, costs with mortgage financing to former employees and income recognised after an agreement related to liabilities with former directors of the Bank.

Excluding the impact of specific items, staff costs of the Group amounted to 337 million euros, increasing 13.9% from the 296 million euros accounted for in the same period of the previous year.

In the activity in Portugal, stated staff costs amounted to 178 million euros at the end of the first half of 2024, standing 1.6% above the 176 million euros recorded in the same period of the

previous year. Not considering the impact of the specific items, staff costs in the activity in Portugal totalled 176 million euros in the first six months of 2024, corresponding to an increase of 7.4% compared to the 164 million euros recorded a year before.

After the implementation of the headcount adjustment plan that the Bank carried out in 2021, the number of employees in the activity in Portugal has remained stable, standing at 6,274 employees at the end of June 2024, 18 more than on 30 June 2023, while the Bank continues to acquire the required capabilities to meet current needs namely by hiring new employees with specific skills, namely on digital, new technologies and internal control areas.

In the international activity, staff costs amounted to 161 million euros at the end of June 2024, standing 21.9% above the 132 million euros recorded a year before.

The Polish subsidiary was mainly responsible for this evolution that continued to be determined by the strong pressure on basic wages, resulting both

from levels of inflation in the country and minimum wage increases, 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 reduction in the total number of employees, which in the last year went from 6,869 employees (6,746 FTE - full-time equivalent) at the end of June 2023 to 6,834 employees (6,710 FTE - full-time equivalent) on 30 June 2024.

The operation in Mozambique, in turn, although with a less significant impact, also contributed to the growth in staff costs in the international activity in the last year due to the joint effect of the salary update and the increase in its headcount, from 2,524 employees on 30 June 2023 to 2,597 employees at the end of June 2024.

The headcount of the international activity on 30 June 2024 was composed of 9,431 employees, compared to 9,393 employees at the end of June 2023.

STAFF COSTS

	Million euros		
	6M24	6M23	Chg. 24/23
Salaries and remunerations	273	244	11.8 %
Social security charges and other staff costs	64	52	23.7 %
STAFF COSTS (excluding specific items)	337	296	13.9 %
Of which:			
Activity in Portugal	176	164	7.4 %
International activity	161	132	21.9 %
Specific items	2	12	(80.9 %)
STAFF COSTS	340	308	10.3 %

OTHER ADMINISTRATIVE COSTS

In the first six months of 2024, other administrative costs totalled 209 million euros, standing 12.8% above the 185 million euros recorded in the same period of the previous year, notwithstanding the disciplined management of costs followed by the Group.

In the activity in Portugal, other administrative costs amounted to 101 million euros, representing a 7.3% increase from the 94 million euros recorded in the first half of 2023.

This performance, in spite of the disciplined cost management, largely reflects the increase in costs associated with other specialised services, as well

as outsourcing costs, particularly those related to banking operations. Costs related to legal expenses, advertising and rents and leases, among others with a less significant impact on the evolution of other administrative costs in the activity in Portugal, were also higher compared to the amount recorded in the first half of 2023.

Conversely, the reduction in costs associated with advisory services compared to the amounts recorded in the first half of the previous year stands out, as well as the impact in the evolution of most of the items of other administrative costs, 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 evolution of most of the items of other administrative costs, also benefited from the positive impact arising from the resizing of the branch network which, in the activity in Portugal, evolved from 402 branches to 398 branches, in the last year.

In the international activity, other administrative costs amounted to 107 million euros in the first half of 2024, standing 18.5% above the 91 million euros posted in the same period of the previous year, mainly reflecting the increase recorded in the Polish subsidiary.

The performance 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 621 existing branches at the end of June 2023 to 609 branches as at 30 June 2024. The subsidiary in Mozambique, in turn, ended the first half of 2024 with 195 branches, one less than at the end of June of the previous year.

OTHER ADMINISTRATIVE COSTS

	Million euros		
	6M24	6M23	Chg. 24/23
Water, electricity and fuel	7	9	(20.1 %)
Consumables	4	4	20.8 %
Rents and Leases	15	13	10.0 %
Communications	14	12	10.5 %
Travel, hotel and representation costs	5	4	31.5 %
Advertising	16	13	25.5 %
Maintenance and related services	10	9	8.1 %
Credit cards and mortgage	3	(1)	>200%
Advisory services	21	18	16.0 %
Information technology services	13	13	1.4 %
Outsourcing	56	53	5.8 %
Other specialised services	18	15	25.7 %
Training costs	0	0	41.8 %
Insurance	3	3	5.5 %
Legal expenses	4	2	58.0 %
Transportation	6	6	0.7 %
Other supplies and services	14	12	17.3 %
	209	185	12.8 %
Of which:			
Activity in Portugal	101	94	7.3 %
International activity	107	91	18.5 %

DEPRECIATIONS

Depreciations amounted to 71 million euros in the first half of 2024, standing 3.7% above the 69 million euros recorded in the same period of the previous year, mainly reflecting the performance of the international activity, namely of the Polish subsidiary.

In the activity in Portugal, depreciations remained in line with the amount recorded in the first half of 2023, totalling 37 million euros at the end of the first half 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 34 million euros in the first half of 2024, standing 8.5% above the 32 million euros recorded in the same period of the previous year, reflecting, as already mentioned, mainly the performance of the Polish subsidiary.

RESULTS ON MODIFICATION

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

In the first half of 2024, results on modification totalled a negative amount of 61 million euros, which compares with an also negative amount of 12 million euros recorded in the same period of 2023. This evolution mainly reflects the recognition, in the first half of the current year, of costs arising from the aforementioned moratorium program (credit holidays) non-existent in the first half of the previous year.

In fact, 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 Zloty mortgage borrowers by four more months in 2024, Bank Millennium estimated the preliminary impact of the implementation of this Act on the results of the Group, recognising a cost with credit holidays in the amount of 47 million euros.

On the other hand, costs associated with contractual modifications negotiated with customers with foreign exchange mortgage loans, also in the Polish subsidiary, evolved from 8 million euros recognised in the first half of 2023 to 10 million euros at the end of June 2024.

LOANS IMPAIRMENT

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

The reconciliation of the impairment of financial assets at amortised cost presented in the consolidated income statement with the impairment of loans to customers considered for the purposes of this analysis (management criteria) is presented as follows:

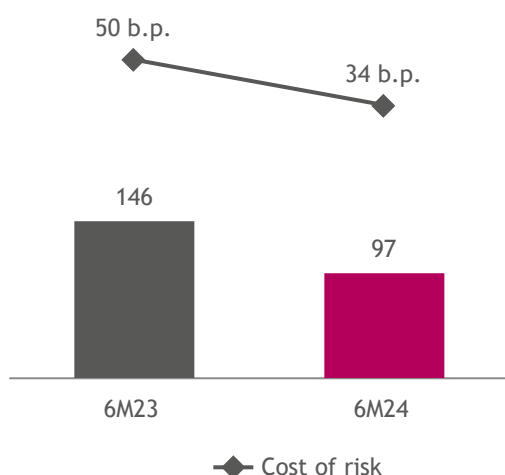
Loans impairment (P&L)

	Million euros	
	6M24	6M23
Impairment of financial assets at amortised cost (accounting P&L) (1)	97	146
Impairment of Loans and advances to credit institutions (at amortised cost) (2)	0	(1)
Impairment of financial assets at amortised cost not associated with credit operations (3)	0	1
Loans impairment considering management criteria (4)=(1)-(2)-(3)	97	146

In the first six months of 2024, impairment for loan losses (net of recoveries) totalled 97 million euros, showing a reduction of 33.3% compared to the 146 million euros accounted for in the same period of the previous year, mainly reflecting the favourable evolution recorded in the activity in Portugal, the impact of which was partially offset by the increase in international activity.

LOANS IMPAIRMENT (NET)

Million euros



In fact, in the activity in Portugal, loans impairment charges (net of recoveries) stood 48.5% below the 106 million euros recognised in the first half of 2023, amounting to 55 million euros in the end of June 2024. This reduction largely reflects the reversal of impairments in the second quarter of the current year.

In the international activity, impairment charges (net of recoveries) stood 7.3% above the 40 million euros recognised in the first half of 2023, standing at 42 million euros at the end of June 2024. This performance mainly reflects the higher level of

provisioning required by the Polish subsidiary, partially offset by the reduction in impairment charges recorded in the Mozambican subsidiary.

It should be noted, however, that the increase in impairment charges (net of recoveries) in the Polish subsidiary was influenced by the positive impact in the first half of the previous year associated with the change in default definition, thus having an unfavourable impact on the evolution of this item compared to the same period of 2023.

The evolution of impairment charges (net of recoveries), benefiting from the impact of certain impairments reversal in the second quarter of the year, allowed the cost of risk (net of recoveries) of the Group, to improve significantly, from 50 basis points in the first half of 2023 to 34 basis points in the first half of 2024. Excluding this impact, the cost of risk in the first half of 2024 stood at 50 basis points, as it was a year earlier.

In the activity in Portugal, also strongly influenced by the aforementioned reversal of impairments in the second quarter of the year, the cost of risk (net of recoveries) decreased from 53 basis points to 28 basis points. Excluding this recovery, the cost of risk in the activity in Portugal stood at 52 basis points in the first half of 2024.

In the international activity, the cost of risk (net of recoveries) went from 44 basis points to 46 basis points in the same period.

LOANS IMPAIRMENT (NET OF RECOVERIES)

	Million euros		
	6M24	6M23	Chg. 24/23
Loan impairment charges (net of reversals)	153	157	(2.1 %)
Credit recoveries	56	11	>200%
	97	146	(33.3 %)
Of which:			
Activity in Portugal	55	106	(48.5 %)
International activity	42	40	7.3 %
COST OF RISK OF THE GROUP			
Impairment charges (net of recoveries) as a % of total loans	34 b.p.	50 b.p.	

OTHER IMPAIRMENT AND PROVISIONS

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

In the first half of 2024, other impairment and provisions totalled 293 million euros, which represents a reduction of 27.3% compared to 403 million euros recorded in the same period of the previous year. This evolution was determined by the lower reinforcement of the additional provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans, which amounted to 261 million euros in the current year vs 350 million euros recognised in the first half of 2023.

Other impairments and provisions recognised in the activity in Portugal also contributed to the favourable performance of this item in consolidated terms, as there was a reduction of 36.9% over the last year, from 49 million euros to 31 million euros, mainly reflecting the reduction in provisions namely for other risks and for guarantees and other commitments.

In the international activity, the reduction in other impairments and provisions was 26.0%, with total amount evolving from 354 million euros in the first half of the previous year to 262 million euros in the first half of the current year, mainly justified by the provision booked by the Polish subsidiary to face the legal risk of foreign exchange mortgage loans, that was 89 million euros lower than the amount recognised in the first six months of 2023.

On the other hand, the amount recognised in the item other net operating income, corresponding to the amount receivable from a third party, following the indemnity clauses and contractual guarantees provided for in the acquisition contract of Euro Bank S.A. evolved from 18 million euros in the first six months of 2023 to 23 million euros in the same period of 2024.

Other impairments and provisions, in the subsidiary in Mozambique increased from the first half of 2023, but the impact was not significant in the scope of this analysis.

INCOME TAX

Income tax (current and deferred) amounted to 138 million euros in the first six months of 2024, which compares to 246 million euros posted in the same period of the previous year.

Taxes recognised in the first half of 2024 include current tax of 71 million euros (126 million euros in the first half of 2023) and deferred tax of 67 million euros (120 million euros in the first half of 2023).

Current tax expenses in the first half 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.

Expenses with the reduction of deferred tax assets in the first half of 2024 mainly result from the income of the period of the activity in Portugal, being positively influenced by the recognition of additional deferred tax assets related to credit impairment losses not deducted for taxation purposes in previous years, and negatively influenced by mandatory contributions to the banking sector.

The evolution of deferred tax assets was influenced by the reduction of deferred tax assets covered by Special Framework applicable to Deferred Tax Assets ("REAI") given the evolution of the taxable income and, regarding the Polish subsidiary, by the decision of the Supreme Administrative Court (NSA) from 6 December 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 abovementioned 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 calculated the amounts of revenues adjustments for the years 2020-22 by submitting appropriate applications to the tax office for a declaration of overpayment of CIT for these years in the total amount of 8 million Zlotys (2 million euros), which has

already been received. At the same time, the Bank recognised in the first half of 2024 a deferred tax asset in the amount of 223 million Zlotys (52 million euros) based on estimates of future adjustments of interest income, FX gains, commissions and fees 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.

NON-CONTROLLING INTERESTS

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

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

In the first half of 2024, non-controlling interests totalled 57 million euros, compared to 53 million euros recorded in the same period of the previous year. This evolution was mainly a result of the income for the year attributable to third parties via the consolidation of the Polish subsidiary, which went from 39 million euros to 41 million euros, following the higher results obtained by Bank Millennium in the first half of 2024, compared to the same period of the previous year.

REVIEW OF THE BALANCE SHEET

A set of concepts, mentioned in the present analysis, reflects the management criteria adopted by the Group in the preparation of the financial information, with the corresponding accounting concepts presented in the glossary and throughout the document, where applicable, namely the ones related to loans to customers, balance sheet customer funds and securities portfolio.

BALANCE SHEET

	30 Jun. 24	31 Dec. 23 restated	30 Jun. 23 restated	Chg. 24/23
Million euros				
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions (1)	3,976	4,883	4,123	(3.6 %)
Financial assets measured at amortised cost				
Loans and advances to credit institutions	848	908	571	48.6 %
Loans and advances to customers	53,670	53,305	54,397	(1.3 %)
Debt instruments	19,225	17,579	16,247	18.3 %
Financial assets measured at fair value through profit or loss				
Financial assets held for trading	2,258	823	1,483	52.3 %
Financial assets not held for trading mandatorily at fair value through profit or loss	390	440	477	(18.2 %)
Financial assets designated at fair value through profit or loss	34	32	22	55.4 %
Financial assets measured at fair value through other comprehensive income	13,788	10,834	7,453	85.0 %
Investments in associates	438	374	332	31.8 %
Non-current assets held for sale	53	80	155	(65.7 %)
Other tangible assets, goodwill and intangible assets	828	830	793	4.4 %
Current and deferred tax assets	2,484	2,575	2,862	(13.2 %)
Other (2)	1,707	1,706	2,027	(15.8 %)
TOTAL ASSETS	99,698	94,371	90,941	9.6 %
LIABILITIES				
Financial liabilities measured at amortised cost				
Resources from credit institutions	1,161	829	2,095	(44.6 %)
Resources from customers	80,540	75,607	73,680	9.3 %
Non subordinated debt securities issued	2,788	2,713	1,487	87.6 %
Subordinated debt	1,386	1,397	1,350	2.7 %
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	193	207	275	(29.7 %)
Financial liabilities measured at fair value through profit or loss	3,334	3,608	3,053	9.2 %
Other (3)	2,669	2,718	2,434	9.7 %
TOTAL LIABILITIES	92,071	87,080	84,373	9.1 %
EQUITY				
Share capital	3,000	3,000	3,000	
Share premium	16	16	16	
Other equity instruments	400	400	400	
Reserves and retained earnings (4)	2,687	2,030	1,829	46.9 %
Net income for the period attributable to Bank's Shareholders	485	856	423	14.7 %
Non-controlling interests	1,039	987	899	15.5 %
TOTAL EQUITY	7,627	7,290	6,568	16.1 %
TOTAL LIABILITIES AND EQUITY	99,698	94,371	90,941	9.6 %

(1) Includes Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand.

(2) Includes Hedging derivatives, Investment property and Other assets.

(3) Includes Hedging derivatives, Provisions, Current and deferred tax liabilities and Other liabilities.

(4) Includes Legal and statutory reserves and Reserves and retained earnings.

A reconciliation between the management criteria defined and the accounting amounts published in the consolidated financial statements is presented below.

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

Loans to customers

	Million euros	
	30 Jun. 24	30 Jun. 23
Loans to customers at amortised cost (accounting Balance Sheet)	53,670	54,397
Debt instruments at amortised cost associated to credit operations	1,953	1,927
Balance sheet amount of loans to customers at fair value through profit or loss	1	12
Loans to customers (net) considering management criteria	55,625	56,336
Balance sheet impairment related to loans to customers at amortised cost	1,589	1,563
Balance sheet impairment associated with debt instruments at amortised cost related to credit operations	7	7
Fair value adjustments related to loans to customers at fair value through profit or loss	3	7
Loans to customers (gross) considering management criteria	57,224	57,912

Deposits and other resources from customers aggregates resources from customers at amortised cost and customer deposits at fair value through profit and loss. Balance sheet customer funds include, apart from deposits and other resources from customers, debt securities placed with customers either classified at amortised cost or designated at fair value through profit or loss.

Balance sheet customer funds

	Million euros	
	30 Jun. 24	30 Jun. 23
Financial liabilities at fair value through profit or loss (accounting Balance sheet) (1)	3,334	3,053
Debt securities at fair value through profit or loss and certificates (2)	1,318	1,378
Customer deposits at fair value through profit or loss considering management criteria (3)=(1)-(2)	2,015	1,675
Resources from customers at amortised cost (accounting Balance sheet) (4)	80,540	73,680
Deposits and other resources from customers considering management criteria (5)=(3)+(4)	82,555	75,355
Non subordinated debt securities issued at amortised cost (accounting Balance sheet) (6)	2,788	1,487
Debt securities at fair value through profit or loss and certificates (7)	1,318	1,378
Non subordinated debt securities placed with institutional customers (8)	2,788	1,487
Debt securities placed with customers considering management criteria (9)=(6)+(7)-(8)	1,318	1,378
Balance sheet customer funds considering management criteria (10)=(5)+(9)	83,873	76,733

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

Securities portfolio

	Million euros	
	30 Jun. 24	30 Jun. 23 restated
Debt instruments at amortised cost (accounting Balance sheet) (1)	19,225	16,247
Debt instruments at amortised cost associated to credit operations net of impairment (2)	1,953	1,927
Debt instruments at amortised cost considering management criteria (3)=(1)-(2)	17,271	14,320
Financial assets not held for trading mandatorily at fair value through profit or loss (accounting Balance sheet) (4)	390	477
Balance sheet amount of loans to customers at fair value through profit or loss (5)	1	12
Financial assets not held for trading mandatorily at fair value through profit or loss considering management criteria (6)=(4)-(5)	388	464
Financial assets held for trading at fair value through profit or loss (accounting Balance sheet) (7)	2,258	1,483
of which: trading derivatives (8)	389	408
Financial assets designated at fair value through profit or loss (accounting Balance sheet) (9)	34	22
Financial assets at fair value through other comprehensive income (accounting Balance sheet) (10)	13,788	7,453
Securities portfolio considering management criteria (11)=(3)+(6)+(7)-(8)+(9)+(10)	33,351	23,334

TOTAL ASSETS

Millennium bcp's consolidated balance sheet total assets amounted to 99,698 million euros as of 30 June 2024, showing a growth of 9.6% compared to the 90,941 million euros recorded on the same date of the previous year, with this evolution being driven mainly by the increase in assets in the international activity and also by the increase in assets recorded in the activity in Portugal.

In the activity in Portugal, total assets stood at 65,251 million euros on 30 June 2024, increasing by 4.6% compared to the 62,373 million euros recorded on 30 June 2023. The reinforcement of the securities portfolio, in particular the public debt portfolio, with liquidity resulting from the increase in balance sheet customer funds, largely justified this evolution. Conversely, reductions were observed in loans to customers portfolio (net of impairment) and, although less significant, also in deferred taxes assets and in other assets.

In the international activity, total assets amounted to 34,447 million euros on 30 June 2024, showing a growth of 20.6% compared to the 28,568 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, driven mainly by the increases observed in the securities portfolio (mainly in local public debt) and in loans to customers portfolio (net of impairment). The total assets of the subsidiary in Mozambique also recorded an increase, mainly due to the increase observed in deposits and loans and advances to central banks. The increase in the securities portfolio, in the case of the Polish subsidiary, and the increase in deposits and loans and advances to central banks, in the case of the subsidiary in Mozambique, result from liquidity deriving from the increase in balance sheet customer funds.

TOTAL LIABILITIES

Millennium bcp's total consolidated liabilities stood at 92,071 million euros on 30 June 2024, above the 84,373 million euros recorded on the same date of the previous year, with this evolution being mainly driven by increases in deposits and other resources from customers, both in the activity in Portugal and above all in the international activity. The non subordinated debt securities issued also contributed to the aforementioned evolution of liabilities, mainly due to two senior debts issues, one within the scope of the activity in Portugal (preferred senior debt issued by Banco Comercial Português) and another in the international activity (non-preferred senior debt issued by Bank Millennium), to reinforce the capacity to comply with MREL (Minimum Requirements for Own Funds and Eligible Liabilities). These aforementioned issues amounted in both cases to 500 million euros and were carried out in September 2023.

TOTAL EQUITY

Millennium bcp's consolidated equity showed an increase, evolving from 6,568 million euros recorded on 30 June 2023 to 7,627 million euros on 30 June 2024, as it benefited from the positive effect of the integration of the net profit obtained in the period under analysis and from the favourable evolution of the fair value reserve (mainly influenced by the positive impact generated by cash flow hedging instruments), being penalised by the payment of dividends and by the negative evolution of actuarial deviations associated with the pension fund.

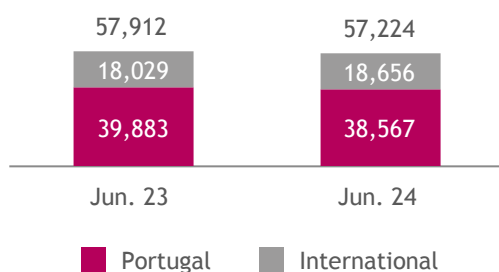
Additional information and details on the evolution of equity are described in the Interim Condensed Consolidated Statements of Changes in Equity for the periods of six months ended 30 June 2024 and 2023 in Consolidated accounts for the first half of 2024.

LOANS TO CUSTOMERS

Millennium bcp's consolidated customer loan portfolio (gross loans, that is, before impairment and fair value adjustments), as defined in the glossary, amounted to 57,224 million euros as of 30 June 2024, standing 1.2% below the 57,912 million euros recorded at the end of the first half of the previous year. This evolution reflects the reduction observed in the activity in Portugal, although the increase in the international activity had partially offset this reduction. By segments, there was a reduction in loans to companies, partially offset by an increase in loans to individuals (driven mainly by the dynamism of personal loans and also mortgage loans).

LOANS TO CUSTOMERS (*)

Million euros



(*) Before impairment and fair value adjustments

In the activity in Portugal, loans to customers (before impairment) amounted to 38,567 million euros as of 30 June 2024, standing 3.3% below the 39,883 million euros recorded at the end of the first six months of 2023. The decrease in loans to customers portfolio results, on the one hand, from a lower level of performing credit (-1,163 million euros) and, on the other hand, from a reduction in non-performing exposures (NPE) (-152 million euros).

Loans to individuals in the activity in Portugal amounted to 21,450 million euros on 30 June 2024, above the 21,065 million euros recorded at the end of the first half of the previous year. By segments, there were increases both in personal loans and in mortgage loans (+222 million euros and +164 million euros, respectively).

Loans to companies in the activity in Portugal stood at 17,117 million euros on 30 June 2024, decreasing by 9.0% compared to the same date of the previous year, due to lower demand for credit influenced by monetary policy, delays in investment projects (namely those co-financed with European funds) and also, reduction of NPEs in this segment. Additionally, the repayment of Covid facilities 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 18,656 million euros as of 30 June 2024, above the 18,029 million euros recorded on the same date in the previous year, mainly due to the increase in credit in the Polish subsidiary (due mainly to the favourable evolution of the Zloty and also a slight increase in credit in local currency), although the reduction recorded in the Mozambican subsidiary slightly mitigated the aforesaid increase.

Loans to individuals in the international activity showed an expansion, rising from 13,290 million euros at the end of the first half of 2023 to 13,998 million euros at the end of the first half of 2024, explained by the dynamism of personal loans (+549 million euros due to the growth recorded in the Polish and Mozambican subsidiaries, with the increase recorded in the Polish subsidiary being the most significant) and also by the positive evolution of mortgage loans (+159 million euros, essentially justified by the appreciation of the Zloty in the case of the Polish subsidiary).

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 1,052 million euros to 499 million euros, representing 6.1% and 2.8% of the loans to customers of Bank Millennium and 1.8% and 0.9% of the consolidated loans to customers, at the end of the first half 2023 and 2024, respectively. Excluding the portion relating to Euro Bank S.A.² from that portfolio, the amount of the mortgage loan portfolio in foreign currency decreased from 948 million euros to 439 million euros, representing 5.5% and 2.4% of the loans to customers of Bank Millennium and 1.6% and 0.8% of the consolidated loans to customers, at the end of first half of 2023 and 2024, respectively.

Loans to companies in the international activity recorded a reduction of 1.7% compared to the 4,740 million euros recorded on 30 June 2023, reaching 4,659 million euros at the end of the first half 2024. By geographies, there was a reduction in loans to companies in the Mozambican subsidiary, while in the Polish subsidiary there was a stabilisation, influenced by the aforementioned appreciation of the local currency.

LOANS TO CUSTOMERS (GROSS)

	Million Euros		
	30 Jun. 24	30 Jun. 23	Chg. 24/23
INDIVIDUALS	35,447	34,355	3.2 %
Mortgage loans	28,297	27,974	1.2 %
Personal loans	7,150	6,380	12.1 %
COMPANIES	21,776	23,557	(7.6 %)
Services	7,564	8,404	(10.0 %)
Commerce	3,772	4,008	(5.9 %)
Construction	1,497	1,549	(3.4 %)
Others	8,943	9,596	(6.8 %)
	57,224	57,912	(1.2 %)
Of which:			
Activity in Portugal	38,567	39,883	(3.3 %)
International activity	18,656	18,029	3.5 %

² 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 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 specificities of each customer/group of customers, with a view to both maintaining support to customers considered viable and mitigating credit risk in cases where there are risks of loss in the exposure value.

The NPE stock, in consolidated terms, decreased to 1,965 million euros on 30 June 2024, showing a reduction of 176 million euros compared to the end of the first half of 2023, with the NPE ratio as a percentage of the total credit portfolio decreasing from 3.7% to 3.4%. In the activity in Portugal, the NPE stock totalled 1,109 million euros at the end of the first half of 2024, with a significant reduction of 152 million euros being recorded compared to the same date of the previous year, with the NPE ratio as a percentage of the total credit portfolio evolving from 3.2% to 2.9%.

The ratio between total impairment and NPL stock for more than 90 days, in consolidated terms, stood at 206.5% on 30 June 2024, above the ratio observed in the first half of 2023 (198.9%). The ratio between total impairment and NPE stock has recorded an improvement both in consolidated terms (81.4% at the end of the first half of the current year vis-à-vis 73.6% recorded on 30 June 2023) and also in the activity in Portugal (87.1% on 30 June 2024 vis-à-vis 75.1% on 30 June 2023). Additionally, on 30 June 2024, the ratio between impairments allocated to NPE and NPE stock stood at 54.2% in consolidated terms (49.2% in the same date of the previous year) and at 55.3% in the activity in Portugal (47.9% in the same date of the previous year).

CREDIT QUALITY INDICATORS

	Group			Activity in Portugal		
	30 Jun. 24	30 Jun. 23	Chg. 24/23	30 Jun. 24	30 Jun. 23	Chg. 24/23
STOCK (M€)						
Loans to customers (gross)	57,224	57,912	(1.2 %)	38,567	39,883	(3.3 %)
Overdue loans > 90 days	497	545	(8.7 %)	191	214	(10.9 %)
Overdue loans	645	651	(1.0 %)	240	231	4.0 %
Restructured loans	1,726	1,881	(8.2 %)	1,168	1,314	(11.0 %)
NPL > 90 days	774	792	(2.3 %)	363	382	(5.1 %)
NPE	1,965	2,142	(8.2 %)	1,109	1,262	(12.1 %)
Total loans impairment (Balance sheet)	1,599	1,576	1.4 %	966	947	2.0 %
Impairments allocated to NPE (Balance sheet)	1,065	1,053	1.1 %	613	604	1.6 %
RATIOS AS A PERCENTAGE OF LOANS TO CUSTOMERS						
Overdue loans > 90 days / Loans to customers (gross)	0.9%	0.9%		0.5%	0.5%	
Overdue loans / Loans to customers (gross)	1.1%	1.1%		0.6%	0.6%	
Restructured loans / Loans to customers (gross)	3.0%	3.2%		3.0%	3.3%	
NPL > 90 days / Loans to customers (gross)	1.4%	1.4%		0.9%	1.0%	
NPE / Loans to customers (gross)	3.4%	3.7%		2.9%	3.2%	
NPE ratio - EBA (includes debt securities and off-balance exposures)	2.1%	2.5%		1.9%	2.3%	
COVERAGE BY IMPAIRMENTS						
Total impairment / Overdue loans by more than 90 days	321.4%	289.3%		505.7%	441.9%	
Total impairment / Overdue loans	248.1%	242.2%		401.9%	409.9%	
Total impairment / NPL > 90 days	206.5%	198.9%		266.3%	247.7%	
Total impairment / NPE	81.4%	73.6%		87.1%	75.1%	
Impairments allocated to NPE / NPE	54.2%	49.2%		55.3%	47.9%	

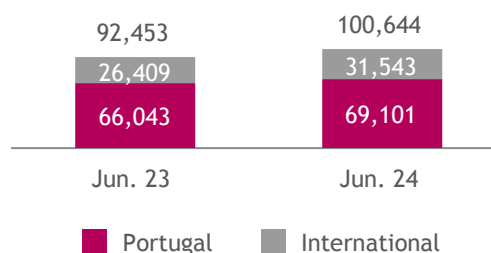
Note: NPE include loans to customers only, as defined in the glossary.

CUSTOMER FUNDS

On 30 June 2024, Millennium bcp's consolidated total customer funds, as defined in the glossary, amounted to 100,644 million euros, showing a favourable evolution, increasing by 8,192 million euros compared to the 92,453 million euros obtained on the same date of the previous year, benefiting mainly from the increase in the international activity (+5,134 million euros) and also from the growth recorded in the activity in Portugal (+3,058 million euros). During this period, there was a more significant increase in the balance sheet customer funds and also a growth in off-balance sheet customer funds.

TOTAL CUSTOMER FUNDS

Million euros



TOTAL CUSTOMER FUNDS

Million euros

	30 Jun. 24	30 Jun. 23	Chg. 24/23
BALANCE SHEET CUSTOMER FUNDS	83,873	76,733	9.3%
Deposits and other resources from customers	82,555	75,355	9.6 %
Debt securities	1,318	1,378	(4.3 %)
OFF-BALANCE SHEET CUSTOMER FUNDS	16,771	15,720	6.7%
Assets under management	5,809	5,366	8.3 %
Assets placed with customers	6,425	5,415	18.7 %
Insurance products (savings and investment)	4,537	4,939	(8.1%)
	100,644	92,453	8.9%
Of which:			
Activity in Portugal	69,101	66,043	4.6 %
International activity	31,543	26,409	19.4 %

Consolidated balance sheet customer funds, which comprise deposits and other resources from customers and debt securities placed with customers, amounted to 83,873 million euros on 30 June 2024, showing an expansion of 7,140 million euros compared to the 76,733 million euros reached at the end of the first half of the previous year. This evolution results above all from the increase recorded in the international activity, but also from the increase recorded in the activity in Portugal (+4,541 million euros and +2,599 million euros, respectively).

As of 30 June 2024, consolidated off-balance sheet customer funds stood at 16,771 million euros, showing a growth of 1,051 million euros compared to the figure posted in the same date a year ago. Off-balance sheet customer funds recorded increases both in the activity in Portugal and in the international activity.

In the activity in Portugal, total customer funds reached 69,101 million euros on 30 June 2024, which compares with the 66,043 million euros recorded on the same date in the previous year, with this evolution being almost entirely justified by the evolution of the balance sheet customer funds, more specifically due to the surge in deposits and other resources from customers (+2,659 million euros).

Off-balance sheet customer funds in the activity in Portugal registered an increase of 459 million euros compared to the same date of the previous year, standing at 14,547 million euros on 30 June 2024, with a more significant increase seen in assets placed with customers, partially offset by the decrease observed in insurance products (savings and investment). Assets under management remained stable compared to the same date of the previous year.

In the international activity, total customer funds increased by 5,134 million euros compared to the 26,409 million euros recorded on 30 June 2023, standing at 31,543 million euros at the end of the first half of 2024, mainly reflecting the positive contribution of the Polish subsidiary and also a smaller increase recorded in the subsidiary in Mozambique.

Balance sheet customer funds in the international activity, entirely made up of deposits and other resources from customers, stood at 29,319 million euros on 30 June 2024, 4,541 million euros above the value of 24,778 million euros recorded at the end of the first half of 2023, benefiting above all from the increasing volumes of deposits in the Polish subsidiary and also from an increase recorded in Mozambican subsidiary.

Off-balance sheet customer funds in the international activity registered an increase of 593 million euros compared to the same date of the last year, standing at 2,224 million euros on 30 June 2024, driven mainly by the increase recorded in assets under management and also by the increase observed in assets placed with customers. Conversely, although smaller in size, there was a decrease in insurance products (savings and investment).

On 30 June 2024, balance sheet customer funds, on a consolidated basis, represented 83.3% of total customer funds (83.0% as of 30 June 2023), with deposits and other resources from customers, on a consolidated basis, representing 82.0% of total customer funds (81.5% in the same date of the previous year).

The loans to deposits ratio, in accordance with the Bank of Portugal's Instruction no. 16/2004, stood at 67.4% as of 30 June 2024, with the same ratio, considering balance sheet customer funds, standing at 66.3%. Both ratios show values below those obtained at the same date of the previous year, 74.8% and 73.4%, respectively.

SECURITIES PORTFOLIO

Millennium bcp's consolidated securities portfolio, as defined in the glossary, stood at 33,351 million euros on 30 June 2024, showing a significant increase of 42.9% compared to the 23,334 million euros recorded on the same date of the previous year, representing 33.5% of total consolidated assets at the end of the first half of 2024, above the percentage of 25.7% recorded at the end of the first half of 2023.

The portfolio allocated to the activity in Portugal increased from 15,999 million euros at the end of the first half of 2023 to 21,021 million euros at the end of the first half of 2024, with this increment being driven mainly by increase in public debt of other euro zone countries (namely Belgian, Italian, German, French and Spanish public debt), in Portuguese public debt and also in American public debt.

The securities portfolio allocated to the international activity rose from 7,335 million euros at the end of the first half of 2023 to 12,329 million euros on 30 June 2024, driven mainly by activity in the Polish subsidiary, following the reinforcement of investment in local public debt, offsetting a lower investment in the public debt of euro zone countries.

SECURITIES PORTFOLIO

	Million euros		
	30 Jun. 24	30 Jun. 23 restated	Chg. 24/23
Financial assets measured at amortised cost (1)	17,271	14,320	20.6 %
Financial assets measured at fair value through profit or loss (2)	2,292	1,561	46.8 %
Financial assets measured at fair value through other comprehensive income	13,788	7,453	85.0 %
	33,351	23,334	42.9 %
Of which:			
Activity in Portugal	21,021	15,999	31.4 %
International activity	12,329	7,335	68.1 %

(1) Corresponds to debt instruments not associated to credit operations.

(2) Excluding the amounts related to loans to customers and trading derivatives.

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.

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.

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 and subject to periodic review, related to the level of activity of each business area.

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

The information presented below for the individually more relevant business areas in Portugal and aggregately for the international activity was based on the financial statements prepared in accordance with IFRS and on the organization of the Group's business areas as at 30 June 2024.

RETAIL

Mass Market

During the first half of 2024, the Mass Market segment focused its commercial activity on attracting new Customers and strengthening First Bank relationships.

The Bank sought, through salary domiciliation or retirement campaigns, to support Customers in a period of generalized price increases.

For Minor Customers, the new “Let’s GO” offer was launched, a complete Integrated Solution of banking and insurance products for everyday life, which is also associated with exclusive savings. In the Youth segment, the focus on positioning in the University Segment stands out, which among others offers preferential conditions on personal training credit, discounts on specialization courses at partner Universities and insurance with coverage for protection needs during exchange programs (Erasmus).

Seeking a growing relationship with the Customer base, the new Millennium Family Advantage was launched, in which parents, descendants or siblings share exclusive advantages in day-to-day solutions, credit solutions, protection and domiciliation of wages or retirement.

The strategy of increasing Customers' digital engagement was also reinforced, through actions to i) encourage opening an account on the App with Digital Mobile Key, with campaigns with exclusive offers; ii) activation/encouragement of use and iii) development of new functionalities and services, in order to simplify the Customer's interaction with the Bank (highlighting the importance that this channel currently has in the process of regularly updating Customer information).

Prestige

In the first half of 2024, the Prestige segment continued to experience growth and renewal of the Customer base, leveraging targeted actions to attract customers, build loyalty and upgrades.

For the Senior segment, a new value proposition “VIV+” was launched, which seeks to support Customers in this age group, both with their day-to-day banking needs and with their health and home assistance needs. Additionally, it also offers a set of insurance and savings and investment solutions, positioning the Bank with an aggregating and complete offer for these Customers.

The Bank sought to adjust the commercial offer of various investment and savings instruments, adapting it to the different profiles and objectives of Customers.

The continuous improvement of the Prestige Customer experience continued to be a priority, highlighting the offer of the Local or Remote Personalized Management Service (monitoring by a Customer Manager), the “service password in the App” as well as other functionalities that facilitate interaction with the Manager.

Portuguese Diaspora & Foreigners

In the first half of 2024, the Portuguese Diaspora & Foreigners segment sought to maintain close proximity to Customers, with very targeted actions to increase Customer knowledge and strengthen relationships.

Through its physical presence with Representative Offices in London, Geneva, Zurich, Rio de Janeiro and São Paulo, the Bank maintained its availability to support Customers and non-Customers in these geographies, also guaranteeing its presence in the main events dedicated to the Portuguese community.

Businesses

In the first half of 2024, the business segment continued to assert itself due to its strong commercial focus. A set of initiatives associated with the continuous improvement of the experience of corporate Customers are being developed.

Products

Loans to individuals

In the first half of the year, the Bank continued to invest in providing digital credit journeys in order to guarantee simpler, more agile and comfortable processes for Customers.

Mortgage loans remained one of the Bank's strategic priorities. The journey on digital channels continued to be subject to continuous improvements at the various stages of the process. Of particular note is the new monitoring process for contracting operations.

The offer continued to be expanded with new Mixed and Fixed rate options as an alternative to variable rate options, in addition to the benefits attributed under the Sustainable Credit offer.

The commercial focus on boosting the mortgage product was maintained with a campaign, which allowed special conditions to Customers.

In Personal Credit, the offer continued to be adjusted to different purposes. The new Green offer was launched to improve the energy efficiency of buildings, and offers dedicated to purchasing vehicles and financing healthcare were expanded.

Investment solutions

A high dynamic of adjusting the offer of investment products, on balance sheet and off balance sheet, was maintained, seeking to have the best commercial offer for the different Customer segments at all times. Highlights include the launch of new structured deposits, PPR insurance, unit linked insurance and the adaptation of the term deposit offer.

The Bank continued to make available a wide range of investment alternatives, in order to adjust investment strategies to different risk profiles.

The Bank continued to keep the focus on Digital through the promotion of exclusive products and services in this channel, but also with the availability of the new Investment Hub

Insurance

In the year that marks 20 years of partnership between Millennium bcp and the Ageas Group, the launch of new insurance products has intensified, seeking to reinforce leadership in bancassurance in Portugal.

Highlight is the launch of the "Insurance Package", a concept that provides increasing

benefits to Customers, depending on the number of policies subscribed.

Digital channels have been increasing in importance as an insurance sales channel, both due to the increase in the number of products available for subscription and the continued focus on commercial dynamism with campaigns with dedicated commercial offers.

Integrated Solutions

Millennium bcp started the year with a strong campaign aimed at Customers 55+ promoting a new solution. This new solution offers two types of assistance insurance, which include coverage for hospitalization expenses, health assistance, home help and also advantages in value-added services available at the network's pharmacies.

Uniting generations, in May, the Advantages aimed at Millennium families were reinforced. Millennium Customers were invited to pass on benefits to their closest family members.

During the month of June, and under the motto of Children's Month, a campaign was launched to acquire the new Millennium Let's GO! offer, for Customers aged 0 to 17, aimed at Parents inviting them to open an account for their children.

Current Accounts

In the first half of 2024, the Bank launched a campaign that sought to encourage potential Customers to open an account through the App through the digital mobile key.

The data updating action was intensified, seeking to provide a better experience for the Customer, which in addition to the possibility of updating information at the Bank through the App that allows, after reading the Citizen Card, to obtain from the Agency for Administrative Modernization, all the necessary information automatically.

Microcredit

Millennium bcp continued to be a reference Bank in supporting Microcredit projects, with the option of credit available with European guarantees, namely from the European Investment Fund, for these operations.

ActivoBank

In the first half of 2024, ActivoBank intensified its focus on developing and attracting the young digital individuals, developing digital products and services that aim to simplify the response to the financial needs of this specific group, communicating in a digital way and focusing on the development of a value for money offer, complete and simple.

As a result of strengthening this positioning, the bank attracted approximately 39 thousand new Customers in the first half of 2024, which allowed it to a base of more than 500 thousand Customers, with a very high degree of digitalization.

As a result of the advertising strategy through digital media, ActivoBank increased the percentage of account openings digitally, which reached 50% of the bank's total accounts acquisition.

During the first half of the year, digital marketing actions aimed at investment and savings products stand out with the launch of 3 new products aimed at savings from Customers.

Regarding the development of the Bank's digital and innovation strategy, the first half of the year was marked by the availability of new product solutions that allow it to consolidate its mobile positioning.

In the investment area, a pension fund campaign was developed highlighting the financial and fiscal

component of these products, in a logic of scheduled investments.

At the level of investment funds, the focus on marketing thematic offers and targeted CRM actions tha enable to grow in these products.

Improvements were also implemented in several product segments, such as ActivoBank plans.

In the case of credit, the Bank reinforced the focus on personalized and targeted offerings, in terms of salary advances, personal credit and car credit.

Continuity actions were also developed in the area of Sustainability, such as support from the Bank in the areas of financial literacy with the creation of its own content on social networks and support for the "women in wealth" conference aimed at developing financial literacy among women.

In the social component, during the first half of the year, ActivoBank developed 6 social solidarity actions.

The net profit for this semester was 16.4 million euros, which represents an increase of 5.3% compared to the previous year.

	Million euros		
	Jun 30, 2024	Jun 30, 2023	Chg. % 24/23
RETAIL BANKING in Portugal			
PROFIT AND LOSS ACCOUNT			
Net interest income	577	411	40.8%
Other net income	232	226	2.2%
	809	637	27.0%
Operating costs	162	175	-7.5%
Impairment and provision	29	15	90.9%
Income before tax	618	447	38.4%
Income taxes	193	140	38.4%
Income after tax	425	307	38.4%
SUMMARY OF INDICATORS			
Allocated capital	986	937	5.2%
Return on allocated capital	86.6%	66.0%	
Risk weighted assets	7,447	7,144	4.2%
Cost to income ratio	20.0%	27.5%	
Loans to Customers (net of impairment charges)	26,028	26,009	0.1%
Balance sheet Customer funds	39,810	38,577	3.2%

Notes:

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

Financial performance

As at 30 June 2024, income after tax from Retail Banking segment of Millennium bcp in Portugal totalled 425 million euros, showing a 38.4% increase compared to 307 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 577 million euros as at 30 June 2024, increasing 40.8% compared to the same period of the previous year (411 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 normalization of interest rates.
- Other net income reached 232 million euros on June 30, 2024, increasing 2.2% compared with the same period of 2023. This performance reflects essentially the higher level of banking commissions, mostly from cards and transfers.
- Operating costs were 7.5% lower than the amounts recognized in the first semester of 2023.
- Impairment charges amounted to 29 million euros at the end of June 2024, remaining at a low level relative to the loan portfolio size of this segment, despite the increase compared to the amount of 15 million euros recorded in the same period of the previous year.
- In June 2024, loans to customers (net) totalled 26,028 million euros, slightly increasing 0.1% from June 2023 (26,009 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 3.2% in the same period, amounting to 39,810 million euros in June 2024 (38,577 million euros in June of the previous year), mainly explained by the increase in customer deposits.

COMPANIES AND CORPORATE

Millennium bcp continued to be a reference bank with a 16.23% market share (December 2023) in the placement of Credit with Mutual Guarantee, in partnership with Banco Português de Fomento (BPF). New support lines were made available, with a financial guarantee provided by the BPF, allowing preferential financing conditions, reaffirming the Bank's role in supporting Portuguese Companies and Entrepreneurs.

The Bank was leader in placing Guarantees from the European Investment Fund, with the execution of the largest national contract under the European InvestEU Programme, worth around 400 million euros. We continued to offer guarantees from the European Investment Bank to support Medium and Large Companies and the Public Sector, with a special emphasis on Innovation.

With Sustainability as one of its main areas of activity, in the first half of 2024 Millennium bcp maintained its focus on Sustainable Business Credit, namely in the scope of Mobility, Credit for Real Estate Promotion and Credit for Investment Projects.

Millennium bcp provided sustainable financing with European guarantees, mainly from the European Investment Fund but also from Banco Português de Fomento and Turismo de Portugal.

With the first approvals of the Portugal 2030 Community Framework, combined with the acceleration of application opportunities, in the first half of 2024 the Bank maintained its focus on supporting Business Investment, promoting the sharing of information, knowledge and financial solutions adjusted to the specific needs of Entrepreneurs who are investing with community support. With a specialized team dedicated to the permanent monitoring of Customer projects in the implementation phase, in just six months more than 300 support operations were carried out.

In the Recovery and Resilience Plan, the Bank maintains a strong contribution to the execution of the Plan, contributing to support the Entities that are responsible for executing their investments until the end of the year 2026.

The accumulated experience and the level of internal specialization make Millennium bcp fully capable of supporting Companies in a phase of growth, transformation or renewal of their production capacity, helping them to optimize their financing structures and benefit from support to stimulate economy in force at any given time.

In the 1st half of 2024, the Bank maintained a very relevant dynamic of proximity initiatives aimed at the proliferation of practical information and sharing of knowledge with Customers and Stakeholders about the main business investment opportunities and challenges in the country.

In leasing, Millennium bcp maintained its leadership, with 396 million euros of new production in the first half of 2024 and a 23.3% market share³. In real estate leasing, Millennium bcp led with a 47.7% market share, in furniture leasing it has a 15.3% market share⁴. As a privileged solution to support investment for SMEs, the Bank has carried out several operational optimization initiatives with an impact on the Customer experience. The Leasing offer is today an integral part of the Guarantee Lines of the European Investment Bank and the European Investment Fund provided by Millennium bcp, reinforcing the Bank's ability to meet the Investment needs of Companies.

In the first half of 2024, Millennium bcp once again led the Factoring and Confirming business, with around 4.9 billion euros in invoicing taken, thus supporting the short-term financing needs of its Customers. According to the most recent statistics from ALF - Portuguese Association of Leasing, Factoring and Renting, the Bank had a market share of 23% in March 2024.

In the Trade Finance business, Millennium bcp reinforced its positioning as a Partner Bank for Exporting and Importing Companies:

- Best Trade Finance Bank with the Best Service and Market Leader, according to Euromoney.
- Leadership in credit to Exporting Companies, with 19.8% market share.
- Global market share of 26.0% in import and export operations, namely Trade Finance operations (based on the number of SWIFT messages).

Significant and sustained growth in credit insurance sales in partnership with COSEC, with emphasis on the contracting of new policies in which the Bank exceeded 30% in annual production quota.

³ Source: Portuguese Association of leasing and Factoring (March 2024).

⁴ Source: Portuguese Association of leasing and Factoring (March 2024).

Investment banking

The Bank participated in a wide range of projects both in Portugal and in international markets.

In the Corporate Finance, the Bank provided financial advice to its Customers and to the Bank itself in dossiers involving the study, development and execution of M&A operations, company valuations, corporate restructuring and reorganizations, as well as economic-financial analyses and studies of projects. In the mergers and acquisitions segment, Fairness Opinion stands out as part of the OPA process launched by the KKR Fund to Greenvolt.

Regarding the Project Finance, the Bank participated in the analysis, structuring, negotiation and assembly of financing operations, highlighting participation in the financing of infrastructure projects and sustainable energy projects as well as the management of a vast portfolio of ESG financing.

In the Structured Finance, the Bank assumed an important role in structuring, negotiating and assembling several national and international financing operations, with emphasis, among others, on the real estate leasing operation to the Auchan group, in the bond loan of the Violas group and also in the acquisition finance of TeclenaJuncor relating to the acquisition of the Spanish Rodamientos and Tecpoles, of the Metalgalva group, which acquired the Polish Contec Kromiss, contributing to strengthening the presence of these Portuguese groups in Europe.

Regarding the Capital Markets activity, the participation in the 6 public bond subscription operations that took place in the 1st half of the year stands out, two of which as global coordinator. We participated in several other bond issuance operations and in the setting up of more than 30 commercial paper programs. This semester's activity includes the management of the commercial paper program portfolio made up of more than 300 operations and with a total amount of more than 3 billion euros.

 JAN 2024 Undisclosed Renewable Power Fairness Opinion for the Greenvolt Financial Advisory	 JAN 2024 € 17,000,000 Industry Medium-long term syndicated loan Mandated Lead Arranger	 FEB 2024 € 100,000,000 Renewable Power Green Bonds 2024-2029 Joint Global Coordinator	 FEB 2024 € 300,000,000 Power Green Bonds 2024-2030 Joint Lead Manager	 MAR 2024 € 50,000,000 Sports & Entertainment Public Bond Offer 2024-2027 Joint Manager
 ABR 2024 € 50,000,000 Sports & Entertainment Public Bond Offer 2024-2027 Joint Manager	 ABR 2024 € 90,000,000 Industry Commercial Paper Programme Lead Manager	 ABR 2024 € 10,000,000 Industry Medium-long term loan Mandated Lead Arranger	 MAI 2024 € 60,000,000 Industry Public Bond Offer 2024-2029 Joint Global Coordinator	 MAI 2024 € 175,000,000 Regional Government Bond Offer 2024-2038 Joint Lead Manager
 JUN 2024 € 98,000,000 Consumer Goods Leaseback of 7 properties Mandated Lead Arranger	 JUN 2024 € 240,000,000 Others Medium-long term syndicated loan Mandated Lead Arranger	 JUN 2024 € 60,000,000 Healthcare Public Bond Offer 2024-2029 Joint Manager	 JUN 2024 € 50,000,000 Renewable Power Green Bonds 2024-2027 Financial Intermediary	 JUN 2024 € 50,000,000 Industry Sustainability-Linked Bonds 2024-2029 Financial Intermediary
 JUN 2024 € 50,000,000 Industry Sustainability-Linked Bonds 2024-2031 Financial Intermediary	 JUN 2024 € 48,000,000 Other Sustainability-Linked Bonds 2024-2029 Joint Manager			

Real estate business

Main areas of activity during the first half of 2024:

The Bank continued its strategy of selling properties, contributing to the significant reduction of these assets, despite their age and the natural challenges arising from factors that significantly impact the market: i) negatively - slowdown in the real estate sector, increased costs of construction, slight reduction in foreign investment due to global economic uncertainty, higher interest rates, uncertainty in the face of war conflicts; ii) positively - the new Simplex, which brought the possibility of more agile disposal of some assets. The Bank provides investment solutions that go beyond the mere sale of properties, employing a variety of communication channels in a segmented and specific manner for each market, ensuring continuous presence in the market at in-person events or via digital platforms.

Management of Properties not available for sale - The Bank adapted quickly and efficiently to the legislative changes that occurred at the beginning of this year, which allowed it to enhance its main objective of offering properties for sale with high technical administrative complexity and seniority in the books of the Bank, with strict budgetary control taking into account the increase in material and service costs. This management has been crucial and successful in reducing these assets from the Bank's portfolio.

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

Interfundos

As of June 30, 2024, Interfundos had under management nineteen (19) Alternative Real Estate Investment Organizations (Funds and Collective Investment Companies), corresponding to 858 million euros of net assets under management, which compares to 988 million euros recorded in the same period of 2023, showing a 15% decrease in the volume of assets managed compared to the same period last year.

In the first half of 2024, global sales amounted to 38 million euros, corresponding to a total of 171 properties.

Interfundos' net profit in the first half of 2024 amounted to 414 thousand euros, which corresponds to a decrease of 43% compared to the value recorded in the same period last year (727 thousand euros). This performance is mainly attributable to the unfavorable evolution of net commissions, resulting from the €129 million reduction in assets under management.

Financial Institutions Group (FIG)

In a context of geopolitical uncertainty and continuous regulatory and macroeconomic developments, with an impact, in particular, on international trade (and in particular on distribution chains), the Bank maintained the active adjustment of its activity in order to continue to support, in a timely, resilient, sustainable and competitive, national economic agents in their activity abroad.

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

In international payments and transfers, particularly associated with international trade, continued to evolve towards greater efficiency, speed and transparency, in a competitive framework undergoing profound transformation. Of particular note is the ongoing migration of the payments infrastructure to the new SWIFT ISO20022 standard, which will increase transparency, speed and ability to track payments, therefore reinforcing the quality and security of service to Customers.

In the same area, it continued to deepen agreements and partnerships with top-tier international banks with a view to maximizing efficiency in cross-border payments that involve foreign exchange operations.

In the custody activity, the Bank advanced with the redesign of business processes, mainly in response to the new regulatory framework that resulted from the publication of Decree-Law No. 27/2023, of April 28, which approves the Assets Management Regime (RGA), which represented an opportunity to reinforce the structure and adjust the value proposition in a line of business where BCP assumed a clear leadership in the market.

During this period, the Bank maintained strong dynamism in other custody lines, namely in signing up new paying agent services and attracting institutional custody portfolios, consolidating its position as a national reference bank in this activity while at the same time reinforcing global involvement with your Customers.

In the multilateral segment, close and fruitful collaboration with the EIB/FEI group continued, to the benefit of the national business sector. This period saw a strong pace of use of previously contracted lines, while at the same time following the various initiatives, both by the EIB/FEI and Banco Português de Fomento, with a view to creating new financial instruments aimed at supporting companies Portuguese communities in an effective and sustainable way.

	Million euros		
COMPANIES AND CORPORATE in Portugal	Jun 30, 2024	Jun 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	138	92	50.4%
Other net income	83	81	2.8%
	221	173	28.2%
Operating costs	31	31	-0.4%
Impairment and provision	75	88	-14.3%
Income before tax	115	54	113.5%
Income taxes	36	17	113.5%
Income after tax	79	37	113.5%
SUMMARY OF INDICATORS			
Allocated capital	1,420	1,372	3.5%
Return on allocated capital	11.2%	5.5%	
Risk weighted assets	11,342	11,609	-2.3%
Cost to income ratio	13.9%	17.9%	
Loans to Customers (net of impairment charges)	10,675	11,833	-9.8%
Balance sheet Customer funds	9,896	10,040	-1.4%

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 79 million euros in June 2024, compared favourably to an amount of 37 million euros presented in June 2023. This evolution results mostly from an higher net interest income and from lower level of impairment. As at 30 June 2024 the performance of this segment is explained by the following changes:

- Net interest income stood at 138 million euros as at 30 June 2024, 50.4% above the amount attained as at 30 June 2023 (92 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 83 million euros in June 2024, being 2.8% higher compared to the amount achieved in the same period of 2023.
- Operating costs totalled 31 million euros, both by the end of June 2024 and by the same period of the previous year.
- Impairments charges recorded 75 million euros in June 2024, decreasing from 88 million euros in June 2023, reflecting the improvement in the risk profile of the credit portfolio.
- In June 2024, loans to customers (net) totalled 10,675 million euros, decreasing 9.8% from June 2023 (11,833 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, as the Bank has an outsized market share in granting this financing. Balance sheet customer funds reached 9,896 million euros, 1.4% below the amount recorded in June 2023, particularly from the reduction of the client's deposits base.

PRIVATE BANKING

During the first half of 2024, the Millennium Private Banking network continued to increase its Customer base and maintained a strong commercial dynamic, continuing its strategy of increasing proximity and relationships with Customers.

At Millennium Private Banking, the success of commercial relationships depends on the perfect symbiosis between Digital and Human channels, which is why investment was maintained in promoting digital channels and increasing their use, as well as in the continuous improvement of the quality of service provided by the Bank. An important part of the strategy to increase Customers' digital involvement was the promotion in particular of the investment hubs of the Millennium App, valued by Private Customers

with a self-directed profile, and the potential of the MTrader App, an ideal tool for those who want to invest in the Stock Exchange and who values quick trading.

The focus on the continuous improvement of the Customer experience also included the permanent monitoring of Customer assets and the sharing of knowledge by Private Bankers, keeping Customers informed about market developments.

At the same time, and because strengthening its positioning as the main Bank as a partner for Customers in managing their financial investments and managing their day-to-day activities is an ongoing process, the "FirstBank" strategy was reinforced through a focus on cross-selling payment methods, risk and savings insurance and digital services.

	Million euros		
PRIVATE BANKING in Portugal	Jun 30, 2024	Jun 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	24	17	38.6%
Other net income	17	16	7.0%
	41	33	23.4%
Operating costs	8	8	-1.1%
Impairment and provision	0	0	
Income before tax	33	25	30.1%
Income taxes	10	8	30.1%
Income after tax	23	17	30.1%
SUMMARY OF INDICATORS			
Allocated capital	26	24	9.1%
Return on allocated capital	>100%	>100%	
Risk weighted assets	207	203	1.9%
Cost to income ratio	18.5%	23.0%	
Loans to Customers (net of impairment charges)	345	345	—%
Balance sheet Customer funds	3,441	2,623	31.2%

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 23 million euros as at 30 June 2024, showing an increase of 30.1% compared to the net profit reached as at 30 June 2023 (17 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 41 million euros as at 30 June 2024, 23.4% above the amount recorded in June 2023 (33 million euros), driven by the growth shown in net interest income. Net interest income totalled 24 million euros as at 30 June 2024, comparing favourably to 17 million euros reached in June 2023, benefiting from deposits, both from the

margin obtained and from the volume growth. Other net income amounted to 17 million euros in June 2024, reflecting an increase of 7.0% compared to the amount shown in the same period of the previous year, reflecting higher commissions from distribution of third-party investment funds and from exchange and brokerage transactions.

- Operating costs amounted to 8 million euros, both in June 2024 and June 2023.
- The impairment and provision charges had no material impact on the income statement in both periods.

- Loans to customers (net) amounted to 345 million euros in March 2024, in line when compared to the figures accounted in June of the previous year, while balance sheet customer funds corresponded to 3,441 million euros in June 2024, 31.2% above the level achieved in June 2023, following both the integration of customers from the Retail segment and the increase of interest rates, which resulted in the improvement of deposits remuneration.

FOREIGN BUSINESS AND OTHERS

Poland

- Following the completion of implementation of the Capital Protection Plan, in June 2024, the Executive Management Board of Bank Millennium took a decision to complete the implementation of the Recovery Plan, notifying of the fact Polish Financial Supervision Authority and the Banking Guarantee Fund.
- In H1 2024, net income amounted to 82.8 million euros which compares to 77.3 million euros in H1 2023. Bank Millennium, in Q2 2024 reported positive results for the last seven consecutive quarters. Bank Millennium results in H1 2024 continued to be constrained by costs related to the mortgage loan portfolio denominated in Swiss francs, with provisions for CHF legal risk amounting to 260.5 million euros before taxes, having also been impacted in 2Q 2024 with the cost related to the extension of moratoriums on mortgage credits in zlotys in the amount of 46.6 million euros.
- Net profit in H1 2024 without extraordinary items (mostly related to costs related to the mortgage loan portfolio denominated in Swiss francs) increased from 1.418 million zlotys (328.9 million euros) to 1.501 million zlotys (348.2 million euros), corresponding to a 6% change in local currency.
- Growth in core income supported by the 3.4% increase in net interest margin.
- Impaired loans (stage 3) ratio stood at 4.5% which compares to 4.8% in the previous year.
- Cost of Risk stood at 50 b.p. in H1 2024 which compares to 45 b.p. in H1 2023.
- Loans to deposits ratio stood at 64.1%.
- Significant increase of Group's capital ratios that stood at 17.1% for Total Capital Ratio (TCR) and at 14.3% for T1 ratio, compared to 14.8% and 11.7%, respectively in 2022, above requirements (12.21% and 9.85%, respectively).

Mozambique

- Net income of 46.8 million in the first half of 2024, a reduction of 4.3% compared to the same period last year, on a comparable basis.

- Net interest margin decreased by 5.2% and commissions and other income by 2.3%, excluding the exchange rate effect.
- Operating costs increased by 5.2%, excluding exchange rate effects, in the first half of 2024.
- Stated cost/income ratio increased from 45.3% in the first half of 2023 to 49.9% in the first half of 2024.
- Loans portfolio decreased by 8.7% to 677 million euros, while customer funds increased by 10.2% to 2.3 billion euros.
- Loans-to-deposits ratio at 29% in June 2024.
- NPL credit ratio over 90 days stood at 3.8% in June 2024, with a coverage of 114% on the same date.
- Cost of risk of 58 b.p. in the first half of 2024 (153 b.p. in the same period of 2023).
- Capital ratio of 37.5%.

Macao⁵

- Net income reached euros 4.4 million in the first semester of 2024, down 51% from the same period of last year. This underperformance was mainly due to the decrease in net interest income, caused by lower loan book, that more than offset the reduction of impairments for credit risk and the increase in net commission. Loans to customers generated by Macao Branch increased by 17.6% compared to June 2023.
- The Branch acted as a support platform for companies doing business in Macao and in Mainland China.
- Financing of local and International corporate customers.
- Trade finance operations to support companies with exports to and/or imports from China.
- Attracting companies with international trade operations with China.
- Promoting contacts between the Investment Banking area of Millennium bcp and Chinese companies seeking investment opportunities in the Portuguese-speaking countries.

⁵ For the purpose of the computation of the net income generated by business segments, Macao activity is included in the "Other" segment, since it is carried out through a branch.

Milhões de euros

Poland	Jun 30, 2024	Jun 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	623	561	11.1 %
Other net income	35	196	-82.3 %
	658	757	-13.0 %
Operating costs	238	194	23.1 %
Result on modification	-61	-12	>200%
Impairment and provision	302	384	-21.5 %
Income before tax	57	167	-65.8 %
Income taxes	-26	90	-128.4 %
Income after income tax	83	77	7.1 %
BALANCE SHEET			
Loans to Customers (net of impairment charges)	17,376	16,735	3.8%
Balance sheet Customer funds	27,057	22,771	18.8%

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

Milhões de euros

Mozambique	Jun 30, 2024	Jun 30, 2023	Chg. % 24/23
PROFIT AND LOSS ACCOUNT			
Net interest income	101	106	-4.6%
Other net income	29	29	-1.6%
	130	135	-3.9%
Operating costs	65	61	6.0%
Impairment and provision	3	6	-51.1%
Income before tax	62	68	-8.4%
Income taxes	15	19	-20.6%
Income after income tax	47	49	-3.6%
BALANCE SHEET			
Loans to Customers (net of impairment charges)	648	665	-2.6%
Balance sheet Customer funds	2,262	2,007	12.7%

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

	Million euros		
	Jun 30, 2024	Jun 30, 2023	Chg. % 24/23
FOREIGN BUSINESS			
PROFIT AND LOSS ACCOUNT			
Net interest income	724	667	8.6 %
Other net income (*)	65	225	-71.1 %
	789	892	-11.5 %
Operating costs	303	255	19.0 %
Result on modification	-61	-12	>200%
Impairment and provision	304	393	-22.6 %
Income before tax	121	232	-48.1 %
Income taxes	-10	109	-109.6 %
Income after income tax	131	123	6.5 %
SUMMARY OF INDICATORS			
Allocated capital (**)	2,195	1,848	18.8 %
Return on allocated capital	12.0%	13.4%	
Risk weighted assets	14,962	15,039	-0.5%
Cost to income ratio	38.4%	28.5%	
Loans to Customers (net of impairment charges)	18,023	17,400	3.6%
Balance sheet Customer funds	29,319	24,778	18.3%

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

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

Financial performance

Income after tax from Foreign Business, computed in accordance with the geographic perspective, was 131 million euros in June 2024, comparing favourably with an amount of 123 million euros achieved by the end of June 2023. This favourable evolution of 6.5% is mostly explained by the fact that the favourable performance from lower level of impairment and provision, the positive performance of net interest income and tax shield on costs with foreign exchange mortgages in the Polish subsidiary, have more than offset the unfavourable performance from other net income, from operating costs and by the recognition of costs arising from the moratorium program (credit holidays) booked in 2024.

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

- Net interest income stood at 724 million euros in June 2024, which compares to 667 million euros achieved in June 2023. Excluding the impact arising from foreign exchange effects, it would have increased 2.1%, 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 at the central bank.

- Other net income attained 65 million euros in June 2024, decreasing significantly when compared to the 225 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 303 million euros as at 30 June 2024, 19.0% up from the end of June 2023. Excluding foreign exchange effects, operating costs would have increased 12.5%, mainly reflecting the impact of the subsidiary in Poland, due to the strong pressure on basic wages, influenced by the inflation indicators and minimum wage increases, 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 61 million euros by the end of June of 2024, which compares with an also negative amount of 12 million euros recorded in the same

period of the previous year. This performance reflects the recognition of costs arising from the moratorium program (credit holidays) booked in 2024. 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 June of 2024 presented a 22.6% drop compared to the figures reported by the end of June 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 18,023 million euros in June 2024, 3.6% up from the amount attained in June 2023 (17,400 million euros). Excluding foreign exchange effects, the loan portfolio decreased 0.7%, influenced by the evolution of the Polish subsidiary. The Foreign business' balance sheet customer funds increased 18.3% from 24,778 million euros reported in June 2023 to 29,319 million euros in June 2024. Excluding the foreign exchange effects, balance sheet customer funds increased 15.0%, mainly driven by the performance of the subsidiary in Poland.

Strategic Plan 2021-2024

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

	H1 2024	2024
C/I ratio	35%	~40%
Cost of risk ¹	34 bp	~50 b.p.
ROE	15.4%	~10%
CET1 ratio ²	16.2%	>12.5%
NPE ratio	3.4%	~4%
Share of mobile customers	70%	>65%
Growth of high engagement customers ³ (vs. 2020)	+15,9%	+12%
Average ESG rating ⁴	67%	>80%

1 Includes an impairment reversal. 2 Fully implemented ratio including unaudited results from 1H24. 3 Active customers who have transactions carried out with cards in the previous 90 days or resources >EUR 100 (>MZN 1,000 in Mozambique). 4 Main indices (DJSI, CDP and MSCI) | NPE only include credit to Customers.

Risk and Outlook

Internal Control System

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

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

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

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

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

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

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

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

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

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

The internal control system is based on:

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

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

Three lines of defence model

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

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

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

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

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

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

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

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

Internal Control subsystems

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

Risk management system

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

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

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

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

Management information and reporting system

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

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

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

The financial information process is supported by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete, and consistent manner,

all the operations carried out by the Bank and its subsidiaries, in accordance with the rulings and policies issued by the Board of Directors and the Executive Committee.

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

Planning process

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

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

The planning process complies with the Risk Policy of the Group, as per the Risk Appetite Framework, ensuring an adequate balance between the level of risk assumed to achieve the targeted profitability levels.

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

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

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

Monitoring process

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

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

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

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

Internal control system governance

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

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

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

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

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

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

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

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

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

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

Common principles across the Group

To foster Group coherence, and keeping up with local laws and regulations, internal control system's organizational models similar to that of the Bank are established in the Group's subsidiaries abroad and in Portugal, by anticipating the existence of an Audit Committee and a Risk Assessment Committee, or equivalent bodies. The local Supervisory Bodies have, in what the internal control system of each entity is

concerned, the mission to verify its quality, integrity and effectiveness, as well as to evaluate its coherence and adherence with the internal control system of BCP and the Group.

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

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

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

Whistleblowing

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

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

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

Main Risks and Uncertainties

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Regulatory and legal *	• Demanding, existing or under review legislative and regulatory framework, including in areas such as ESG and digital operational resilience (DORA), the Basel III reforms, and bank recovery and resolution with a potential impact on operational processes and compliance with regulatory requirements • Increasing regulatory requirements of an AML/CTF nature and greater complexity of measures arising from international sanctions • Possible impacts of Central Bank Digital Currency on the commercial banking model, e.g., financial disintermediation, technological challenges in relation to cyber crime and AML/CTF. • Risks resulting from the Competition Authority decision	Medium	↔	• Culture of compliance and anticipation of regulatory and legal requirements • Rigorous and efficient management of capital and liquidity and its implications on the business model • Capital buffer vs regulatory minimum supported by strong organic capital generation. Robust liquidity buffers • Assessment of the materiality of environmental factors in the Bank's risks and definition of mitigation measures • Promotion of commercial strategies and solutions that promote the transition to low-carbon production models • Development of more sophisticated AML/CTF models and adoption of practices in compliance with regulatory requirements, ensuring adequate prevention and compliance with restrictive measures, reinforcement of human and technological resources in the internal control areas
Sovereign	• International environment with high levels of uncertainty in different geographies, with implications for multiple factors relevant to sovereign risk, and particularly, in view of the budgetary pressures in some EU countries and political instability in relevant economies • The ECB's monetary policy normalisation process, in particular with regard to interest rates and quantitative easing, still at an early stage • Size of exposure to Portuguese sovereign debt and those of Eurozone countries, Poland and Mozambique • Volatility of credit spreads • Risks of political instability	High	↔	• Existence of contingency measures at European and national level, e.g. the ECB's Transmission Protection Instrument and the EU's Excessive Deficit Procedure • Diversification of the sovereign debt portfolio • Adoption of hedging measures of portfolio interest rate risk • Relatively small size of the portfolio classified to fair value through other comprehensive income (FVOCI) • Improvement of Portugal's rating and continuity of the reduction process of the share of public debt in GDP

*Excluding litigation associated with the CHF loan portfolio in Poland

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Operational	- Context with a greater propensity for cybersecurity threats (penetration, digital channels and geopolitical context) and new fraud formats - Growing number of digital Customers and increase in mobile transactions, requiring the maintenance of a high level of availability, security, timeliness and efficiency of the ICT systems (Information and Communication Technologies) - Implications of accelerating automation, integration and digitalization of processes on the operational resilience of the banking sector - Increase in reporting information needs, implying a greater rigour in data quality management and control - The Bank's own facilities in locations exposed to the impact of physical weather events	Medium	↔	- Increased capabilities to protect and mitigate cybersecurity risks - Permanent monitoring of the alignment of the technological development plan with the business strategy - Strengthening the risk culture and strengthening adequate internal control environment awareness, with a focus on the training of Employees and raising awareness / information to Customers - Implementation of a comprehensive technology renewal program - Development of government continuous improvement and Data Quality processes according to the principles of the BCBS239 - Strengthening the structure and mechanisms for the protection of personal data
Credit	- Geopolitical conflicts in Eastern Europe and the Middle East may condition the world's economic growth, causing instability with impacts on relevant markets for customers in the corporate segment - Greater instability in Portugal's political context - Uncertainty regarding the maintenance of high interest rates in the medium and long term - Potential deterioration of the economic and financial situation of less robust companies, due in particular to the impacts of increased labour and financing costs - Limitations on access to available and skilled employees may pose a challenge to their respective business model - Impact of transition and physical ESG risk factors on credit and collateral portfolio valuation	High	↔	- Positive and recurrent track record in the execution of the NPA reduction plan - Reduction in the NPE Ratio, standing at 2.9% in Portugal - Reinforcement of the level of coverage of the NPE portfolio due to impairments - Additional support to the economy through the Recovery and Resilience Plan (RRP) - A significant part of the corporate credit portfolio have credit risk mitigants (including with state or multilateral entities' guarantees) - Rigorous approach to loan origination and monitoring, assessment of the most vulnerable sectors and allocation of specific credit strategies as a preventive measure in the assessment of credit risk - Incorporation of ESG risk drivers into credit and collateral assessment policies - Relatively low volume of exposures to sectors exposed to high climate transition risks - Maintenance of impairment overlays to address the uncertainties of macroeconomic scenarios - Proactivity in the monitoring and implementation of credit restructuring solutions, particularly in private individuals - Increase in the weight of the fixed-rate loan portfolio - Increase in the weight of the securitized loan portfolio

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Market	- Volatility in the capital markets - Uncertainty about monetary policy, namely in the Eurozone - Uncertainty about economic growth, and the direction of global inflationary pressures - Implications of continued geopolitical tensions and high uncertainty about the outcome of the US elections	Low	↔	- Limited exposure in trading portfolios - Balance sheet hedging of interest rate risk - Hedging of foreign exchange risk arising from financial participations - Preference for placing lower risk products on Customers
Liquidity and Funding	- Pressure on the average cost of customer funds and increased competition from banks and non-banks - Restrictive monetary policy, with systemic impacts, particularly in Mozambique with high minimum reserve requirement ratios - Recent interest rate developments have increased the reliance on on-Balance Sheet customers resources comparing to Off- Balance Sheet	Low	↔	- Resources from balance sheet clients, mainly retail, which are decisive in the funding structure and its stability, with wholesale funding needs arising mainly from compliance with MREL requirements - Beginning of the normalization of the ECB's monetary policy, with a reduction in interest rates fostering less competition for resources - Large size of the portfolio of discountable assets with the ECB in the Group's three operations - Rigorous management of the loans-to-deposits ratio in Mozambique
Litigation associated with the CHF loan portfolio in Poland	- High number of court cases against the banking system in Poland - Growing number of court decisions not favourable to the Banks - Risks related to verdicts issued by Polish courts in lawsuits against Bank Millennium - Complexity and uncertainty regarding the outcome of judicial proceedings	High	↔	- Decrease in Banco Millennium's CHF mortgage loan portfolio - Increase in the coverage level of the mortgage loan portfolio in CHF by provisions - Agreements with debtors with mortgage claims in CHF
Pension Fund	- Pressure to increase wages, pensions and, consequently, the volume of responsibilities - Portfolio valuation	Medium	↔	- Integrated management of assets and liabilities in order to achieve an adequate balance between risk and return - Comfortable coverage ratio of the fund's liabilities by the assets - Review of the management policy of the Defined Benefit Fund, adjusting the structure of the assets to the structure of the liabilities
Real estate and other investments	- Uncertainty related with market and regulatory trends related to environmental concerns - Risks related to the value of collaterals of the loans and directly owned real estate - Impact of legislative measures for housing support - Uncertainty about price evolution and sales prices in the real estate market	Medium	↓	- Positive reduction track record of real estate asset held for sale portfolio - Moderate expectation of entry of new properties as a result of foreclosure proceedings - Moderate expectation of new properties' acquisition resulting of foreclosure proceedings - Impact of Insurance policies on risk mitigation with real estate assets, including climate risks - Reduction of exposure to Corporate Restructuring Funds - Non-material value of real estate and other assets portfolio.

Risk	Sources of Risk	Level of Risk	Trend	Interactions/Mitigations
Recurring profitability/ Business Model	- Regulatory limitations on interest rates and fees - Impact of economic deterioration on asset values - Pressures on operating costs - New global players and competition from Big Techs and non-banks entities - Reversal of the net interest margin increase cycle - Competitive pressure due to excess liquidity in the market - Reduction in business margin as a result of the reduction in the credit portfolio - Impact of ESG, transition and physical risk factors, on income from corporate and mortgage loan portfolios - Uncertainty regarding the next State Budget and possible legislative measures that may impact the Bank's activity and risk	Low		- Strict net interest margin management - Strict cost structure control - Comfortable capital position of the Bank - Exceeding the Bank's strategic plan objectives for 2024 in 2023 - Update of the Bank's strategic plan scheduled for 2024 - Judicious interest rate risk management

Risk management

Framework

Risk appetite

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

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

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

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

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

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

Risk strategy

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

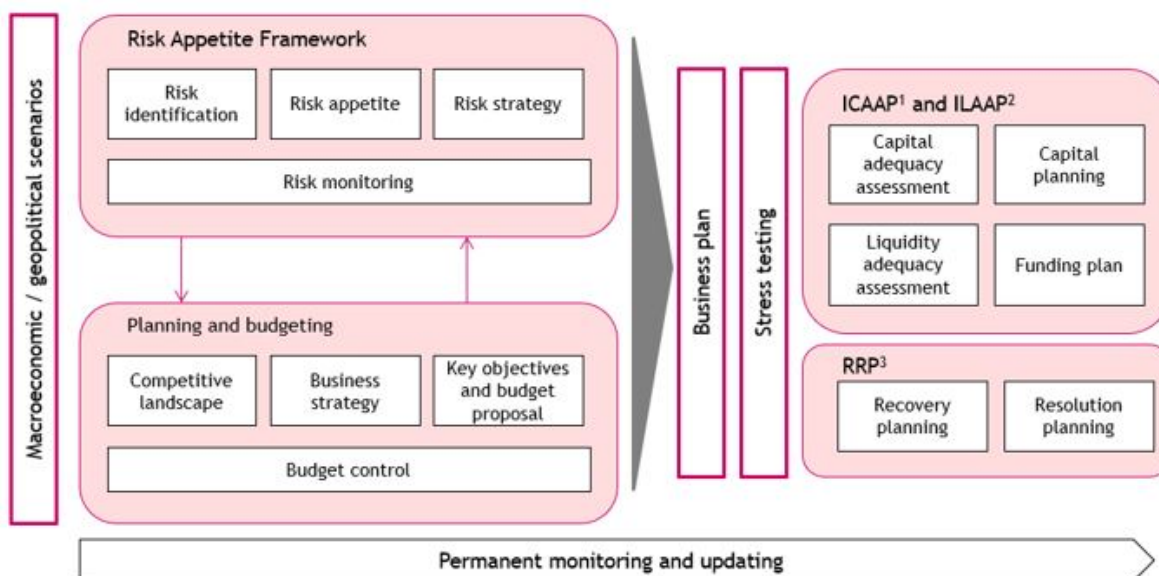
In this context, it should be noted that the Group, in the RAS for 2024 revision process has adopted a conservative approach in setting the risk tolerance by approving tighter thresholds than those in force in 2023, for circa 25% of the RAS indicators, reflecting a continuity orientation to promote the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

Integration between the business and risk management

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

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

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



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

Risk management Governance

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

Board of Directors

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

Risk Assessment Committee

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

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

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

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

Audit Committee

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

- Overseeing the management activity of the Bank.

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

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

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

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

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

Committee for Corporate Governance, Ethics and Sustainability

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

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

- Recommend the adoption by the Board of Directors of policies, that observe the ethical and professional conduct principles and best corporate governance practices and social responsibility.
- Support the Board of Directors and its Committees in the evaluation of the systems that identify and solve conflicts of interest.
- Assess the compliance function, analysing the procedures in place and the identified non-compliances.
- Issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles.
- Every time it deems necessary, submit to the Board of Directors a report on the evaluation and monitoring of the structure, ethical and professional conduct principles and corporate governance practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these issues.
- Issue an opinion for the Board of Directors on the Annual Corporate Governance Report.
- Issue an opinion on the Annual Sustainability Report, concerning issues for which it is responsible.
- Time it deems necessary, submit to the Board of Directors a proposal on the guidelines for the Company's policies, based on a culture identified with ethical principles and professional conduct that aim to contribute to the pursuit of objectives of social responsibility and sustainability, proposing, in particular, guidelines for the Company's social responsibility and sustainability policies, including, among others, principles and values to safeguard the interests of Shareholders, Investors and other stakeholders in the institution and also principles of social solidarity and environmental protection;

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

Committee for Nominations and Remunerations

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

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

Other functions of this Committee:

- Evaluate the mechanisms and systems implemented to ensure that the remuneration system considers all types of risks and equity, and that the overall remuneration policy is coherent and promotes a sound and efficient risk management and is in line with the Bank's strategic business plan, objectives, corporate culture and values, risk culture and long-term interests.
- Monitor the existence and implementation of specific policies on recruitment and selection, evaluation of performance, promotion and management of careers, remuneration, training and development of competences, and promotion of gender equality and sustainability.
- Ensure and promote the Fit & Proper process and approve the individual and collective final reports of candidates for members of the management and supervisory bodies and those responsible for internal control functions.
- Monitor the human resources and staff management policy.

Executive Committee

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

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

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

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

progress of open recommendations. Furthermore, the CORC may also evaluate and propose improvements to be introduced to the internal control system.

Risk Commission

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

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

Models Monitoring and Validation Sub-commission

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

Credit and Non-Performing Assets Monitoring Commission

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

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

Pension Funds Risk Monitoring Commission

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

- Assessing the performance and risk level of the Group's Pension Funds in Portugal.
- Establishing, for these, the appropriate investment policies and risk hedging strategies.
- Analyse and deliver an opinion on the adequacy of the actuarial and financial assumptions used for the determination of pension liabilities, based on a baseline analysis and used for the value of the assets that will finance the payment of pension liabilities.
- Issuing an opinion on materially relevant investment decisions.

Compliance and Operational Risks Commission

This Commission, appointed by the EC, has a set of attributions and responsibilities, with a view to ensuring that the Bank's activity is carried out within an appropriate framework of risk management culture and internal control, namely, to guarantee and monitor the adoption and compliance, by all the Group's Entities, with the internal and external rules that make up its activity of the relevant contractual commitments and ethical values of the organization, in order to contribute to the mitigation of

compliance and operational risks, strengthening the internal control environment, mitigating or eliminating the imputation of sanctions or significant property or reputational damage.

The Commission's competences and monitoring tasks include:

- Monitoring the legal and regulatory framework of the Group's activity, including the recognition of new legislation and its impacts;
- Becoming aware of exposure to operational risk levels, through the monitoring of operational losses and the main operational events, as well as the results of the risk assessment of operational processes;
- Monitoring the regular status points of internal control recommendations implementations, issued by internal audit and supervision;
- To be permanently aware of the operational risk related to outsourcing contracts;
- Monitoring the management framework by processes and its risk indicators (KRI - key risk indicators) and performance indicators (KPI - key performance indicators);
- Monitoring the Subsidiaries activities in terms of operational risks and compliance;
- Discuss and approve proposals regarding control or risk reduction activities or for legal compliance implementation, regarding any matter related to compliance or operational risks (ML combat, anti-fraud policy, mitigation measures, risk assessment exercises, control models, etc.).

Operational Resilience Commission

This Commission, appointed by the EC, has duties and responsibilities in the scope of monitoring and controlling the information systems risk, information security risk (cybersecurity), data quality, personal data protection risk, and also the business continuity management policy and framework, as well as physical security.

This Commission has the following capacities and responsibilities:

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

Corporate Risk Monitoring Commission

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

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

Sustainability Commission

This Committee is responsible for defining and monitoring the initiatives that ensure the implementation of the Sustainability Master Plan (SMP), in its strategic axes (Environmental, Social and Governance), in accordance with the guidelines defined by the EC.

It has the following attributions and responsibilities:

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

CALCO

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

- Establishment of management guidelines for assets, liabilities and off-balance sheet items at consolidated level.
- Definition of the capital allocation and risk premium policies.
- Definition of transfer pricing policy, in particular with regard to liquidity premiums.
- Monitoring of the capital and liquidity indicators, of the Recovery Plan indicators and of the execution of the Liquidity Plan.
- Definition of policies and strategies to access wholesale funding markets and definition of the liquidity buffer composition.
- Definition of the investment policy of the Investment Portfolio and monitoring of its performance.
- Definition of the strategy and positioning within the scope of the interest rate risk and structural FX risk management, as well as of the respective policies and limits, taking into account the market conditions at any given moment.

Credit Commission

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

Risk Office

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

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk.
- Promoting the revision of the Group's Risk Appetite and the risk identification process.
- Issuing opinions related with the Group Strategic Plan and compliance of the risk management decisions considering the approved RAS limits.
- Participate in the definition of the risk strategy and decisions related with risk management.
- Issuing opinions on the assumption of significant risks by the Bank and its subsidiaries, ensuring they are properly identified and adequately assessed.

- Assist the formulation and implementation of business strategy and internal governance and risk management structures with regard to the climate, social and internal governance (ESG - Environmental, Social and Governance) dimension in the risk management framework;
- Ensure reporting obligations within the scope of ESG risk factors and sustainable financing;
- Coordinating the NPA (non-performing assets) Reduction Plan and of the ICAAP and ILAAP processes.
- Ensuring the existence of a body of rules and procedures, of an effective IT platform and of a database for the robust and complete management of risk.
- Assist the integration of ESG data models into the Bank's IT platforms.
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations, and limits.
- Participating in the Internal Control System.
- Preparing information relative to risk management, including ESG risk factors for internal and market disclosure.
- Supporting the works of the following Commissions: Risk, NPA Monitoring, Pension Funds Risk Monitoring and participating in the Credit Commission, CALCO, Operational Resilience, Compliance, Operational Risk, Sustainability and Corporate Risk Monitoring Commission.

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

Compliance Office

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

Furthermore, the COFF has also the mission to:

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

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

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

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

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

- Identifies and evaluates the various types of risks - both within the scope of the Customer approval process, products and services, corporate processes, conflicts of interest, credit, as well as related parties under the terms of the legislation in force.
- Issues proposals for the correction of processes and risks mitigation.
- Permanently analyses the general supervisory environment and, in general, provides specialised support in matters of control and regulatory compliance.

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

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

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

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

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

Audit Division

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

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

- The Risks are properly identified and managed and that the controls implemented are correct, adequate and proportional to the Bank's risks.
- The Bank's internal capital assessment system is adequate in terms of the risk exposure level.
- Transactions are recorded correctly in the systems of the Bank, and the operational and financial information is true, appropriate, material, accurate, reliable and timely.
- The Employees perform their duties in accordance with internal policies, codes of conduct, rules and procedures and with the legislation and other applicable regulations.

- The goods and services necessary for the Bank's activity are purchased economically, are used efficiently and are properly protected.
- The Legal and regulatory provisions with a significant impact on the organization are recognized, properly assimilated, and integrated into the operational processes.
- The Bank's governance model is adequate, effective, and efficient.

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

Main developments and accomplishments in the first semester of 2024

In the first semester of 2024, the Risk Management Function maintained the focus on the improvement of the Group's risk control framework, permanently monitoring the risk levels in relation to the RAS tolerance limits, while ensuring, full compliance with regulatory and supervisory requirements, the update of the internal risk management and control policies and regulations, including climate and environmental related risk factors.

The most relevant activities developed during the first half of 2024 were, synthetically, as follows:

- Monitoring the level of compliance with the risk limits, in particular the RAS, at the consolidated level and of the main entities;
- Preparation of quarterly Risk Assessment Reports updating the perspectives for the evolution of the risks to which the Bank is subject in its activity and the risk strategy to address them;
- Completion of ICAAP and ILAAP 2004 reports, and their regular monitoring, ensuring the Group's capital and liquidity adequacy on an ongoing basis;
- Continuous improvement of the internal governance, management, measurement and control of risk at Group level, with a special focus on strengthening credit risk monitoring and the inclusion of climate and environmental risk factors in the global risk management framework and monitoring of its implementation within the scope of the RAS;
- Close monitoring of the financial situation of clients, with the aim of identifying situations potentially more affected by the macroeconomic context, anticipating possible difficulties in fulfilling their responsibilities;
- Maintenance of the process of assigning credit strategies to corporate segment costumers, with different review periodicities, depending on the level of risk associated with the assigned strategy;
- Implementation of the new Probability of Default (PD) models (Retail, Small/Mid/Large Corporate, Real Estate and Procedural Risk Degrees in Portugal) and the new Master Scale Rating (Portugal and Mozambique);
- Redevelopment and validation of behavioural models to support the process of monitoring interest rate risk in the banking book and strengthening the framework for controlling interest rate risk in the banking book (monitoring of basis risk and Credit Spread Risk);
- Continuation of the redevelopment of application models for new Retail customers (Individuals and Small Businesses);
- Launch of the Basel IV/CRR 3 framework implementation project;
- Implementation of the new Early Warning Signals (EWS) model for the Corporate segment;
- Review, update and implementation of NPA/NPE and exposure to corporate restructuring funds reduction Plans;
- Participation in the CDP - Carbon Disclosure Project and Corporate Sustainability Assessment (S&P Global) questionnaires;
- Climate and Environment materiality assessment update;
- Participation in the ECB's questionnaire on Targeted Review on ALM Governance & Strategy;
- Participation in the ECB's questionnaire on Targeted Review on the implementation of the FRTB SA;
- Participation in the monitoring of the Special Audit on Data Quality promoted by Banco de Portugal;
- Participation in Fit for 55, the EBA's climate stress test exercise;
- Consolidation of a liquidity management framework in the context of resolution planning;
- Presentation of the results of the annual exercise of risk self-assessment in operational processes (RSA-Risk Self-Assessment);
- Monitoring and control activities of Outsourcing risk and Information and Communication Technology (ICT) risks;

- Participation in the cybersecurity stress test exercise promoted by the European Central Bank and the Bank of Portugal and in the TIBER systemic test of the Bank of Portugal;
- Participation in the update of the Group's recovery plan for 2024;
- Publication of the Annual Market Discipline Report and quarterly disclosures.

In the first semester of 2024, the compliance function maintained its focus on the continuous improvement of the Group's compliance risks' control environment, ensuring, fulfilling regulatory and supervisory requirements and updating the internal regulation's compliance risk management and control framework.

The most relevant activities and initiatives developed during the first half of 2024 were, as follows:

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

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

- Strengthening of automated control processes related to the screening of entities and transactions to ensure continuous and timely compliance with sanctions and embargoes imposed by various European and international bodies in a more demanding context.
- Reinforcement of the model of an integrated view of Customers in the business relationship with the Bank and the inherent risk factors, in order to strengthen effectiveness in the fulfilment of AML/CFT duties, mainly identification and diligence, control, examination and communication.
- Strengthening the AML/CFT risk control in the client onboarding process, across different segments, products, services, and jurisdictions involved in business relationships.
- Strengthening AML/CFT risk control in the context of periodic and extraordinary client reviews, across different segments, products, services, and the jurisdictions involved in business relationships.
- Continued development of automatic solutions that promote alignment and cooperation between the Bank's first and second lines of defence in fulfilling the various AML/CFT duties.
- Reinforcement of controls over Correspondent Banks, ensuring a timely periodic review of their AML/CFT practices and policies according to their risk, the assessment of which now includes a set of new risk factors, in compliance with recent regulatory changes and restrictive measures.

- Continuing to strengthen, train and specialise the Compliance Office teams in the various dimensions of PBC/FT.

Also within the scope of AML/CFT activity, it is worth mentioning the publication of Notice 03/2024, of the Bank of Portugal, published on June 6, 2024, which regulates the new format for annual reporting of the activity of financial entities subject to the supervision of the Bank of Portugal in the field of AML/CFT. In order to be able to respond to the new information challenges posed by the new report format, to be submitted to Banco de Portugal by the end of September of this year, the Bank has made efforts to ensure the completeness of its information.

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

In the first half of 2024, promoting a culture of compliance was one of the Bank's important initiatives, both through the normal development of the Training Plan and through communication programmes close to all areas of the Bank, particularly the commercial networks, namely the "100% Compliance", "Expedients", "Know how to do", "Prevention is better" and "Just Ask Compliance" headings. Through weekly headings addressed to all of the Bank's employees and commercial structures, the aim is to inform, clarify and support employees on the most important aspects to take into account, both in terms of the risk of financial crime and other compliance risks, using simple but informative and educational language. Innovative solutions were also used, including the participation of employees from the Bank's first line of defence on a wide range of compliance and conduct risks.

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

In pursuit of aligning strategies and priorities in the risk management of the Group's Operations, efforts continued to update Group policies, also applicable to International Operations, ensuring that there were no delayed documents and highlighting the adoption of Group policies on the Code of Conduct and Conflicts of Interest.

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

- Continued efforts to adapt the Group's entities' response capacity to the challenges posed by compliance and regulatory issues, in particular by promoting training programmes for local compliance teams.
- Consolidation of control procedures, particularly on new business relationships and high risk AML/CFT products.
- Monitoring and collaborating in the resolution of control deficiencies identified by external auditors.
- Collaboration in the implementation of new IT platforms to reinforce AML/CFT.

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

Credit risk

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

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

Evolution and breakdown of the loan portfolio

The next table presents the evolution of the Group's portfolio subject to credit risk and counterparty credit risk between December 31, 2023 and June 30, 2024, in terms of EAD (Exposure at Default) (*), in the three main geographies in which the Group operates - Portugal, Poland and Mozambique - which represented the Group's total EAD by June 30, 2024.

Geography	Jun. 24	Dec. 23	(million euros)	
			Change	
			Amount	%
Portugal	63,270	62,585	685	1.1%
Poland	29,436	26,730	2,707	10.1%
Mozambique	2,663	2,466	197	8.0%
TOTAL	95,369	91,781	3,588	3.9%

* The EAD represents the expected exposure if the customer defaults. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future potential value that may be used in accordance with the agreement.

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

Considering the position on December 31, 2023 as a basis for comparison, the Group's loan portfolio, measured in euros (EUR), registered an increase of 3.9% during the first half of 2024, continuing the growth observed in 2023 (growth of 4.1%). This evolution is explained by growth in all geographies.

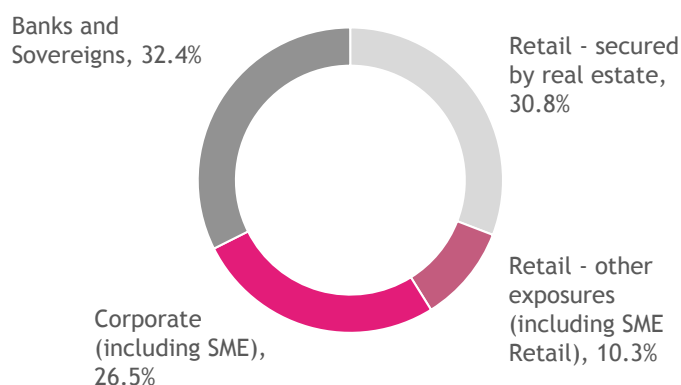
The increase in the portfolio in Portugal is associated with the growth in Sovereign and Institutional exposures and the retail portfolio, as opposed to the decrease in the portfolio of the Corporate segment. In addition to this factor, the NPE portfolio in Portugal stabilized in the first half of 2024 compared to the position at the end of 2023.

In Poland's loan portfolio there was an increase of 10.1%, measured in euros, largely explained by the increase in Sovereign and Institutional exposures, which amounted to approximately 2 billion euros, followed by an increase in credit exposure to Corporate and Retail credit, which amounted to 687 million euros.

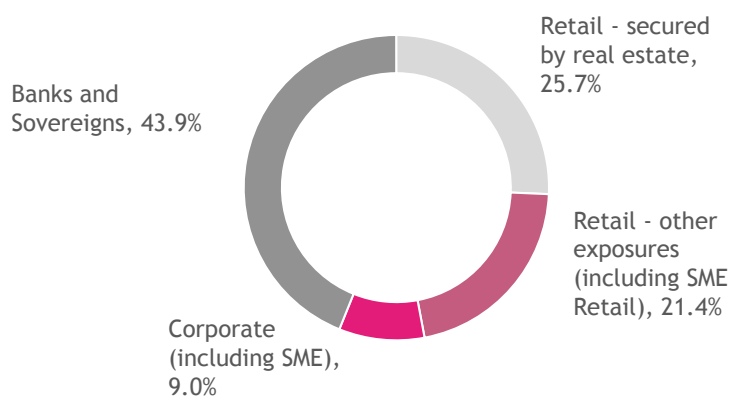
With regard to Mozambique, there was a 8% increase in the loan portfolio, measured in euros, mainly due to the growth in exposure to the Banco de Moçambique and an increase in the Corporate and Retail portfolios.

The portfolio composition by risk classes is illustrated by the following graphs, on June 30, 2024:

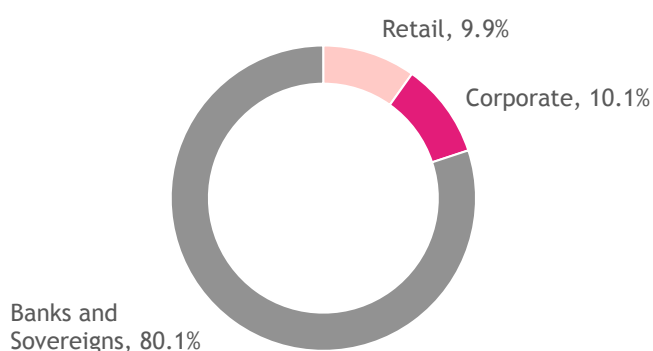
Portugal



Poland



Mozambique



In what concerns the structure of portfolios by counterparty segment, in Portugal the most significant portion continues to be assumed by the retail segment with 41.1% of the total, 30.8% of which relates to exposures benefiting from mortgages. The Corporate segment has a weighting of around 26.5%, slightly lower than at the end of 2023, highlighting the increase in the weight of the Banks and Sovereigns segment, which recorded an increase in its representativity to a level close to 32,4%, from a weight of 30.8% at December 31, 2023.

In Poland we highlight the Retail segment, with a weight of 47.1%, observing a decrease in the weight of exposures collateralized by mortgage guarantee to 25.7%, observed mainly in the CHF loan portfolio, a slight

increase in the representativeness of the Corporate segment and an increase in the Banks and Sovereigns component, ending the first half of 2024 with weightings of 9% and 43,9%, respectively.

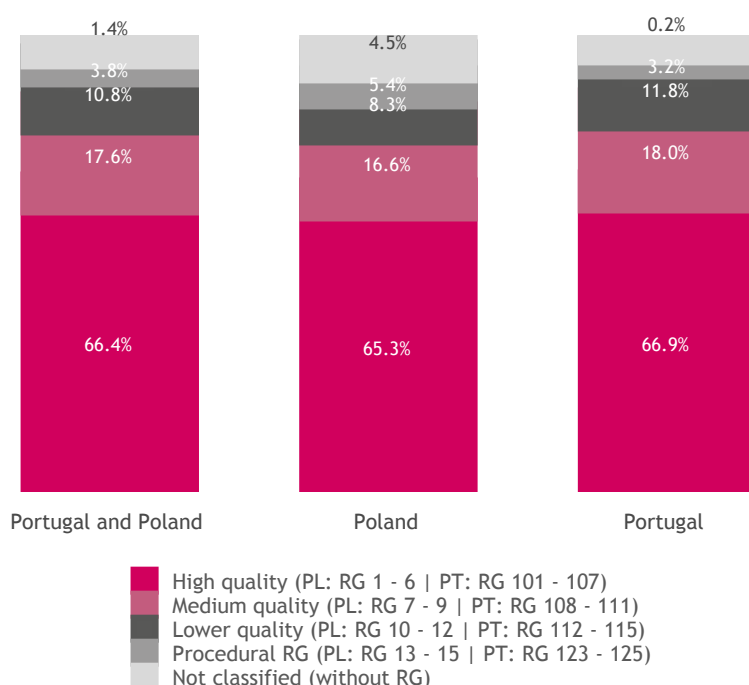
Regarding Mozambique, the structure remained stable, with emphasis on the relevance of the weight of the Banks and Sovereigns segment, which rose to 80.1% of the portfolio. The Corporate and Retail segments assumed a representativity of 10.1% and 9.9%, respectively.

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

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

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

The following graph illustrates the distribution of the portfolio amounts, in terms of Exposure at Default (EAD) by the risk grades (internal ratings) attributed to the holders of credit positions in Portugal and Poland, on June 30, 2024. These risk grades (GR) are those defined on an internal scale (Rating Masterscale), with 18 grades in Portugal and 15 grades in Poland, which correspond to different levels of debtors' PD. Risk grades 123 to 125 in Portugal and 13 to 15 in Poland are called "procedural" and correspond to problematic credit; GR 125 in Portugal and 15 in Poland correspond to the situation of Default.



As shown in the above chart, the weight of the EAD corresponding to medium and higher quality risk grades, for the two geographies in consideration, represented 84% of total EAD on June 30, 2024, with the structure remaining close in both geographies, with an increase in the weight of high quality risk grades in the case of Portugal, where there was growth in this segment, while in Poland the weight of this segment fell slightly to 65.3%. This weighting compares with year-on-year weights of 82.9%, 82.3%, 80.9%, 80.7% at the end of 2023, 2022, 2021 and 2020, respectively, reflecting a consistently favourable evolution.

Regarding the weight of exposure in the two geographies as a whole corresponding to customers with procedural risk grades, it reached 3.8% on June 30, 2024, maintaining the downward trend of previous years: 4.0% (2023), 4.2% (2022), 4.8% (2021), 5.9% (2020). In the case of Portugal, the value remained at the same level as December 2023: 3.2% (Jun 2024), 3.2% (2023), 3.7% (2022), 4.7% (2021) and 6.1% (2020)

Regarding the LGD parameters, representative of expected losses in case of Default and which, to a good extent, reflect not only the efficiency of credit recovery according to the different types of credit segments/products, but also the collateralization levels of credit operations, the following table shows the respective average values for Portugal (weighted by EAD) at the end of June 2024 and in the end of 2023:

	Mortgages	SME Retail	Retail (other)	Real Estate Promotion	SME Corporate	Corporate	GLOBAL AVERAGE
30 June 2024	15.8%	28.5%	27.5%	26.3%	37.6%	37.5%	23.9%
30 June 2023	15.8%	31.9%	31.2%	26.5%	38.2%	37.4%	24.5%

The LGD parameters improving overall, with the exception of the Corporate segments, that presents a marginal increase.

It should also be noted that around 26% of the corporate loan portfolio in Portugal benefits from guarantees issued by various entities (Mutual Guarantee Societies; European Investment Fund and European Investment Bank), which provide an additional level of protection in the event of default.

In Poland too, part of the corporate loan portfolio benefits from this type of guarantor (around 20%)

Main credit risk indicators

The following chart presents the quarterly evolution of the main credit risk indicators, between December 31, 2023 and June 30, 2024, for the Group and the portfolios of Portugal, Poland and Mozambique:

	Jun 24	Mar 24	Dec 23	Sep 23	Jun 23
CONSOLIDATED					
NPE/Gross credit	3.40 %	3.40 %	3.40 %	3.60 %	3.70 %
NPL > 90 days / Gross credit	0.90 %	0.90 %	0.90 %	0.90 %	0.90 %
Past due credit / Gross credit	1.10 %	1.10 %	1.10 %	1.10 %	1.10 %
Impairment / Gross credit	2.80 %	2.80 %	2.80 %	2.70 %	2.70 %
PORTUGAL					
NPE/Gross credit	2.90 %	2.80 %	2.90 %	3.00 %	3.20 %
NPL > 90 days / Gross credit	0.50 %	0.50 %	0.50 %	0.60 %	0.50 %
Past due credit / Gross credit	0.60 %	0.60 %	0.60 %	0.60 %	0.60 %
Impairment / Gross credit	2.50 %	2.50 %	2.60 %	2.50 %	2.40 %
POLAND					
NPE/Gross credit	4.60 %	4.70 %	4.60 %	4.70 %	4.60 %
NPL > 90 days / Gross credit	1.60 %	1.70 %	1.60 %	1.70 %	1.60 %
Past due credit / Gross credit	2.10 %	2.20 %	2.10 %	2.20 %	2.10 %
Impairment / Gross credit	3.40 %	3.40 %	3.30 %	3.40 %	3.30 %
MOZAMBIQUE					
NPE/Gross credit	5.40 %	5.10 %	5.30 %	7.10 %	11.80 %
NPL > 90 days / Gross credit	2.90 %	2.80 %	2.90 %	3.60 %	7.10 %
Past due credit / Gross credit	3.10 %	2.90 %	3.10 %	3.90 %	7.40 %
Impairment / Gross credit	4.30 %	4.30 %	4.30 %	3.90 %	8.20 %

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

During the first half of 2024, the credit risk indicators remained stable at consolidated level and in all three geographies. At the Consolidated level, all ratios and indicators remained close to the values of December 2023. In Portugal, the 'NPE/Gross Credit', 'Past due credit / Gross credit' and 'NPL > 90 days / Gross credit' ratios remained stable, with a slight decrease in the 'Impairment/Gross credit' ratio of 0.1 percentage points.

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

In Poland there was a slight increase of 0.1 percentage points in the 'Impairment/Gross credit' indicator and a maintenance of the 'NPE/Gross credit', 'Past due credit / Gross credit' and 'NPL > 90 days / Gross credit' ratio.

The operation in Mozambique saw a deterioration in the NPE/Gross Credit ratio by 0.1 percentage points and stable values in the other credit risk indicators during the first half of 2024, as a result of a prudent policy for granting new loans.

NPA Reduction Plan

The implementation of the Group's NPA (non-performing assets) Reduction Plan remained a priority throughout the first half of 2024, in its two components - problem loans (NPE-non performing exposures) and assets received in credit repayment (FA-foreclosed assets) - focusing mainly on the NPE loan portfolios and FA properties held for sale in Portugal.

The NPA Reduction Plan is framed by a specific governance model and a robust management framework, based on specialized credit recovery areas and systematized recovery strategies - both resulting from automatic analysis and decision models (for Retail) and based on the relationship of the recovery managers with their Corporate

Clients, with tailor-made solutions. In order to respond to the challenges posed by changes in the business environment, particularly the impact resulting from a challenging geopolitical backdrop and increased financing costs for customers, the Bank has been developing and strengthening the methodologies and installed capacity of the monitoring and recovery areas, in order to ensure adequate monitoring of the most potentially impacted exposures and to minimize expected losses.

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

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

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

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

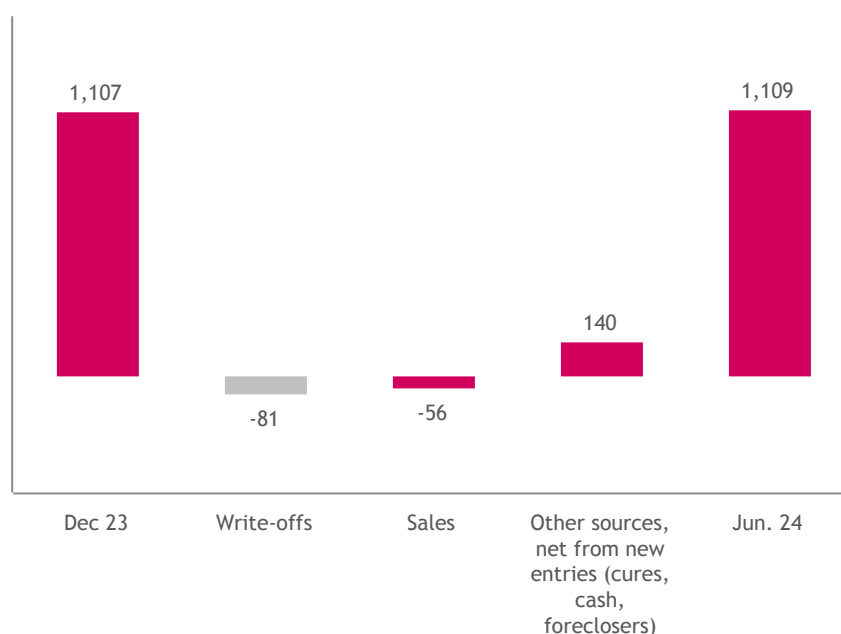
	jun 24	mar 24	dec 23	set 23	jun 23
CONSOLIDATED	1,965	1,950	1,952	2,026	2,142
Change (semester/year)	14		-266		-76
PORTUGAL	1,109	1,087	1,107	1,192	1,262
Change (semester/year)	3		-255		-100

Comparing the size of the exposure of Customers classified as NPE at the end of June 2024 with that seen at the end of 2023, there is a slight increase of 14 million euros at consolidated level and 3 million euros in the activity in Portugal, which corresponds to an increase of 0.7% and 0.3%, respectively.

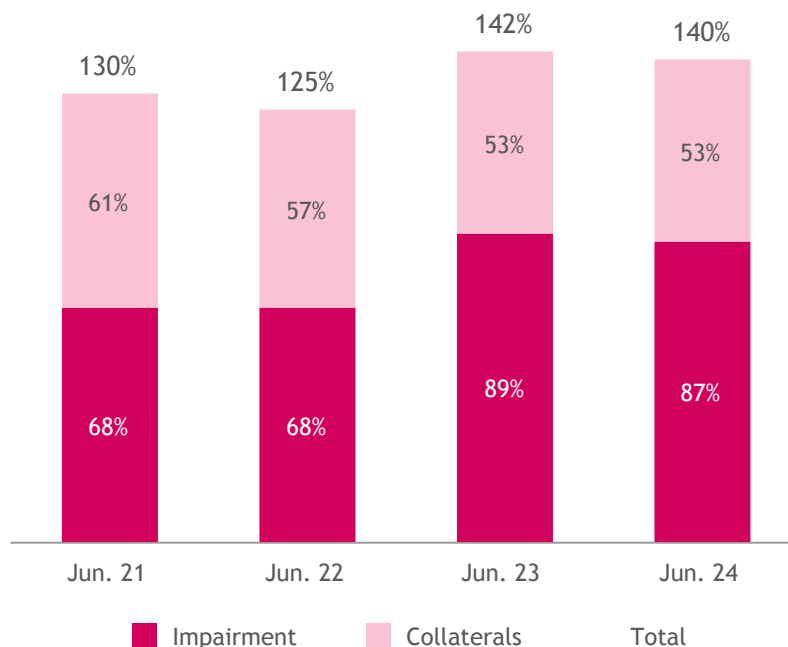
After a long period of years with a strong decrease in the weight of NPEs in the portfolio, as the Bank reaches more solid levels, it becomes more challenging to achieve reductions, without prejudice to the Bank's objective of maintaining a downward trajectory.

With regard to the type of operations that explain the reduction in NPE in Portugal during the first half of 2024, the graph below highlights the contribution of write off, which amounted to 81 million euros. The gross value of sales amounted to 56 million euros, and the combined effect of other sources of NPE reduction and new entries had an impact of 140 million euros, with a small number of larger exposure cases that were classified as NPE.

(million euros)



The following chart, which refers to domestic developments, shows a slight decrease of two percentage points in the degree of total coverage (impairments + collaterals) to 140% at the end of June 2024 as a result of a reduction of the impairment coverage, as the weight of collaterals coverage remained at 53%.



The trend observed in June 30, 2024 regarding assets on the balance sheet resulting from credits repayment (foreclosed assets - FA) was favourable, as shown in the following table, which presents the evolution of the total stock of FA in Portugal and its breakdown into the different types of assets, as well as the aggregate value of assets of this nature of subsidiaries abroad (amounts before impairment):

	(Million euros)			
	Jun. 24	Dec. 23	Dec. 22	Dec. 21
Real estate properties	111	169	262	565
Real estate Funds and companies	74	75	182	205
Other assets (non-Real estate)	55	57	73	81
SUB-TOTAL - Portugal	239	300	517	851
Other geographies Foreclosed Assets	60	57	65	65
GROUP TOTAL	299	357	582	916

Compared to the position at the end of 2023, there was a 16.2% reduction in the FA portfolio on June 30, 2024. The overall reduction in Portugal amounted to 61 million euros, explained almost entirely by the reduction in the Real Estate properties, which amounted to 58 million euros.

The observed evolution is explained by the commercial sales dynamics and relatively low volumes of new entries, which are explained by (i) the reduction in the size of the portfolio classified as NPE, (ii) the sale of loan portfolios to companies with real estate collateral and (iii) the proper functioning of judicial sale instruments to third parties. The assets received during the first half of 2024 and in 2023 amounted to around 4 million euros and 14 million euros, respectively, and essentially consisted of residential properties.

It should also be noted that the reduction in foreclosed assets has been accompanied by an increase in their level of impairment coverage, from 38% in December 2022 to 46% in December 2023 and 48% in June 2024. In June 2024, the net value of this portfolio amounted to 159 million euros in Portugal (vs. 196 million euros in December 2023 and 389 million euros in 2022).

Credit concentration risk

The following chart presents the weights, in total exposure, of the Group's 20 largest performing exposures (non-NPE), as at June 30, 2024, in terms of EAD and using the concept of "Groups of Clients/Corporate Groups", excluding the risk classes of "Banks and Sovereigns":

	Jun. 24	Dec. 23
Client Groups	Exposure weight in total (EAD)	Exposure weight in total (EAD)
Client group 1	0.7%	0.9%
Client group 2	0.7%	0.8%
Client group 3	0.5%	0.5%
Client group 4	0.4%	0.4%
Client group 5	0.4%	0.3%
Client group 6	0.3%	0.3%
Client group 7	0.3%	0.3%
Client group 8	0.3%	0.3%
Client group 9	0.2%	0.3%
Client group 10	0.2%	0.2%
Client group 11	0.2%	0.2%
Client group 12	0.2%	0.2%
Client group 13	0.2%	0.2%
Client group 14	0.2%	0.2%
Client group 15	0.2%	0.2%
Client group 16	0.2%	0.2%
Client group 17	0.2%	0.2%
Client group 18	0.2%	0.1%
Client group 19	0.2%	0.1%
Client group 20	0.2%	0.1%
Total	5.6%	6.0%

Overall, the 20 largest productive exposures represented 5.6% of total EAD on June 30, 2024, compared with a weight of 6% on December 31, 2023. Hence, there was a decrease in the concentration of credit in the 20 largest productive exposures, measured in terms of EAD.

It should be noted that, in addition to complying with the regulatory limits on Large Exposures, the Group defines specific objectives for controlling credit concentration, materialized into RAS metrics. Furthermore, other indicators are periodically monitored for various types of credit concentration: single-name, by sectors of activity, by country, for Institutions and for Sovereign risks.

In the case of the single-name concentration, the limits are defined for performing Clients, since the NPE are covered by the NPA Reduction Plan. For Clients with exposure above the established limit excess, specific reduction plans are drawn-up.

Operational risk

Operational risk materializes in the occurrence of losses resulting from failures or inadequacies of internal processes, systems or people, or resulting from external events.

In the management of this type of risk, the Group adopts duly documented principles and practices, promoting the continued improvement of the control environment. This framework has a variety of features, such as: functions segregation, definitions for lines of responsibility and respective authorisations' levels, tolerance limits for exposure to risks, appropriate internal regulations' framework (including ethical codes and codes of conduct), risks self-assessment (RSA) exercises, assessment and monitoring of the risks over technological assets, information security and Outsourcing, key risk indicators (KRI), access controls (physical and logical), reconciliation activities, exception reports, loss events data capture, a structured process for new products and services approval, contingency plans, contracting of insurance (for the total or partial transfer of risk), follow-up of the Bank's outsourcing contracts and internal training on processes, products and systems.

The operational risk management framework encompasses the three relevant Group geographies - Portugal, Poland and Mozambique - and the operational risk management system adopts the 3 lines of defence model, based on an end-to-end processes' structure. Each geography adapts its own processes' structure, which is regularly reviewed/updated. This approach, transversal to the functional units of the organisational structure, is appropriate for the perception of risks and to implement the corrective measures for their mitigation. Furthermore, this processes' structures also support other initiatives, such as the actions to improve operating efficiency and the management of business continuity.

The responsibility for the day-to-day management of operational risk lies with the 1st line of defence, with special relevance of the operations' areas and the process owners (seconded by process managers), whose mission - beyond the management of their processes' effectiveness and efficiency - is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the RSA exercises, as well as to identify and implement appropriate actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment.

Operational Risks Self-assessment (RSA)

The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

The aim of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered:

The assessments are positioned in a risk tolerance matrix, considering the 'worst-case event' that might occur in each process, for three different scenarios: Inherent Risk (without considering the existing/implemented controls), Residual Risk (considering the existing/implemented controls) and Target Risk (the desirable risk level). These exercises are typically carried out in the second half of each year.

The 2023 RSA exercise for operational risk processes incorporated:

- The results of the Information and Communication Technology (ICT) 2022 RSA, computed in 2023, as input information to process owners, regarding 3 of the 20 risks assessed (R7/R8/R9). The ICT risks RSA was made over 172 critical technological assets - hardware, software and communication lines and infrastructures - under 3 evaluation dimensions: availability/integrity/confidentiality;
- The input stemming from the CORPE (Compliance and Operational Risk Process Evaluation) factors, which introduce and highlight operational risk components that result from the compliance and internal control status of the processes;
- With the Process Owners' assessment of the relevance of the most severe information security scenarios, resulting from the self-assessment exercise carried out by the Information Security Division (DSI) over identified risk scenarios (vulnerabilities/threats).

In 2023, the results of the RSA covering the operational processes of Portugal, Poland and Mozambique, for the 20 risk sub-types assessed, point to moderate operational risk levels. In Portugal, on a total of 2164 applicable risks, only 18 residual risks were classified as medium or high (score of 3 or 4, in a scale of 0 to 5, in which 0 = risk not applicable and 5 = catastrophic risk). In Poland and Mozambique, the

number of medium/high residual risks was of, respectively, 52 (out of 1646 applicable risks) and 21 (out of 499 applicable risks).

Operational losses capture

The operational losses data capture (i.e. the identification, registration and typification) of operational losses and of the originating events aims at the strengthening of the awareness to this risk and to provide relevant information for process owners to incorporate within their process management. As such, it is an important instrument to assess risk exposures as well as for a generic validation of the RSA results.

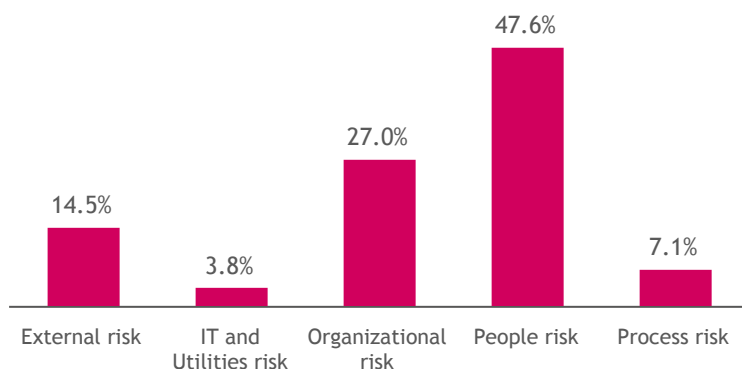
The detection and reporting of operational losses is a responsibility of all Employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of the processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause). For losses of amounts exceeding certain thresholds, “Lessons Learned” reports are presented to and discussed at the specialised Compliance and Operational Risks Commission). The lessons learned reports include an action plan to mitigate the risks that led to the losses, where appropriate.

The following graphs present the profile of the losses captured in the respective database in the first semester of 2024:

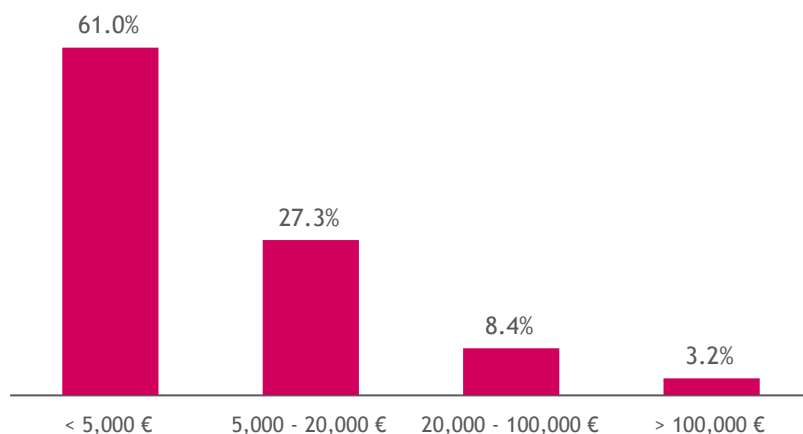
LOSSES AMOUNTS DISTRIBUTION

By cause

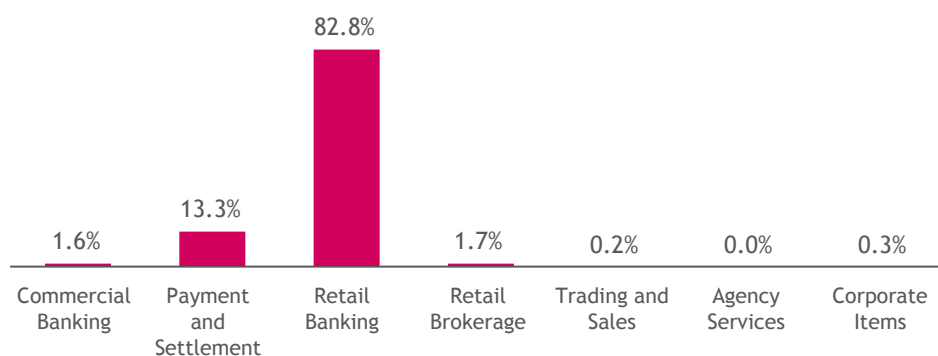


LOSSES AMOUNTS DISTRIBUTION

of events by amount range

**LOSSES AMOUNTS DISTRIBUTION**

By business line



Regarding the distribution of losses by cause, the weight of those relating to 'External risks' and 'People risks' amounted to c. 62%, corresponding essentially to external and internal fraud events, respectively (c. 58 of the total losses captured in the first half of the year). This distribution of losses does not include the accruals relating to legal cases of foreign currency mortgage loans from Bank Millennium (Poland), which are allocated to the year of registration of the global event in question (2022).

In what concerns the distribution of losses by amount range (in number of losses), in the first half of the year there was a trend towards growth in smaller events profile, compared to the distribution of operating losses in 2023.

Finally, regarding the distribution of losses by business line, the weight of losses for 'Retail banking' (c. 83%) increased from 2023 (which was c. 70%), in contrast to the weight of 'Retail Brokerage' and 'Trading and sales' which, together, reached a weight of around 2% (c. 16% in 2023).

Key risk indicators (KRI)

The KRI provide alerts concerning changes in the profile of the operational risks or in the effectiveness of controls, thus enabling to identify the need to introduce corrective actions within the processes, in order to prevent potential risks from materialising into losses. These indicators currently encompass all processes in the main Group operations (Portugal, Poland and Mozambique).

Processes management also uses Key Performance Indicators (KPI) and Key Control Indicators (KCI), the monitoring of which, even if oriented towards the assessment of operative efficiency, also contributes for the detection of risks.

Business continuity management

In the first half of 2024, in Portugal, the Bank continued its project to renew and overhaul its Business Continuity Management System (SGCN), with the aim of simplifying and optimising its operating and governance models. Implementation of this project is expected to be completed by the end of 2024, with the following initiatives already developed and underway:

- The assessment of the current level of maturity of the SGCN in relation to best practices and regulations in force and the implementation of a new framework;
- Review of risk scenarios to be considered in business continuity planning;
- Redesigning the operating and governance models in line with the latest developments and threats identified;
- Definition of a new methodology for analysing/assessing impacts on the business (BIA - business impact analysis) and inclusion of an intermediate phase for assessing the impact of the risk associated with critical resources (RIA - risks' impact analysis);
- Reformulating or drawing up Business Continuity Plans (response and recovery in the event of an incident);
- Revision and creation of normative documents to support the SGCN.

At the beginning of 2024, the Bank took part in the Cyber Resilience Stress Test organised by the European Central Bank, as well as in the similar exercise organised by Banco de Portugal (for a systemic approach in Portugal).

In order to carry out these exercises, based on a hypothetical event that would disrupt the Bank's activity, of a cybersecurity nature, a specific task force was set up, carrying out simulations and a table-top exercise, in order to test the Bank's response and recovery capacities to an incident of this type, as well as to estimate the respective financial impacts of such an event.

In Poland, business continuity was managed in the first half of the year in line with the usual cycles and in the usual terms, with the execution of a business impact analysis (BIA) for the risks of 92 operational processes, the results of which were presented to Bank Millennium's Process and Operational Risk Committee. Some changes in impacts severity were registered and one new process was identified as critical. In the first semester, there was also an inspection visit by the Polish Central Securities Depository (KDPW), which resulted in a fully positive assessment by the inspectors involved regarding the Bank's alternative spaces for the continuity of its operations.

In Mozambique, the following business continuity management activities were carried out in the first half of the year:

Alternative facilities - Maintenance of alternative spaces in terms of data network, electricity systems and furniture. Setup of an extra space with a capacity for 40 workstations, for the coverage of the number of workstations needed for business recovery.

Documentation and awareness raising - The Business Recovery Plans of the recovery teams were updated, as well as the Millennium bim Business Continuity Management standards, in order to ensure that it is aligned with the updates/revisions that have taken place at Group level. Definition of a more comprehensive project to raise the employees awareness regarding Business Continuity Management, with a training component that should cover all employees in a segmented way (Emergency Response Teams, Business Recovery Teams and Crisis Management Office), with implementation underway.

Business recovery exercises - Involving the ATM, Call Centre and Back-Office areas of Digital Banking teams. These included two new approaches that will have to be permanently implemented: summoning employees with different profiles by area (to reflect the dynamics of interdependence that exist in recovery scenarios), as well as the logistics of their transport.

Insurance contracting

The contracting of insurance for risks related to assets, persons or third-party liability is another important instrument in the management of operational risk, where the objective is the transfer - total or partial - of risks.

The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Compliance and Operational Risks Commission and approved by the EC.

Legal, Compliance, Conduct and Financial Crime risks

Banco Comercial Português's activity is governed by operating principles and rules that ensure a good conduct, following the best international practices and adopting the appropriate measures in terms of preventing compliance and conduct risks. With the purpose of permanently adapt its internal practices to the best market practices, to the evolution of Banking activity, and to society as a whole, the Bank regularly reviews its internal regulations and procedures to safeguard that the conduct of its Employees is always guided by highest ethical principles, of satisfaction and protection of the interests of the client and the Bank, in the pursuit of sustainable profitability. The Compliance Office strengthened the monitoring of the Bank's activity and internal conduct, by implementing a system for monitoring potential situations of conflicts of interest, covering various aspects of this issue such as operations with related parties, credit operations, development of extra-professional activities and the receipt of gifts by Employees.

To comply with the relevant legal and regulatory norms related with Anti Money Laundering and Counter Terrorism Financing (AML/CFT), as well as to safeguard the compliance with best international practices on this matter, the Bank has a set of policies, procedures and systems that ensure an effective control of the financial crime risk prevention, also ensuring an operational model that allows the Bank to identify, assess and mitigate the potential risks inherent to the activity of its Clients, non-Clients and business relationships established with one or the other.

The impact and relevance of this risk in the Banking activity developed, compels the Bank to address this risk in multiple dimensions and on a continuous basis, whether in the establishment of new business relationships or in the continuous evaluation of an already established business relationship. Through a risk-based approach (RBA) for the assessment and monitoring of its business relationships or occasional transactions execution, the Bank complies with all the required duties enshrined in Law no. 83/2017, of 18 of August, like for example, due diligence, abstention, refusal or communication.

The impact and relevance of this risk in the Banking activity developed, compels the Bank to address this risk in multiple dimensions and on a continuous basis, whether in the establishment of new business relationships or in the continuous evaluation of an already established business relationship. Through a risk-based approach (RBA) for the assessment and monitoring of its business relationships or occasional transactions execution, the the Bank fulfils all obligations enshrined in Law No. 83/2017, dated August 18, concerning control, identification and due diligence, abstention, refusal, retention, examination (including the reporting of suspicious behaviour to authorities), collaboration, non-disclosure, and training. These are essential both in the establishment and maintenance of business relationships and in the execution of occasional transactions.

For an effective and efficient AML/CFT activity, the Bank defines a set of policies and procedures that are supported by a wide range of information systems, of which it is worth highlighting:

- Business Relations monitoring system;
- Financial transactions monitoring system;
- Entity AML/CFT Risk Rating model;
- Entity screening system;
- New Business relationships validation system;
- External information platforms.

Pursuing the continuous improvement of the internal control processes, these risks' management system was enhanced along 2022, to enable the Bank to respond adequately to the demands of the future Banking business with origin in market dynamics changes and regulation evolution. From the set of initiatives, it is worth mentioning the following:

- The continued strengthening, training and specialization of the Compliance Office teams within the scope of AML/CFT model, in its various dimensions.
- As a result of the establishment of the sanctions and embargoes, development of enhanced controls to identify transactions and risk entities, ensuring compliance with restrictive measures.
- Continuation of efforts at the core of updating clients' identifying information.
- Continued development of automatic solutions that promote alignment and cooperation between the Bank's first and second lines of defence in fulfilling the various AML/CFT duties.

- Strengthening internal policies addressing compliance risk issues, such as:
 - Framing the methods of disseminating the Code of Conduct within the Bank and to external stakeholders to specify the ways in which disclosure should be carried out, in accordance with the provisions of Notice No. 3/2020 of the Bank of Portugal.
 - Adjustments in AML/CFT processes, particularly in the duties of identification and due diligence, to account for new regulatory requirements for updating client data and in the Client Acceptance Policy.
- Publication of Notice 03/2024, of the Bank of Portugal, on 6 June 2024, which regulates the new format for the annual reporting of the activity of financial entities subject to the supervision of the Bank of Portugal in the field of AML/CFT. The new format is characterized by its significantly more quantitative nature of information compared to the previous one, as well as the inclusion of new ML/TF risk taxonomies. Exceptionally, the submission date for the 2023 financial year will be by the end of September, and in subsequent years the supervised entities, including the Bank, will have to submit the report by the end of March, in contrast to the submission by the end of February as indicated in the previous regulation.
- Updating, within the scope of Banco de Portugal Notice 3/2020, information on the matters provided for in its Annex, in a format accessible to all employees, including matters on the Bank such as its shareholder, organisational and governance structure, its internal control system, its key function holders, the characterisation of its business, its Code of Conduct, among others.
- Implementation of the Training and Communication Plans on compliance matters for all the Bank's Employees and commercial structures, with the most important aspects to be considered, both in terms of the risk of financial crime and in terms of other compliance and regulatory risks.
- Establishment of the regulatory framework related to fraud, including the creation of a dedicated team for the prevention, detection, and combating of internal and external fraud. This framework includes regulations governing the actions of the new structure, detailing the governance model, prevention mechanisms, detection and combat strategies, and processing and reporting procedures.

Market risks

Market risks are the potential losses that may arise as a result of changes in interest or exchange rates, and/or in the prices of the different financial instruments within the portfolio, taking into account not just the correlations that exist between those instruments but also their volatility.

The following management areas are defined for each Group entity for the objectives of profitability analysis and market risk measurement and control:

- Trading - Management of positions aimed at achieving short-term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. These positions include securities and derivatives resulting from sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all positions in securities to be held to maturity (or for an extended period) or positions not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activities with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

The definition of these management areas enables effective management separation between trading and banking books, as well as a proper allocation of each transaction to the most suitable management area, based on its context and strategy.

To guarantee that the risk levels incurred in the Group's various portfolios conform to the specified levels of risk tolerance, various market risks limits are established, at least yearly, and are applicable to all portfolios of the risk management areas where the risks are incident. The Risk Office monitors these limits daily (and intra-daily in the case of financial markets areas).

Stop loss limits are also set for the financial markets' areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. If these limits are breached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading Book market risks⁶

The daily measurement of generic market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) uses a VaR (value-at-risk) model, considering a time horizon of 10 business days and a significance level of 99%.

Additionally, the Group uses an integrated market risk measurement that monitors all relevant risk subtypes. This measure includes the assessment of generic risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using appropriate risk models and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the subtypes (worst-case scenario approach).

For non-linear risk, an internally developed methodology is applied, replicating the effect of main non-linear elements of options on P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured using standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, in June 30, 2023 and Jan 30, 2024, as measured by the methodologies referred to above:

⁶ Positions assigned to the Trading Management Area (not specifically included in the accounting trading book).

(Thousand of euros)

	30 June 2024	Max of global risk in the period	Min of global risk in the period	31 December 2023
Generic Risk (VaR)	1,219	2,992	684	1,694
Interest rate risk	1,190	2,566	555	1,461
FX risk	549	1,124	566	270
Equity risk	372	129	80	913
Diversification effects	891	827	518	950
Specific Risk	4	56	16	575
Non-linear Risk	0	0	0	0
Commodities Risk	—	—	—	—
Global Risk	1,223	3,048	700	2,270

VaR model monitoring and validation

Validation of the internal VaR model's appropriateness for assessment of risks involved in the positions held is conducted over time, with different scopes and frequency, including back testing, diversification effects estimation and analysis of risk factor comprehensiveness.

Trading Book Stress Tests

In addition to VaR assessment, the Group continuously tests a broad range of stress scenarios, analysing the respective results to identify risk concentrations not captured by the VaR model.

The results of these tests on the Group's Trading Book, as of June 30, 2024, in terms of impacts over this portfolio's results, were the following:

(Thousand EUR)

	Negative impact scenario	Impact
STANDARD SCENARIOS		
Parallel shift of the yield curve by +/- 100 bps	+ 100 p.b.	-6,738
Change in the slope of the yield curve (for maturities from 2 to 10 years) up to +/- 25 bps	+ 25 p.b.	-507
4 combinations of the previous 2 scenarios	+ 100 bps & + 25 bps	-7,189
	+ 100 bps & - 25 bps	-6,274
Variation in the main stock market indices by +/- 30%	+30%	-2,210
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	+10%, +25%	-1,622
Variation in swap spreads by +/- 20 bps	+20 bps	-38
NON-STANDARD SCENARIOS		
Widening/narrowing of the bid-ask spread	Widening	-1,186
Significant vertices (1)	VaR w/o diversification	-1,963
	VaR w/ diversification	-470
Historical scenarios (2)	15 July, 2011	-3,147
	27 January, 2012	-4,819

⁽¹⁾ Scenarios in which the more adverse variations of the last seven years, relative to the portfolio's five most significant risk factors for VaR, are applied to the current portfolio.

⁽²⁾ Scenarios in which past extreme markets variations are applied to the current portfolio; in this case, the significant dates refer to the Eurozone Sovereign Debt crisis (from 2010 onward)

These results show that the exposure of the Group's trading book to the different risk factors considered remains relatively limited and that the main adverse scenarios to be taken into account refer to a general increase in interest rates, either a parallel shift or accompanied by a change in the slope of the yield curve. In what concerns the non-standard scenarios, the main loss case refers to the historical scenarios.

Interest rate risk in the Banking Book

The interest rate risk arising from the Banking Book operations is assessed by the Bank in two complementary ways: the portfolio's economic value method (EVE) and the financial margin sensitivity method (NII), through a risk sensitivity analysis carried out every month, for the universe of operations included in the consolidated balance sheet of the Group, broken down by the currency of exposure.

Variations of market interest rates influence the Group's net interest income and the economic value of the Group, both in the short term - affecting the Bank's NII - and in the medium/long term, affecting the balance sheet economic value (EVE method).

The main risk factors arise from the repricing mismatch of the portfolio positions (gap risk) which may cause direct or indirect financial losses in the Banking Book, due to changes in interest rates that have different impacts over assets and liabilities' classes, making the Bank vulnerable to variations of the yield curve. In turn, the changes in interest rates may alter the behaviour profile of Clients, inducing pre-payments/withdrawals in assets and liabilities, including the exercise of options' rights incorporated in the products' design (behavioural and optional risk). Additionally, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's Banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component, being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves. The impacts stemming from the Clients' behaviour are also considered, in particular, for the products for which this is especially relevant - namely, for products without defined term (checking accounts, revolving credit, fixed rate credit lines) - as well as the impacts resulting from changes in contractual cash flows (credits prepayments) and impacts of any potential prepayments on credits with defined maturity.

The result of this analysis for a +100 basis points (b.p.) change in the level of Euro interest rates (for all maturities, i.e., assuming a parallel shift of the yield curve), in the Banking Book portfolio as at 30 June 2024, found a positive impact on the balance sheet's economic value of around €8.6 million. On the other hand, the impact of a generalized decrease in euro rates of -100 bps would be around -22.6 million euros.

Complementing the previous approach, the Bank calculates monthly the impact on net interest margin projected for the following 12 months, due to changes in market interest rates (NII method). For this purpose, all assets, liabilities and off-balance products that generate interest are considered and the calculation of interest cash flows is performed based on the repricing and amortization characteristics of the products and on yield curves for 12 months. This exercise assumes a static balance for 12 months in which, for each amortization, an exposure with the same features of original maturity and price is generated. To capture the net interest margin sensitivity, several simulations are processed, corresponding to 10 different scenarios of the market's interest rates evolution.

Considering a variation in market interest rates combined with the scenario for the coefficients that transmit the market variations over the deposit's rates and other interest-generating liabilities ('betas'), the evolution of the sensitivity of the net interest margin is assessed.

Foreign exchange and equity risks of the banking portfolio

The foreign exchange risk of the banking book is transferred internally to the Trading area, in accordance with the Group's risk specialization model for the management of balance sheet foreign exchange risk. Structural foreign exchange exposures, including those resulting from financial holdings in subsidiaries, are not transferred and may be hedged by market operations, in line with the defined strategy for managing structural foreign exchange risk, aiming at hedging against volatility in the CET1 ratio stemming from exchange rates changes.

Excluding the financial holdings in the foreign subsidiaries, the exposure to FX risk in the banking portfolio corresponds to Euros 1.2 million in terms of VaR, as at June 30, 2024.

Regarding equity risk, the Group maintains a set of small size and low risk equity positions, primarily in the investment portfolio, mainly resulting from execution processes as payment. Management of these positions is conducted by a specialized area of the Group, with risk controlled through defined metrics and limits for market risks' control.

Liquidity risk

Liquidity risk consists of the Group's potential inability to meet its financing repayment obligations without incurring significant losses, either due to onerous financing conditions (funding risk) or by selling assets at lower than market values (risk of market liquidity).

The Consolidated Liquidity Plan, which forms an integral part of the annual budgeting process and is formulated at the level of the Group and for the main subsidiaries, includes the projection of the wholesale funding structure, including the use of market financing, and also the forecast of the internal and regulatory liquidity indicators, ensuring its compliance with the regulatory and internally defined requirements. The preparation of this plan is coordinated by the Group Treasurer, and its execution is continuously monitored throughout the year, with the respective revision being carried out whenever necessary.

In the first half of 2024, the Group's balance sheet customer funds grew by 5.9%, above the rate of variation observed in the previous semester, of 3.2%. This evolution was mainly due to the strong and sustained growth in Bank Millennium customer deposits, of 9.6%, based as in the past on the retail segment. Focusing on the same customer segment, the activity in Portugal increased the balance sheet customer funds by 4.0%, a growth that allowed the reinforcement of its market share of deposits in the first quarter of 2024 and exceed the maximum amount of balance sheet customer funds previously reached in December 2022.

The trends mentioned above, combined with the decrease in the Group's credit portfolio, the inaugural issue of covered bonds placed in the market by Bank Millennium and the Group's overall profitability resulted in the strengthening of the consolidated liquidity position compared to December 31, 2023, reflected in the favourable evolution of the regulatory and internal liquidity risk indicators defined within the scope of the Group's Risk Appetite Statement (RAS).

Thus, in consolidated terms, the regulatory ratio that assesses short-term liquidity risk (LCR: Liquidity Coverage Ratio) grew from 276% to 296% in the first half of 2024, prolonging the trend observed throughout 2023. The other indicator of short-term liquidity of the RAS, which represents the coverage of customer deposits by the liquidity buffers available for discount at European central banks, also stood at a comfortable level of 46%.

The regulatory ratio that assesses structural liquidity risk (NSFR: Net Stable Funding Ratio) grew from 167% to 175% in the first half of 2024. The loan to deposit ratio, the second structural liquidity indicator of the RAS, evolved consistently towards greater conservatism, with a new reduction, from 70% to 66%.

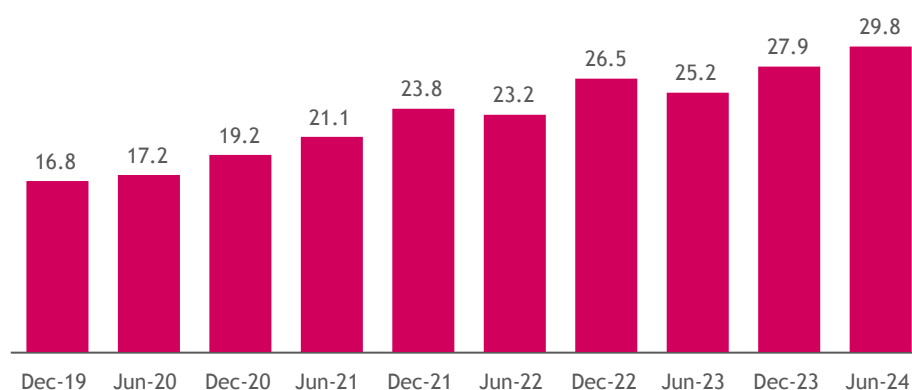
Regarding the medium-long term financing structure, and fulfilling an objective defined in the Liquidity Plan for the current year, BCP refinanced in January 2024 an Additional Tier 1 (AT1) issue of 400 million euros issued in January 2019 through a new issue of the same instrument and amount under more favourable conditions (interest rate of 8.125% vs. 9.25%). Bank Millennium, which at the end of the 1st half of 2024 successfully completed its Recovery Plan, placed a few days earlier its inaugural issue of covered bonds, worth 300 million PLN and with a three-year maturity.

The evolution described above is reflected in the table below, which represents the evolution of the wholesale funding (net) December 31, 2023 and June 30, 2024, in terms of each of the instruments used:

	Jun. 24	Dec. 23	(Millions euros)
Interbank monetary market (Net)	206	-103	300.1%
ECB (Net)	-901	-2051	56.0%
Repos	-5	-267	98%
Loan agreements	313	325	-3.7%
Senior Debt	2350	2350	0.0%
Covered Bonds	70	0	—%
Subordinated Debt	1805	1802	0.2%
Credit-Linked Notes	217	232	-6%
Total	4053	2289	77.1%

The favourable evolution of BCP's commercial gap from a liquidity perspective and the growth of cash flow from operations, among other less relevant factors, led the ECB's liquidity buffer to reach an historical maximum of 29.8 billion euros in June 2024, 1.9 billion euros above December 2023.

ECB liquidity buffer (Billion Euros)



As a result of the growth of customer deposits and issue placed on the market, Bank Millennium significantly improved its liquidity position, reflected in regulatory indicators well above the minimum required (LCR at 337% and NSFR at 191% as at June 2024).

Millennium bim reinforced its liquidity position during the first half of 2024, with the liquidity buffer at the respective central bank and all liquidity indicators benefiting from a significant growth in the stable customer deposit base of 9%.

In consolidated terms, the refinancing risk of medium and long-term instruments will remain at low levels over the next three years, with annual values with no material expression.

The conclusions of the ILAAP process reiterate the adequacy of the liquidity and is low risk management process, as well as the compliance of its practices with the requirements defined by the supervision.

Pension Fund risk

This risk arises from the potential devaluation of the assets of the Fund associated with the Defined Benefit Plan or from the reduction of its expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted with such scenarios, the Group may have to make unplanned contributions in order to maintain the benefits defined by the Fund. The responsibility for the regular monitoring of this risk and the follow-up of its management lie with the Pension Funds Risk Monitoring Commission, secretariat by the Risk Office.

The evolution of market interest rates in 2024 largely explains the evolution of the portfolio's profitability (negative return of 1.82%) and the reduction of liabilities from 3,080 million euros to 2,978 million euros.

In terms of tactical positioning during the first half of the year, the Fund favoured exposure to equities, mainly in the international component, namely in Japan, the S&P500 and the Nasdaq 100. As for the fixed rate, during the semester the portfolio was also positioned with an overexposure in the class, although without significant deviations from the benchmark (+1% exposure and 0.5 years more duration).

The evolution of market interest rates in 2024 led to the update of the discount rate to determine the Fund's liabilities. Thus, the discount rate in force on December 31, 2023, of 3.53%, was changed to 3.81% on June 30, 2024.

As at 30 June 2024, the pension fund's liabilities coverage was over €349 million, corresponding to 11.7% of total liabilities.

Integration of ESG Factors in Risk Management

In its risk classification, Millennium BCP recognises the ESG category which includes factors associated with the climate and environmental components, and also with social and governance aspects.

These factors are not considered separately; in fact, they are seen as elements likely to affect positively or negatively the financial performance and solvency of the Bank's customer's and counterparties. This way, the materialisation of their impacts occurs by means of the "traditional" categories: credit risk, market risk, operational & reputation risk, liquidity and financing risks.

Within this context, and with the purpose of promoting the integration of ESG factors in risk management, the Bank implemented a set of processes and methodologies to identify, assess, manage and monitor the impact of the ESG category in overall risk, in accordance with the framework and policies already established for the remaining financial and non-financial risks.

Governance Model

The governance model for risks arising from ESG factors follows a structure based on three lines of defence which, under the leadership of the Board of Directors (and respective delegations on the Executive Committee), ensure its adequate assessment and management.

The Executive Committee is responsible for ensuring that ESG policies and strategies are followed, through the mobilization of resources and execution of the necessary business and operational actions. The Sustainability Commission assists the Executive Committee in integrating the principles of sustainability in the decision and management processes, being also responsible for assessing and approving the Sustainability Master Plan initiatives, its alteration and adaptation whenever requires for its implementation, and its monitoring.

Within the scope of the Committees of the Board of Directors, the Committee for Corporate Governance, Ethics and Sustainability is the body responsible for recommending the adoption by the Board of Directors of policies in line with ethical principles and social responsibility and best practices in matters of corporate governance and sustainability, but also for monitoring the evolution of the Sustainability Master Plan and the Corporate Social Responsibility Plan and issuing an opinion on the annual corporate governance and sustainability reports. The Risk Assessment Committee, among its competences and attributions, is also responsible for monitoring ESG risks, including climate risks and advise the Board of Directors in terms of the identification, management and control of ESG risk factors, while monitoring the Group's risk appetite and underlying performance, as well as supervising the adequacy of the ESG internal control system, with special focus on a) the effectiveness of the risk management system to deal with the ESG risk drivers; and b) dealing with any instance of reputational risk related to ESG to which the Group may be associated to (directly or indirectly).

In the first half of 2024, the Office of Studies, Sustainability and Supervision (GESS) was created, under the EC, with the mission of proposing global and coherent sustainability and corporate social responsibility policies, which promote the development of the business with the incorporation of environmental, social and governance principles, and which enhance the growth of the institution's reputation and its ability to add social and environmental value and respond to the needs and Stakeholders' expectations.

Identification of ESG risk factors

Climate change and environmental degradation factors are elements that can affect economic activity through the mitigation and adaptation effort, as well as the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection/restoration of biodiversity (cf. EU Taxonomy).

The materialisation of these risks fundamentally stems from the exposure of Millennium BCP's banking portfolio to customers, counterparties and invested assets whose performance may be affected or contribute to the negative impacts of climate change and other environmental factors.

These factors may generate negative financial impacts which are identified and assessed by means of two main dimensions:

- Physical risks factors: arising from the physical effects of climate change and environmental degradation. They should be categorized as severe risks, if they arise from extreme weather events

such as wildfires or floods, if they arise from progressive changes in weather and climate patterns or from a gradual loss of natural ecosystems.

- **Transition risk factors:** are the risks of any negative financial impact arising from the effort, in progress or to happen in the future, of transition into a low-carbon and environmentally sustainable economy. These may result, for example, from technological changes, the impact of public policies or behavioural changes in terms of demand for goods or services (including banking services).
- **The biodiversity or nature-related risks:** The depreciation of natural capital, which in this context encapsulates the environmental-driven risks, is another key component of a holistic approach to C&E concerns. Natural capital refers to the world's stocks of natural assets which include geology, soil, air, water and all living things as well as the organization and distribution of ecosystems. The depreciation of natural capital undermines the ability of nature to provide ecosystem services (provisioning services, such as food, raw materials and fresh water; maintenance and regulating services, such as climate, water and air quality regulation, pollination, and pest and disease control; and cultural services, supporting recreation, mental and physical health, and spiritual and religious values) on which the Human society, economies and other species rely. Natural capital degradation can have chronic as well as acute economic effects.

The materialisation of social risks is also assessed, considering the issues related with rights, well-being and interests of persons and communities and include factors such as (in)equality, health, diversity, inclusion, labour relations, workplace health and safety, human capital and communities.

In addition, the governance risk factors are also identified by Millennium BCP, through issues relating to leadership, executive remuneration, shareholder rights, corruption and bribery, management and prevention of conflicts of interest, quality of internal control and independent reviews/auditing, transparency and good tax practices, for example.

A methodology for assessing the materiality of ESG risks was developed in order to determine the potential impact of those risks on the Bank's profile.

Management and monitoring principles

ESG risks management and respective strategy follows a different logic compared to 'traditional' risks, which are based on short-term timeframes. In contrast, the materialization of ESG risks is expected to occur over extended timeframes, which is why the establishment of strategy and risk appetite follows different timeframes. For example, if the assessment of physical (severe) risks can determine an action strategy more focused on the short term (e.g., considering the establishment of additional mitigation measures, at the level of policies for granting credit and insurance policy), the transition risks justify a more structural approach, based on collecting information, evaluating customers and monitoring their performance over time.

From this perspective, Millennium BCP's management of ESG impacts follows the following principles:

- **Establishment of a responsible corporate financing policy,** which excludes or conditions the Group's operations in sectors and/or activities with greater environmental and social impact.
- **Integration of the strategy for managing risks arising from ESG factors into the Bank's global sustainability plan,** which steers the integration of the ESG dimension into business processes, establishing goals, timelines and a model for controlling proper observance.
- **Communication Transparency:** The Bank publicly discloses its sustainability objectives and key practices, as well as its management of ESG (Environmental, Social, and Governance) impact factors. This allows all stakeholders to assess the robustness of its approach, including its exposure to risks arising from ESG factors.
- **Regular Monitoring of Exposure to Risks Arising from ESG Factors:** This is done through established management information routines for each risk category.
- **Internal Standardization of ESG References:** This involves implementing a corporate taxonomy that enables the identification and classification of exposures demonstrating characteristics that actively support the transition of the Portuguese and European economies.
- **Focus on Credit Risk Management:** This is achieved through models that facilitate the integration of the ESG dimension in the risk assessment of the bank's key companies/clients. This ensures that business decisions incorporate an evaluation of the primary impacts of ESG factors.

- **Collection and Structuring of Information:** Utilizing public sources and information provided directly by clients, this approach aims to enhance understanding of clients' environmental performance and potential financial impacts associated with any limitations in that performance.

The operationalization of these principles is facilitated through an internal policy for managing risks arising from ESG factors, which establishes the following key risk tools:

- Regular assessment of the materiality of risks arising from ESG factors to confirm alignment with risk appetite and the need for implementing mitigation actions.
- Methodologies for assessing risks arising from ESG factors integrated into credit risk assessment models.
- Risk classification methodologies at the portfolio level, allowing the identification of sectors, companies, and exposures most susceptible to transition and/or physical risks and/or nature-related.
- Models for quantifying financed greenhouse gas emissions, fostering strategic discussions regarding the management of these emissions and their alignment (in the long term) with the goals of the Paris Agreement.
- Sensitivity analyses and stress tests focusing on climate risks.

Stress testing with a focus on climate risk

The Bank uses sensitivity analysis methodologies and stress tests on the risks arising from ESG factors (with a focus on the climate risk component).

Considering the horizons of materialization of ESG risks, this is an important risk management technique, which allows the assessment of the impacts of climate change (and respective scenarios) on the financial variables that affect the value of Millennium bcp's banking portfolio.

Based on their results, new exposures at risk may be identified that require the Bank to take additional management measures to mitigate the impacts of climate risks.

Models validation and monitoring

This function is ensured by the Models Monitoring and Validation Office (GAVM), reporting to the Chief Risk Officer.

GAVM acts as the second line of defence, within the scope of the model risk management framework, functionally independent from the areas that are responsible for the models (model owners and developers) and from the Internal Audit Division. Hence, an adequate functions' segregation is assured. Its mission consists in monitor and validate risk quantification methodologies and internal models used in BCP and other Group entities in Portugal, as well as to independently ensure the assessment of the quality and adequacy of the risk management framework in what concerns internal models, metrics and completeness of the associated data, according to the Model Risk Management (MRM) framework.

GAVM has the responsibility to maintain a robust and documented validation processes for internal risk methodologies and models, in line with current regulations. For this, it develops and applies validation procedures and methodologies capable of ensuring proper model assessments and the alignment with the applicable regulatory requirements, by reinforcing (i) the scope of validation exercises, (ii) the depth of analysis and (iii) the transparency and auditability of the work performed.

GAVM scope of action encompasses, inter alia, the validation of the methodologies and internal models for credit risk (including Probability of Default (PD), Loss Given Default (LGD), Credit Conversion Factors (CCF) and Expected Credit Loss (ECL) models, under the IFRS scope), market risk (in the trading book), interest rate risk in the banking book (IRRBB), business risks and for the risks included in the ICAAP, as well as the regular monitoring of their performance and evolution. The results of the monitoring and validation exercises are reported to the Models Monitoring and Validation Sub-Commission and to the Risk Commission. Additionally, GAVM participates occasionally, depending on the agenda, in the Risk Assessment Committee (CAvR) to report the unit's activity and annual plan's execution.

Besides the activities directly related with the monitoring and validation of models, in terms of their performance and quality, GAVM is responsible for the coordination of the MRM activities, including the maintenance of a complete repository of the internal risk models used by the Bank and its permanent monitoring and updating through the use of a model management and risk assessment tool implemented at the Bank to support the MRM framework.

In the first semester of 2024, several actions were carried out to monitor and validate the internal models in use by the Bank, including the regulatory report of the templates with the validation results of the credit risk internal models, according to the ECB instructions ("Instructions for reporting the validation results of internal models"). These actions aim, inter alia, to reinforce the confidence in the models, to monitor their performance and evolution, verifying their business adequacy and their compliance with the applicable regulatory requirements and best practices, as well as to reinforce the identification and adaptability to changes in their predictive quality.

As part of the model's monitoring activities, GAVM also ensured, among others, the preparation of the data structure resulting from the entry into production of the new PD models and the quarterly report to the Risk Commission regarding the performance and quality of the internal models used under the IRB and IMA approaches for, respectively, credit and market risk, as well as the reporting of the regulatory Credit Risk Benchmarking exercise promoted by EBA.

Recovery Plan

Complying with the applicable law - Directive 2014/59/EU and its transposition to the Regime Geral das Instituições de Crédito e Sociedades Financeiras (RGICSF) through Decree-Law 23-A/2015, from the 26th of March - the Group annually revises the Recovery Plan for its business and activities, in which a set of recovery options that could be implemented in a timely manner to respond to financial stress circumstances that may be originated by events of both idiosyncratic and/ or systemic order is identified.

Considering that the Recovery Plan aims to restore the financial viability of the Group, several scenarios are defined, supported on hypothetical and forward-looking events, against which the impacts of recovery options, the Recovery Plan feasibility and the overall recovery capacity are tested.

In order to monitor the performance of the Group's business activity, a set of quantitative and qualitative key indicators is presented in the Recovery Plan, in line with the guidelines defined by the European Banking Authority (EBA). This set of indicators is continuously monitored, allowing for immediate management action whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), the report of which, to the Group's management and Supervision Bodies, is mandatory.

The priorities, responsibilities and specific measures to be taken in a capital and/or liquidity contingency situation are established in the Recovery Plan, which complements the Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible crises, namely, of liquidity. Simultaneously, the Recovery Plan contains a 'playbook', intended to provide key information for rapid decision-making in a crisis, and considers the performance of dry-run exercises, with the aim of testing parts of the Plan and raising the Bank's preparedness to implement it in a possible crisis scenario.

The Recovery Plan includes components of Bank Millennium's Recovery Plan (Poland) and information from Millennium bim's Recovery Plan (Mozambique). It is aligned with the definition of the business continuity framework and its respective plans (see the Operation Risk section), the Communication Plan - towards the market and stakeholders (in contingency situations) and the results from the capital and/or liquidity adequacy assessment processes already mentioned (ICAAP e ILAAP).

Ratings assigned to BCP

The prospects for the Portuguese banking sector benefited from the significant improvement in Portuguese Republic's rating to the "A" rating category by the five Rating Agencies that assign rating to Portugal, reflecting, besides GDP growth above Euro area average coupled with low levels of unemployment and positive external balance developments, positive developments in the budgetary balance as well as public debt as percentage of GDP falling to below 100% in 2023 to which should be added the improvement of conditions in the Portuguese banking sector.

The Portuguese banking sector's asset quality and capitalisation have significantly improved since 2016, and this has materially strengthened the resilience of banks' credit profiles. The banking sector is therefore less sensitive to foreign-investor confidence and asset-quality shocks than in the past.

There was no evidence of deterioration in the quality of Portuguese banks' assets in the 1st half of 2024, despite a macroeconomic environment characterized by a slowdown in GDP in the first quarter of 2024. The unemployment rate remains at low levels and the ECB began a cycle of cutting interest rates, which contributes positively to maintaining asset quality at comfortable levels.

The profitability of Portuguese banks is expected to compare well with other southern European peers in 2024, due to the maintenance of high financial margin rates, strong operational efficiency and moderate cost of risk. Net interest income increased significantly in 2023 due to a high percentage of variable rate loans in the banks' loan portfolio and the limited revaluation of interest rates on deposits as a result of rising interest rates in the Euro area. Despite the expected drop in interest rates, the profitability of Portuguese banks is expected to remain significantly higher in 2024 than in recent years.

Portuguese banks' capitalisation has strengthened on the back of significantly higher profitability and lower balance-sheet risks.

BCP has made very significant progress in recent years:

Strong Domestic Franchise: BCP is the second largest Portuguese bank in total assets, with domestic market shares of around 17% and 19% in loans and deposits, respectively. The multichannel business model is more diversified than some of its national peers, which supports the recurring generation of operational results. BCP manages an efficient retail business model with some geographic diversification in Poland and Mozambique, although Poland has resulted in

earnings volatility since 2020, due to the legal risk associated with the credit portfolio denominated in CHF and respective provisioning needs.

Improvement in asset quality: The NPE ratio in Portugal is already below 3%, a level in line with Iberian peers. The problem assets ratio, in consolidated terms, including stage 3 loans and properties recovered through recovery, was below 4% at the end of June 2024, only partially higher than national peers.

Improved Profitability: BCP benefited from higher interest rates because it has a large weight of variable rate credits and a deposit beta lower than the national financial sector average. As a result, operating income increased to 3.4% of risk-weighted assets (RWA) in 2023. Despite the expected reduction in interest rates, the reduction in provisioning costs for legal risk in Poland should contribute to supporting this ratio.

Adequate capital buffers: BCP's CET1 capital ratio greater than 16% at the end of June 2024, which resulted in an increase in capital reserves in relation to minimum regulatory requirements. BCP's capitalization is supported by a significantly stronger internal capital generation, the reduction of problematic assets and a comfortable leverage ratio.

Stable Funding, Adequate Liquidity: BCP's funding has been generally stable and benefits from a leading deposit franchise in Portugal, resulting in a credit-to-deposit ratio of around 70% at the end of June 2024. The use of wholesale funding The BCP is limited and its main objective is to comply with the minimum regulatory MREL requirements. The liquidity buffer that can be used to obtain funding from the ECB is solid.

Moody's	
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	Ba1
Counterparty Risk Assessment LT/ ST	A3 (cr)/ P-2 (cr)
Counterparty Risk LT / ST	A3 / P-2
Deposits LT / ST	A3 / P-2
Senior Debt	Baa2 / P-2
Senior Non Preferred	Ba1
Outlook deposits / senior	Stable
Subordinated Debt - MTN	(P)Ba2
Subordinated Debt	Ba2
Additional Tier 1	B1(hyb)
Other Short Term Debt	P(NP)
Covered Bonds	Aaa
Rating Actions	

Standard & Poor's	
Stand-alone credit profile(SACP)	bbb-
Resolution Counterparty Credit Rating LT/ ST	BBB/A-2
Issuer Credit Rating LT/ ST	BBB-/A-3
Senior Debt	BBB-
Senior Non Preferred	BB+
Outlook	Positive
Subordinated Debt	BB
Additional Tier 1	B+

Rating Actions

On March 12, 2024, S&P Global Rating Agency revised the Outlook from stable to positive.

Fitch Ratings	
Viability Rating	bbb-
Support	ns
Support Floor	No Floor
Deposits LT/ ST	BBB/F3
Senior Debt LT/ST	BBB-/F3
Senior Non Preferred	BB+
Outlook	Positive
Subordinated Debt Lower Tier 2	BB
Additional Tier 1	B+
Covered Bonds	AA+

Rating Actions

On July 4, 2024, Fitch Ratings Agency revised the Outlook from stable to positive.

DBRS	
Intrinsic Assessment(IA)	BBB
Critical obligations	A (low) / R-1 (low)
Deposits LT/ST	BBB(high)/R-1 (low)
Senior Debt LT/ ST	BBB / R-1 (low)
Senior Non Preferred	BBB (low)
Trend	Estável
Dated Subordinated Notes	BB (high)
Additional Tier 1	B (high)
Covered Bonds	A

Rating Actions

Capital

The estimated CET1 ratio as at 30 June 2024 stood at 16.2% both phased-in and fully implemented, reflecting a change of +220 basis points compared to the 14.0% phased-in and fully implemented ratios reported in the same period of 2023, comfortably above the minimum regulatory ratios defined within the scope of SREP 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, in line with the bank's medium-term objectives.

SOLVABILITY RATIOS

(Euro million)

	30 Jun. 24	30 Jun. 23	30 Jun. 24	30 Jun. 23
	PHASED-IN		FULLY IMPLEMENTED	
OWN FUNDS				
Common Equity Tier 1 (CET1)	6,440	5,862	6,435	5,855
Tier 1	6,929	6,361	6,924	6,353
TOTAL CAPITAL	8,183	7,675	8,184	7,670
RISK WEIGHTED ASSETS	39,728	41,850	39,717	41,818
CAPITAL RATIOS (*)				
CET1	16.2%	14.0%	16.2%	14.0%
Tier 1	17.4%	15.2%	17.4%	15.2%
Total	20.6%	18.3%	20.6%	18.3%

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

Pension Fund

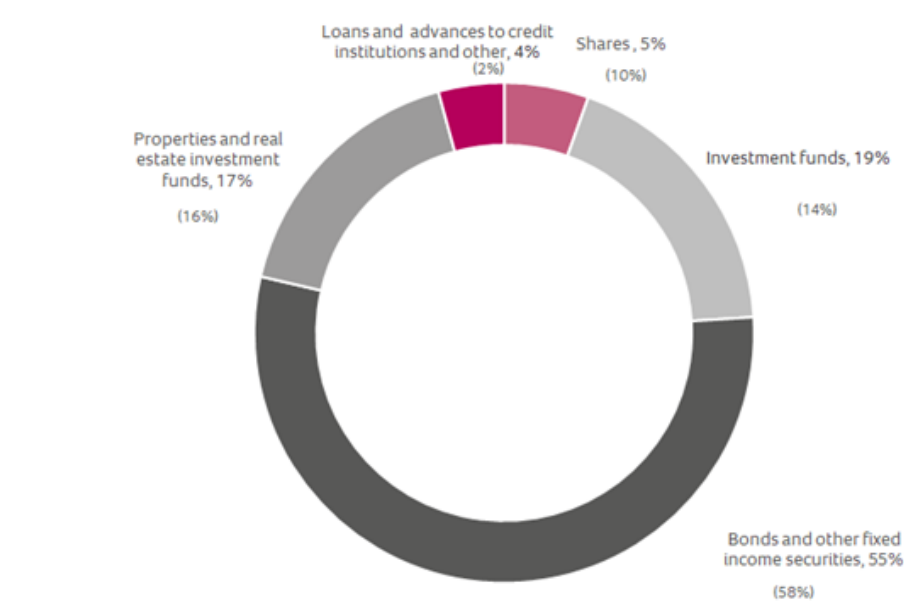
The liabilities assumed by the Group Banco Comercial Português are related with the payment to Employees of pensions on retirement and permanent disability and orphan and widow benefits.

As at 30 June 2024, the Group's liabilities stood at 2,978 million euros, which compares with the 3,080 million euros recorded at the end of previous year, reflecting the impact of a slight increase in the discount rate (3.81% on 30 June of 2024 vis-à-vis 3.53% at the end of the previous year).

The Pension Fund's assets which are financing the above mentioned liabilities reached 3,327 million euros by the end of the first half 2024 (below the 3,470 million euros recorded as at 31 December 2023) and showed a negative cumulative return of 1.8%, which compares unfavourably with the annual rate of 3.53% considered in actuarial assumptions (this rate was increased to 3.81% on 30 June 2024).

As at 30 June 2024 and 31 December 2023, the main asset categories in the Pension Fund's portfolio presented the following distribution:

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 30 JUNE 2024



(%) Proportion as at 31 December 2023

As at 30 June 2024, the structure of the Pension Fund's asset portfolio shows, compared to the end of the prior year, increases in investment funds, in loans and advances to credit institutions and other and in properties and real estate investment funds and reductions in bonds and other fixed income securities and in shares.

The actuarial assumptions considered by the Group for calculating the liabilities with pension obligations were based on market indicators, particularly long-term debt yield of Euro Zone issuers considered to be of good risk, as well as the demographic characteristics of its employees. The main actuarial assumptions used to determine the Pension Fund's liabilities at the end of first half of 2024 and for the year ended in 2023 are shown below:

Assumptions	30 Jun. 24	31 Dec. 23
Discount rate	3.81%	3.53%
Increase in future compensation levels (a)	1.9% in 2025 and 1.15% in the following years	2.65% in 2024; 1.9% in 2025 and 1.15% in the following years
Rate of pensions increase (a)	1.5% in 2025 and 0.75% in the following years	2.25% in 2024; 1.5% in 2025 and 0.75% in the following years
Projected rate of return on fund's assets	3.81%	3.53%
Mortality tables		
Men	TV 88/90 less 1 year	TV 88/90 less 1 year
Women (b)	TV 99/01 less 2 years	TV 99/01 less 2 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (c)	66 years and 4 months	66 years and 4 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%

(a) This rate refers to the growth for the years following the reporting year.

(b) The mortality table considered for women corresponds to TV 99/01 adjusted in less than 2 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

(c) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age.

In 2024 and 2023 the retirement age was 66 years and 4 months. For 2025, the normal retirement age in the RGSS is 66 years and 7 months. The reduction in the retirement age was due to the evolution of the average life expectancy at 65 years in Portugal. For the projection of life expectancy's increment, it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

The actuarial differences recorded as of 30 June 2024 amounted to a negative 47 million euros, before taxes (negative in 223 million euros, before taxes, as at 31 December 2023) and include: i) 103 million euros of actuarial gains, as a consequence of the increase in the discount rate from 3.53% as at 31 December 2023 to 3.81% as at 30 June 2024; ii) 126 million euros of negative financial deviations related to the pension fund's return, in particular referring to the gap between the expected income and the effective income of the Pension Fund; iii) negative deviations of 24 million euros were also recorded as a result of differences between expected and actual liabilities.

The main indicators of the Pension Fund at the end of the first half of 2024 and at the end of 2023 are as follows:

	Million euros	
Main indicators	30 Jun. 24	31 Dec. 23
Liabilities with pensions	2,978	3,080
Minimum level of liabilities to cover*	2,943	3,042
Value of the Pension Fund	3,327	3,470
Coverage rate	111.7%	112.7%
Coverage rate of the minimum level of liabilities*	113.1%	114.1%
Return on Pension Fund	(1.8%)	7.1%
Actuarial (gains) and losses	47	223

* According to the Bank of Portugal requirements (assuming the application of the minimum requirement to all Group companies)

As of 30 June 2024, the Group's responsibilities showed a 111.7% coverage level, being funded at a higher level than the minimum set by Banco de Portugal.

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.

Information on trends

Framework

The Bank of Portugal forecasts that Portuguese GDP will decelerate in 2024 (2.0% GDP growth), conditioned, above all, by the acceleration of imports. With regard to the inflation rate, it is expected that a downward trend will continue, reducing from 5.3% in 2023 to 2.5% in 2024.

The favourable evolution of economic activity should contribute to a decrease in the public debt ratio as a percentage of GDP, from 112.4% in 2022 to around 95% in 2024, which corresponds to the lowest value since 2010. In 2024, the projections point to a budget balance close to zero. Regarding external debt, there was also an improvement, with the current account balance registering the highest value in the last ten years, standing at 1.4% of GDP. In this context, the main rating agencies decided to improve the credit rating of the Portuguese republic to an "A" rating.

During the first half of 2024, the worsening of geopolitical risks was notable, namely the escalation of conflicts in Palestine and Ukraine, the political uncertainty experienced, especially in Western countries, as well as the growth of tensions between the main economic blocs.

After a long period of consecutive increases, the European Central Bank carried out its first rate cut this year (25bps on June 7), reducing the deposit rate to 3.75%. However, the ECB revised upwards its projections for GDP growth and inflation, signalling that the process of lowering rates should be gradual. On the other hand, the Fed kept the interest rate unchanged, highlighting the slow reduction in inflation, having, however, revised the projection from three to just one cut in 2024.

The profitability of Portuguese banks is expected to remain robust in 2024, despite the ECB's continued reduction in interest rates in the second half of 2024 and a slight decrease in net interest margin compared to the previous year. Operating costs are expected to increase, reflecting the current inflationary context. However, Portuguese banks must remain efficient, with the system's cost-to-income ratio below 50%.

The cost of risk is expected to maintain its normalization trend, with no significant impact expected from a possible deterioration in asset quality in 2024. Portuguese banks have solid credit granting policies due to the Bank of Portugal's macroprudential recommendations issued in 2018.

Portuguese banks have improved their financing profile over the last decade, with bank deposits representing the majority of their financing

structures. The ratio between credit and deposits is expected to remain below 80% in 2024.

The sector has improved its asset quality and capitalization since 2016 and is now more resilient.

Impact on the Group's activity

In 2024, BCP should maintain a high level of profitability, benefiting from the environment of higher interest rates in the geographies in which it operates, and strict control over the evolution of operating costs. The cost of risk should maintain the normalization trend, even in a context of slowdown in the Portuguese economy, given the level close to full employment.

BCP reinforced its liquidity position in the first half of 2024. The Group's balance sheet resources grew 9.3% in June 2024 compared to the same period last year. Liquidity indicators were in December 2023 well above regulatory requirements: LCR at 296%, NSFR at 175% and Loans-to-Deposits ratio at 67%. The assets available for financing with the ECB stood at 28.9 billion euros. At Group level, the Customer base increased by 4.1%, to more than 6.8 million, with emphasis on the 11% increase in mobile Customers compared to June 2023, which represent 70% of total active Customers of the Group (61% in Portugal). As a result of the higher interest rate environment, demand for credit remains subdued. In 2024, the Bank should continue to present a solid liquidity position.

The BCP Group has been pursuing a path of improving asset quality, particularly in Portugal, with the NPE ratio remaining below 3% at the end of June 2024, which compares with 4% of the stated objective in the Strategic Plan. A significant deterioration in asset quality is not expected even in a scenario of slowing economic activity.

In the 1st half of 2024, BCP managed to demonstrate its organic capital generation capacity, with the CET1 ratio standing at 16.2% and the total capital ratio at 20.6%, representing an increase of 220bp and 226bps compared to the same period of 2023, exceeding the strategic objective established for 2024. In 2024, the Bank does not anticipate any adverse effects in terms of the evolution of the capital ratio, and should continue to generate capital organically, allowing a policy of dividends and distribution to the shareholder aligned with sector practices.

Consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2024 AND 2023

	(Thousands of euros)	
	30 June 2024	30 June 2023 (restated)
Interest and similar income	2,387,479	2,038,806
Interest and similar expense	(989,931)	(664,446)
NET INTEREST INCOME	1,397,548	1,374,360
Dividends from equity instruments	786	1,175
Net fees and commissions income	396,036	387,048
Gains/(losses) on financial operations at fair value through profit or loss	(22,239)	7,689
Foreign exchange gains/(losses)	17,664	10,644
Gains/(losses) on hedge accounting	541	823
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1,329)	107,086
Other operating income/(losses)	(84,298)	(85,507)
TOTAL OPERATING INCOME	1,704,709	1,803,318
Staff costs	339,722	307,971
Other administrative costs	208,555	184,917
Amortisations and depreciations	71,167	68,613
TOTAL OPERATING EXPENSES	619,444	561,501
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,085,265	1,241,817
Results on modification	(60,976)	(11,597)
Impairment of financial assets at amortised cost	(97,102)	(146,359)
Impairment of financial assets at fair value through other comprehensive income	(5,104)	114
Impairment of other assets	(10,551)	(14,093)
Other provisions	(277,144)	(388,125)
NET OPERATING INCOME	634,388	681,757
Share of profit of associates accounted for using the equity method	31,559	27,661
Gains/(losses) on disposal of subsidiaries and other assets	13,913	13,322
NET INCOME BEFORE INCOME TAXES	679,860	722,740
Income taxes		
Current	(71,265)	(126,474)
Deferred	(66,509)	(119,525)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	542,086	476,741
Net income from discontinued or discontinuing operations	—	(9)
NET INCOME AFTER INCOME TAXES	542,086	476,732
Net income for the period attributable to:		
Bank's Shareholders	485,282	423,249
Non-controlling interests	56,804	53,483
NET INCOME FOR THE PERIOD	542,086	476,732
Earnings per share (in Euros)		
Basic	0.063	0.054
Diluted	0.063	0.054

BANCO COMERCIAL PORTUGUÊS
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2024 AND 31 DECEMBER 2023

	(Thousands of euros)	
	30 June 2024	31 December 2023 (restated)
ASSETS		
Cash and deposits at Central Banks	3,710,364	4,545,526
Loans and advances to credit institutions repayable on demand	265,887	337,687
Financial assets at amortised cost		
Loans and advances to credit institutions	847,989	908,477
Loans and advances to customers	53,669,864	53,305,159
Debt securities	19,224,592	17,579,136
Financial assets at fair value through profit or loss		
Financial assets held for trading	2,257,979	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	389,657	440,007
Financial assets designated at fair value through profit or loss	34,138	32,004
Financial assets at fair value through other comprehensive income	13,787,862	10,834,291
Hedging derivatives	62,962	40,628
Investments in associates	438,251	374,414
Non-current assets held for sale	53,166	80,317
Investment property	40,107	39,100
Other tangible assets	595,839	606,447
Goodwill and intangible assets	231,663	223,105
Current tax assets	22,068	20,469
Deferred tax assets	2,462,148	2,554,331
Other assets	1,603,506	1,626,684
TOTAL ASSETS	99,698,042	94,370,686
LIABILITIES		
Financial liabilities at amortised cost		
Resources from credit institutions	1,161,025	829,126
Resources from customers	80,539,643	75,606,813
Non subordinated debt securities issued	2,788,062	2,712,682
Subordinated debt	1,386,090	1,397,425
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	193,077	207,387
Financial liabilities at fair value through profit or loss	3,333,590	3,608,487
Hedging derivatives	36,749	67,825
Provisions	963,210	753,103
Current tax liabilities	114,498	197,085
Deferred tax liabilities	5,838	8,795
Other liabilities	1,549,167	1,691,552
TOTAL LIABILITIES	92,070,949	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	384,402	316,375
Reserves and retained earnings	2,302,206	1,714,083
Net income for the period attributable to Bank's Shareholders	485,282	856,050
Non-controlling interests	1,038,732	987,427
TOTAL EQUITY	7,627,093	7,290,406
TOTAL LIABILITIES AND EQUITY	99,698,042	94,370,686

Alternative performance measures

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

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

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

	Million euros	
	30 Jun. 24	30 Jun. 23
Loans to customers (net) (1)	55,625	56,336
Balance sheet customer funds (2)	83,873	76,733
(1) / (2)	66.3%	73.4%

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	
	6M24	6M23 (restated)
Net income (1)	485	423
Non-controlling interests (2)	57	53
Average total assets (3)	97,544	90,048
[(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	
	6M24	6M23 (restated)
Net income (1)	485	423
Coupons on AT1 Instruments (2)	17	19
Average equity (3)	6,098	5,076
[(1)-(2), annualised] / (3)	15.4%	16.1%

4) Return on tangible equity (ROTE)

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

	Million euros	
	6M24	6M23 (restated)
Net income (1)	485	423
Coupons on AT1 Instruments (2)	17	19
Goodwill impairment (3)	0	0
Adjusted net income (4)=[(1)-(2)+(3)]	468	405
Average equity excluding goodwill and intangible assets (5)	5,873	4,895
[(4), annualised] / (5)	16.0%	16.7%

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	
	6M24	6M23
Operating costs (1)	619	562
of which: specific items (2)	2	12
Net operating revenues (3)	1,750	1,844
of which: specific items (4)	0	127
[(1) - (2)] / [(3) - (4)]	35.3%	32.0%

* Specific items: In the first half of 2024, specific items had a negative impact of 2 million euros, recognised in staff costs in the activity in Portugal. In the first half of 2023, the impact was positive, in the amount of 115 million euros, 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 million euros recognised as net trading income and 9 million euros recognised as other net operating income) and costs of 12 million euros recognised as staff costs in the activity in Portugal.

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	
	6M24	6M23
Loans to customers at amortised cost, before impairment (1)	57,219	57,893
Loan impairment charges (net of recoveries) (2)	97	146
[(2), annualised] / (1)	34	50

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	
	30 Jun. 24	30 Jun. 23
Non-Performing Exposures (1)	1,965	2,142
Loans to customers (gross) (2)	57,224	57,912
(1) / (2)	3.4%	3.7%

8) Total impairment/ Non-performing exposures (NPE)

Relevance of the indicator: it allows the assessment of the relationship between the total balance sheet impairment recognised by the Group and the NPE portfolio.

	Million euros	
	30 Jun. 24	30 Jun. 23
Non-Performing Exposures (1)	1,965	2,142
Total loans impairment (balance sheet) (2)	1,599	1,576
(2) / (1)	81.4%	73.6%

9) Impairments allocated to NPE/ Non-performing exposures (NPE)

Relevance of the indicator: it allows the assessment of the relationship between the impairments allocated to NPE recognised by the Group and the NPE portfolio.

	Million euros	
	30 Jun. 24	30 Jun. 23
Non-Performing Exposures (1)	1,965	2,142
Impairments allocated to NPE (balance sheet) (2)	1,065	1,053
(2) / (1)	54.2%	49.2%

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.

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 associates 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 $\text{Equity} = \text{Equity} - \text{preference shares} - \text{other capital instruments} - \text{non controlling interests}$.

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 $\text{Equity} = \text{Equity} - \text{preference shares} - \text{other capital instruments} - \text{non controlling interests}$.

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.

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 STATEMENT FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2024 AND 2023

(Thousands of euros)

	Notes	30 June 2024	30 June 2023 (restated)
Interest and similar income	2	2,387,479	2,038,806
Interest and similar expense	2	(989,931)	(664,446)
NET INTEREST INCOME		1,397,548	1,374,360
Dividends from equity instruments	3	786	1,175
Net fees and commissions income	4	396,036	387,048
Gains/(losses) on financial operations at fair value through profit or loss	5	(22,239)	7,689
Foreign exchange gains/(losses)	5	17,664	10,644
Gains/(losses) on hedge accounting	5	541	823
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	5	(1,329)	107,086
Other operating income/(losses)	6	(84,298)	(85,507)
TOTAL OPERATING INCOME		1,704,709	1,803,318
Staff costs	7	339,722	307,971
Other administrative costs	8	208,555	184,917
Amortisations and depreciations	9	71,167	68,613
TOTAL OPERATING EXPENSES		619,444	561,501
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS		1,085,265	1,241,817
Results on modification	10	(60,976)	(11,597)
Impairment of financial assets at amortised cost	11	(97,102)	(146,359)
Impairment of financial assets at fair value through other comprehensive income	12	(5,104)	114
Impairment of other assets	13	(10,551)	(14,093)
Other provisions	14	(277,144)	(388,125)
NET OPERATING INCOME		634,388	681,757
Share of profit of associates accounted for using the equity method	15	31,559	27,661
Gains/(losses) on disposal of subsidiaries and other assets	16	13,913	13,322
NET INCOME BEFORE INCOME TAXES		679,860	722,740
Income taxes			
Current	31	(71,265)	(126,474)
Deferred	31	(66,509)	(119,525)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		542,086	476,741
Net income from discontinued or discontinuing operations	17	—	(9)
NET INCOME AFTER INCOME TAXES		542,086	476,732
Net income for the period attributable to:			
Bank's Shareholders		485,282	423,249
Non-controlling interests	44	56,804	53,483
NET INCOME FOR THE PERIOD		542,086	476,732
Earnings per share (in Euros)			
Basic	18	0.063	0.054
Diluted	18	0.063	0.054

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS PERIODS BETWEEN 1 APRIL AND 30 JUNE 2024 AND 2023

	(Thousands of euros)	
	2nd Quarter 2024	2nd Quarter 2023 (restated)
Interest and similar income	1,221,470	1,060,208
Interest and similar expense	(520,159)	(350,399)
NET INTEREST INCOME	701,311	709,809
Dividends from equity instruments	751	1,131
Net fees and commissions income	199,629	191,643
Gains/(losses) on financial operations at fair value through profit or loss	(15,460)	(4,861)
Foreign exchange gains/(losses)	7,831	4,077
Gains/(losses) on hedge accounting	7,950	155
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(2,785)	(4,754)
Other operating income/(losses)	(52,783)	(69,468)
TOTAL OPERATING INCOME	846,444	827,732
Staff costs	174,015	163,634
Other administrative costs	101,599	94,656
Amortisations and depreciations	35,756	34,699
TOTAL OPERATING EXPENSES	311,370	292,989
NET OPERATING INCOME BEFORE PROVISIONS AND IMPAIRMENTS	535,074	534,743
Results on modification	(53,736)	(5,648)
Impairment of financial assets at amortised cost	(24,063)	(65,133)
Impairment of financial assets at fair value through other comprehensive income	(3,667)	(131)
Impairment of other assets	(4,870)	(11,304)
Other provisions	(138,556)	(153,726)
NET OPERATING INCOME	310,182	298,801
Share of profit of associates accounted for using the equity method	21,144	12,788
Gains/(losses) on disposal of subsidiaries and other assets	13,774	3,647
NET INCOME BEFORE INCOME TAXES	345,100	315,236
Income taxes		
Current	(43,899)	(50,175)
Deferred	(15,742)	(39,578)
NET INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS	285,459	225,483
Net income from discontinued or discontinuing operations	—	(9)
NET INCOME AFTER INCOME TAXES	285,459	225,474
Net income for the period attributable to:		
Bank's Shareholders	250,973	207,122
Non-controlling interests	34,486	18,352
NET INCOME FOR THE PERIOD	285,459	225,474

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2024 AND 2023

(Thousands of euros)

	30 June 2024				
	Continuing operations	Discontinued operations	Total	Attributable to	
				Bank's Shareholders	Non- controlling interests
NET INCOME FOR THE PERIOD	542,086	—	542,086	485,282	56,804
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	27,822	—	27,822	16,772	11,050
Reclassification of gains / (losses) to profit or loss (note 5)	(693)	—	(693)	(669)	(24)
Cash flows hedging					
Gains / (losses) for the period	95,113	—	95,113	93,201	1,912
Other comprehensive income from investments in associates and others	13,360	—	13,360	13,351	9
Exchange differences arising on consolidation	31,569	—	31,569	18,521	13,048
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	42	—	42	42	—
Fiscal impact	(35,381)	—	(35,381)	(32,856)	(2,525)
	131,832	—	131,832	108,362	23,470
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	116	—	116	89	27
Associates	4,629	—	4,629	4,629	—
	4,745	—	4,745	4,718	27
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	2,254	—	2,254	2,254	—
Actuarial gains / (losses) for the period					
BCP Group Pension Fund (note 49)	(47,407)	—	(47,407)	(47,407)	—
Pension Funds of foreign subsidiaries and associates	(3,104)	—	(3,104)	(2,826)	(278)
Fiscal impact	10,954	—	10,954	10,959	(5)
	(32,558)	—	(32,558)	(32,302)	(256)
Other comprehensive income / (loss) for the period	99,274	—	99,274	76,060	23,214
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	641,360	—	641,360	561,342	80,018

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	30 June 2023 (restated)				
	Continuing operations	Discontinued operations	Total	Attributable to	
				Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	476,741	(9)	476,732	423,249	53,483
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT (NOTE 43)					
Debt instruments at fair value through other comprehensive income					
Gains / (losses) for the period	127,249	—	127,249	86,999	40,250
Reclassification of gains / (losses) to profit or loss (note 5)	6,210	—	6,210	4,883	1,327
Cash flows hedging					
Gains / (losses) for the period	115,287	—	115,287	94,423	20,864
Other comprehensive income from investments in associates and others	(12,518)	—	(12,518)	(12,516)	(2)
Exchange differences arising on consolidation	35,269	—	35,269	(1,638)	36,907
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	8,009	—	8,009	8,009	—
Fiscal impact	(61,905)	—	(61,905)	(50,072)	(11,833)
	217,601	—	217,601	130,088	87,513
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	6,640	—	6,640	6,580	60
Associates	496	—	496	496	—
	7,136	—	7,136	7,076	60
Changes in own credit risk of financial liabilities at fair value through profit or loss (note 43)	1,234	—	1,234	1,234	—
Actuarial gains / (losses) for the period					
BCP Group Pensions Fund (note 49)	(37,696)	—	(37,696)	(37,696)	—
Pension Funds of foreign subsidiaries and associates	3,820	—	3,820	3,820	—
Fiscal impact	13,566	—	13,566	13,592	(26)
	(11,940)	—	(11,940)	(11,974)	34
Other comprehensive income / (loss) for the period	205,661	—	205,661	118,114	87,547
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	682,402	(9)	682,393	541,363	141,030

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIODS BETWEEN 1 APRIL AND 30 JUNE 2024 AND 2023

(Thousands of euros)

	2nd Quarter 2024				
	Continuing operations	Discontinued operations	Total	Attributable to	
				Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	285,459	—	285,459	250,973	34,486
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	14,925	—	14,925	10,375	4,550
Reclassification of gains / (losses) to profit or loss	(1,387)	—	(1,387)	(1,369)	(18)
Cash flows hedging					
Gains/(losses) for the period	71,425	—	71,425	70,906	519
Other comprehensive income from investments in associates and others	3,440	—	3,440	3,435	5
Exchange differences arising on consolidation	5,006	—	5,006	2,730	2,276
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	246	—	246	246	—
Fiscal impact	(25,373)	—	(25,373)	(24,401)	(972)
	68,282	—	68,282	61,922	6,360
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	(330)	—	(330)	(331)	1
Associates	2,443	—	2,443	2,443	—
	2,113	—	2,113	2,112	1
Changes in own credit risk of financial liabilities at fair value through profit or loss	(226)	—	(226)	(226)	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	(47,407)	—	(47,407)	(47,407)	—
Pension Funds of foreign subsidiaries and associates	(83)	—	(83)	(83)	—
Fiscal impact	11,867	—	11,867	11,867	—
	(33,736)	—	(33,736)	(33,737)	1
Other comprehensive income/(loss) for the period	34,546	—	34,546	28,185	6,361
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	320,005	—	320,005	279,158	40,847

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

(Thousands of euros)

	2nd Quarter 2023 (restated)				
	Continuing operations	Discontinued operations	Total	Attributable to	
				Bank's Shareholders	Non-controlling interests
NET INCOME FOR THE PERIOD	225,483	(9)	225,474	207,122	18,352
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Debt instruments at fair value through other comprehensive income					
Gains/(losses) for the period	36,955	—	36,955	26,407	10,548
Reclassification of gains / (losses) to profit or loss	5,378	—	5,378	4,826	552
Cash flows hedging					
Gains/(losses) for the period	(24,171)	—	(24,171)	(32,629)	8,458
Other comprehensive income from investments in associates and others	(1,512)	—	(1,512)	(1,525)	13
Exchange differences arising on consolidation	47,533	—	47,533	7,212	40,321
IAS 29 application					
Effect on equity of Banco Millennium Atlântico, S.A.	7,625	—	7,625	7,625	—
Fiscal impact	(603)	—	(603)	3,085	(3,688)
	71,205	—	71,205	15,001	56,204
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Equity instruments at fair value through other comprehensive income					
Subsidiaries	324	—	324	226	98
Associates	496	—	496	496	—
	820	—	820	722	98
Changes in own credit risk of financial liabilities at fair value through profit or loss	(7,597)	—	(7,597)	(7,597)	—
Actuarial gains/(losses) for the period					
BCP Group Pensions Fund	(37,696)	—	(37,696)	(37,696)	—
Fiscal impact	16,154	—	16,154	16,180	(26)
	(28,319)	—	(28,319)	(28,391)	72
Other comprehensive income/(loss) for the period	42,886	—	42,886	(13,390)	56,276
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	268,369	(9)	268,360	193,732	74,628

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2024 AND 31 DECEMBER 2023

(Thousands of euros)

	Notes	30 June 2024	31 December 2023 (restated)
ASSETS			
Cash and deposits at Central Banks	19	3,710,364	4,545,526
Loans and advances to credit institutions repayable on demand	20	265,887	337,687
Financial assets at amortised cost			
Loans and advances to credit institutions	21	847,989	908,477
Loans and advances to customers	22	53,669,864	53,305,159
Debt securities	23	19,224,592	17,579,136
Financial assets at fair value through profit or loss			
Financial assets held for trading	24	2,257,979	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	24	389,657	440,007
Financial assets designated at fair value through profit or loss	24	34,138	32,004
Financial assets at fair value through other comprehensive income	24	13,787,862	10,834,291
Hedging derivatives	25	62,962	40,628
Investments in associates	26	438,251	374,414
Non-current assets held for sale	27	53,166	80,317
Investment property	28	40,107	39,100
Other tangible assets	29	595,839	606,447
Goodwill and intangible assets	30	231,663	223,105
Current tax assets	31	22,068	20,469
Deferred tax assets	31	2,462,148	2,554,331
Other assets	32	1,603,506	1,626,684
TOTAL ASSETS		99,698,042	94,370,686
LIABILITIES			
Financial liabilities at amortised cost			
Resources from credit institutions	33	1,161,025	829,126
Resources from customers	34	80,539,643	75,606,813
Non subordinated debt securities issued	35	2,788,062	2,712,682
Subordinated debt	36	1,386,090	1,397,425
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	37	193,077	207,387
Financial liabilities at fair value through profit or loss	38	3,333,590	3,608,487
Hedging derivatives	25	36,749	67,825
Provisions	39	963,210	753,103
Current tax liabilities	31	114,498	197,085
Deferred tax liabilities	31	5,838	8,795
Other liabilities	40	1,549,167	1,691,552
TOTAL LIABILITIES		92,070,949	87,080,280
EQUITY			
Share capital	41	3,000,000	3,000,000
Share premium	41	16,471	16,471
Other equity instruments	41	400,000	400,000
Legal and statutory reserves	42	384,402	316,375
Reserves and retained earnings	43	2,302,206	1,714,083
Net income for the period attributable to Bank's Shareholders		485,282	856,050
Non-controlling interests	44	1,038,732	987,427
TOTAL EQUITY		7,627,093	7,290,406
TOTAL LIABILITIES AND EQUITY		99,698,042	94,370,686

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2024 AND 2023

(Thousands of euros)

	30 June 2024	30 June 2023
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	1,845,494	1,660,965
Commissions received	541,106	496,247
Fees received from services rendered	60,346	48,384
Interests paid	(828,158)	(588,522)
Commissions paid	(109,607)	(104,675)
Recoveries on loans previously written off	56,295	11,082
Payments (cash) to suppliers and employees (*)	(707,483)	(606,714)
Income taxes (paid) / received	(142,576)	(32,448)
	715,417	884,319
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	173,786	55,139
Deposits held with purpose of monetary control	(109,337)	338,941
Loans and advances to customers receivable / (granted)	(566,275)	135,488
Short term trading securities	(1,470,711)	(561,360)
Increase / (decrease) in operating liabilities:		
Loans and advances to credit institutions repayable on demand	(48,129)	(16,840)
Deposits from credit institutions with agreed maturity date	378,258	635,489
Loans and advances to customers repayable on demand	731,148	(1,986,618)
Deposits from customers with agreed maturity date	3,775,446	1,358,283
	3,579,603	842,841
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Assignment of investments in subsidiaries and associates which results in loss of control	—	112,765
Dividends received	54,840	9,896
Interest income from financial assets at fair value through other comprehensive income and at amortised cost	467,660	248,877
Sale of financial assets at fair value through other comprehensive income and at amortised cost	1,441,735	930,458
Acquisition of financial assets at fair value through other comprehensive income and at amortised cost	(81,145,432)	(61,195,796)
Maturity of financial assets at fair value through other comprehensive income and at amortised cost	75,163,174	57,260,828
Acquisition of tangible and intangible assets	(46,037)	(37,752)
Sale of tangible and intangible assets	2,104	(14,674)
Decrease / (increase) in other sundry assets	(40,561)	(213,261)
	(4,102,517)	(2,898,659)
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of debt securities	70,101	4,984
Reimbursement of debt securities	(183,310)	(97,933)
Issuance of commercial paper and other securities	33,645	4,105
Reimbursement of commercial paper and other securities	(4,436)	(10,970)
Issuance of Perpetual Subordinated Bonds in January 2024, net of expenses (Additional Tier 1)	397,600	—
Reimbursement of Perpetual Subordinated Bonds issued in January 2019, net of expenses (Additional Tier 1)	(400,000)	—
Dividends paid to Bank's shareholders	(256,938)	—
Dividends paid to non-controlling interests	(28,727)	(23,719)
Interest paid of the issue of Perpetual Subordinated Bonds (Additional Tier 1)	(17,375)	(18,500)
Increase / (decrease) in other sundry liabilities and non-controlling interests (**)	(26,177)	50,320
	(415,617)	(91,713)
Exchange differences effect on cash and equivalents	31,569	35,269
Net changes in cash and equivalents	(906,962)	(2,112,262)
Cash (note 19)	688,501	593,033
Deposits at Central Banks (note 19)	3,857,025	5,428,968
Loans and advances to credit institutions repayable on demand (note 20)	337,687	213,460
CASH AND EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,883,213	6,235,461
Cash (note 19)	590,279	575,551
Deposits at Central Banks (note 19)	3,120,085	3,308,787
Loans and advances to credit institutions repayable on demand (note 20)	265,887	238,861
CASH AND EQUIVALENTS AT THE END OF THE PERIOD	3,976,251	4,123,199

(*) As at 30 June 2024, this balance includes the amount of Euros 89,000 (30 June 2023: Euros 196,000) related to short-term lease contracts and the amount of Euros 1,160,000 (30 June 2023: Euros 1,283,000) related to lease contracts of low value assets.

(**) As at 30 June 2024, this balance includes the amount of Euros 28,539,000 (30 June 2023: Euros 27,439,000) 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 SIX MONTHS PERIODS ENDED 30 JUNE 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 44)	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
Effect of the revision of Millenniumbcp Ageas' equity for the financial year 2022, associated with the application of IFRS9 and IFRS 17 (note 43)	—	—	—	—	(9,092)	—	—	(9,092)
BALANCE AS AT 1 JANUARY 2023	3,000,000	16,471	400,000	268,534	1,263,170	197,386	782,114	5,927,675
Net income for the period	—	—	—	—	—	423,249	53,483	476,732
Other comprehensive income	—	—	—	—	118,114	—	87,547	205,661
TOTAL COMPREHENSIVE INCOME	—	—	—	—	118,114	423,249	141,030	682,393
Results application:								
Legal reserve	—	—	—	47,841	(47,841)	—	—	—
Transfers for reserves and retained earnings	—	—	—	—	197,386	(197,386)	—	—
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—	—	—	(18,500)	—	—	(18,500)
Dividends (a)	—	—	—	—	—	—	(23,719)	(23,719)
Other reserves	—	—	—	—	(14)	—	44	30
BALANCE AS AT 30 JUNE 2023 (RESTATED)	3,000,000	16,471	400,000	316,375	1,512,315	423,249	899,469	6,567,879
Net income for the period	—	—	—	—	—	432,801	38,076	470,877
Other comprehensive income	—	—	—	—	220,333	—	49,966	270,299
TOTAL COMPREHENSIVE INCOME	—	—	—	—	220,333	432,801	88,042	741,176
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—	—	—	(18,500)	—	—	(18,500)
Other reserves	—	—	—	—	(65)	—	(84)	(149)
BALANCE AS AT 31 DECEMBER 2023 (RESTATED)	3,000,000	16,471	400,000	316,375	1,714,083	856,050	987,427	7,290,406
Net income for the period	—	—	—	—	—	485,282	56,804	542,086
Other comprehensive income	—	—	—	—	76,060	—	23,214	99,274
TOTAL COMPREHENSIVE INCOME	—	—	—	—	76,060	485,282	80,018	641,360
Results application:								
Legal reserve (note 42)	—	—	—	68,027	(68,027)	—	—	—
Transfers for reserves and retained earnings	—	—	—	—	856,050	(856,050)	—	—
Dividends paid	—	—	—	—	(256,938)	—	—	(256,938)
Interest of Perpetual Subordinated Bonds (Additional Tier 1)	—	—	—	—	(17,375)	—	—	(17,375)
Early repayment of the Perpetual Subordinated Bonds AT1 issued in January 2019 (note 41)	—	—	(400,000)	—	—	—	—	(400,000)
Perpetual Subordinated Bonds AT1 issued in January 2024 (note 41)	—	—	400,000	—	—	—	—	400,000
Costs with the Perpetual Subordinated Bonds 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	—	—	—	—	2	—	14	16
BALANCE AS AT 30 JUNE 2024	3,000,000	16,471	400,000	384,402	2,302,206	485,282	1,038,732	7,627,093

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

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

1. Accounting policies

A. Basis of presentation

Banco Comercial Português, S.A. (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these interim condensed consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the six-months ended 30 June 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 interim condensed consolidated financial statements and the accompanying notes were approved on 9 August 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 interim condensed consolidated financial statements for the six-month period ended on 30 June 2024 were prepared for the purpose of recognition and measurement, in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and, therefore, they do not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that they should be read with the consolidated financial statements with reference to 31 December 2024.

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

A1. Comparative information

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 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. Investment properties recognised on the Group's balance sheet are also recognised at fair value. 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.

As disclosed in note 43 - Reserves and retained earnings, on 1 January 2023, the Group made a correction to the item Reserves and retained earnings in the amount of Euros 9,092,000, correcting the transition adjustments related to IFRS 17 and IFRS 9 of its shareholding in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.

The Group also verified compliance with the requirements that determined the acquisition of significant influence in Lusofundo - Fundo de Investimento Imobiliário Fechado and Fundo Especial de Investimento Imobiliário Fechado Eurofundo in the amount of Euros 18,780,000 and Euros 8,467,000, respectively, being recognised under the item of Investments in associates (note 26) against the item of Financial assets at fair value through profit and loss (note 24). This accounting reclassification also led to the reclassification of the respective results in the first half of 2023 in the amount of Euros 1,761,000.

B. Basis of consolidation

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

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

B1. Investments in subsidiaries

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

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

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

B2. Investments in associates

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

B4. Purchases and dilution of non-controlling interests

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

B5. Loss of control

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

B6. Investments in foreign subsidiaries and associates

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

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

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

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

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

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

When the classification as a hyperinflationary economy is applied to associates, 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 recorded 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 derecognised instruments having a nominal value higher than 90% of the nominal amount of the new instrument;
- Double extension of the residual maturity, provided that the extension is not shorter than 3 years compared to the residual maturity in the moment of the modification;
- Increase of on balance exposure by more than 10% compared to the nominal amount (refers to the last approved amount on the operation subject to modification);
- Change in qualitative features, namely:
 - i) Change of currency, unless the exchange rate between the old and the new currency is pegged or managed within limits restricted by law or the relevant monetary authorities;
 - ii) Exclusion or addition of a substantial equity conversion feature to a debt instrument, unless it is not reasonably possible that it will be exercised over its term;
 - iii) Transfer of the instrument's credit risk to another borrower, or a significant change in the structure of borrowers within the instrument.
 - iv) Deletion or addition to the debt instrument of features of the "Pay If You Can" type or dependent on the financial performance of the debt instrument.

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

Under the regulatory changes that occurred in Poland and the negotiations with customers holding mortgage loans in foreign currency described in note 57, and which correspond to contractual modifications made in accordance with IFRS 9, when the cash flows resulting from the agreement are subject to modification and a given asset is not derecognised, Bank Millennium adjusts the gross book value of the financial asset and recognises the profit or loss due to the modification in the Income Statement - Results on modification. The adjustment to the gross carrying amount of a financial asset is the difference between the discounted cash flows before and after contract modification.

Loans written-off

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

C1.4. Purchased or originated credit-impaired assets

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

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

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

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

C1.5. Impairment losses

C1.5.1. Financial instruments subject to impairment losses recognition

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

C1.5.1.1. Financial assets at amortised cost

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

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

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

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

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

C1.5.2. Classification of financial instruments by stages

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

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

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

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

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

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

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

a) Delay over 90 days of material payment:

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

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

The existence of a material payment delay gives rise to the default setting 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 125
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 124
	Groups or customers with an exposure over Euros 5 million, if a member of the group has a restructured loan and a risk grade 123
	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 latest revision of the questionnaire analysing the signs 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 point 4 above, involving corporate customers, the analysis is the responsibility of the Rating Division, and the responsibility of the Credit Division for the remaining customers.
6. For the situations identified in the second paragraph of point 4 above, the individual analysis to determine the loss is the responsibility of the customer'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;
 - 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 points 5 and 6 to consider in their projection macroeconomic expectations that may influence the recoverability of the debt.
12. For the purposes of the preceding paragraphs, the Bank's Economic Studies Area 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 115 of the Master Scale.
17. The individual impairment analysis must be carried out annually and may be lower for customers 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.

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 and similar expense" 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 and similar expense", 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 and similar expense" (net interest income) through the effective interest rate method. Interest related to financial assets at fair value through other comprehensive income is also recognised in net interest income.

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

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

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

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

C4. Hedge accounting

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

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

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

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

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

C4.1. Fair value hedge

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

C4.2. Cash flow hedge

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

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

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

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

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

C4.3. Hedge effectiveness

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

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

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

C5. Embedded Derivatives

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

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

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

D. Securitization operations

D1. Traditional securitizations

As at 30 June 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 Special Purpose Entity (SPE) issued and sold in capital markets the different tranches of bonds.

D2. Synthetic securitizations

As at 30 June 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 Corporate customers, in the form of current accounts overdrafts, authorised overdrafts and confirming agreements.

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.

E. Equity instruments

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

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

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

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

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

F. Securities borrowing and repurchase agreement transactions

F1. Securities borrowing

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

F2. Repurchase agreements

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

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

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

If the requirements set out in IFRS 5 for these assets are not met, the balance sheet value and respective impairment are reflected in the caption "Other assets". In 2023, a group of properties was reclassified, as described in notes 27 and 32.

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

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

G1. Non-operating real estate (INAE)

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

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

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

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

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

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

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

H. Lease transactions (IFRS 16)

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

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

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

Lease definition

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

Impacts from the lessee's perspective

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

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

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

Subsequently, lease payments are measured as follows:

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

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

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

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

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

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

- in the consolidated income statement:
 - (i) recording in "Interest Income" the interest expenses related to lease liabilities;
 - (ii) recording in "Other administrative costs" the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
 - (iii) recording in "Amortisations and depreciations" the depreciation expenses related to right-to-use assets.
- in the consolidated balance sheet:
 - (i) recording in "Financial assets at amortised cost - Loans and advances to customers" the recognition of financial assets related to sublease operations measured accordingly to IFRS 9;
 - (ii) recording in "Other tangible assets" the recognition of right-to-use assets; and,
 - (iii) recording in "Other liabilities" the amount of recognised lease liabilities.
- in the consolidated statement of cash flows, the balance "Cash flows arising from operating activities - Payments (cash) to suppliers and employees" includes amounts related to short-term lease contracts and to lease contracts of low-value assets, and the balance "Cash flows arising from financing activities - Decrease in other sundry liabilities and non-controlling interests" includes amounts related to payments of lease liabilities' capital portions, as detailed in the consolidated statement of cash flows.

Impact from the lessor's perspective

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

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

Subleases

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

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

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

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

I. Recognition of income from services and commissions

In accordance with IFRS 15, the Group recognises 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 Group takes the following steps to recognise 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 Group also identifies whether performance obligations are met over time (“over time”) or at an exact moment (“point in time”), with revenue being recognised accordingly.

- Measurement (price to be recognised 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 Group expects to be entitled in exchange for transferring promised services to the customer, excluding amounts collected on behalf of third parties. The Group 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 recognised 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 a maturity of less than three months from the date of acquisition, 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 30 June 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, which was carried out in May 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 30 June 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. For the members with variable remuneration awarded greater than two thirds of the fixed annual remuneration earned in the financial year in question, 60% of the amount must be deferred. 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 (KFH), 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. For the KFH with variable remuneration awarded greater than two thirds of the fixed annual remuneration earned in the financial year in question, 60% of the amount must be deferred. 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 (LTVR) 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. If the LTVR of each member or KFH, equal to or greater than two thirds of the annual fixed remunerations due in the LTVR valuation period, the deferred amount will correspond to 60%. 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 recorded 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 from the shareholding 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 recognised 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 records 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 model, 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 recognised immediately.

The liability for future services in contracts measured using the premium allocation approach is based on premiums received, less amounts recognised 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 recognised 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 analyse: (i) concentration risk, (ii) sensitivity analysis to the most significant risks, (iii) claims development, (iv) credit risk and (v) liquidity risk.

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 recognised 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 recognised 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 recognised 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 Other 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 recognised specialized entities and which are based, as defined by IAS 19, on market yields of a universe of high quality bond issues (low risk), different maturities, called in Euros and relating to a diverse and representative range of issuers (non-sovereign).

Y6. Financial instruments - IFRS 9

Y6.1. Classification and measurement

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

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

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

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

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

Significant increase in credit risk:

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

In order to comply with the Supervisors' guidelines, namely regarding to the identification and measurement of credit risk in the context of uncertainty associated with the current geopolitical crises, the disruption in distribution chains, rising energy costs and inflationary pressures and higher interest rate levels, the Group 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 may be filed within the specified (three-year) time horizon; (ii) the currently estimated amount of Bank Millennium's potential loss in the event of a specific court judgment; (iii) the probability of obtaining a specific court judgment calculated on the basis of statistics of judgments in cases where Bank Millennium is a party and legal opinions obtained; (iv) customer behaviours monitoring as regards the number of future court cases (v) estimates involved with amicable settlements with customers, 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 customers, concluded in court or out of court.

Z. Subsequent events

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

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

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

2. Net interest income

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Interest and similar income		
Interest on deposits at Central Banks and on loans and advances to credit institutions repayable on demand	52,596	44,460
Interest on financial assets at amortised cost		
Loans and advances to credit institutions	40,870	31,390
Loans and advances to customers	1,592,424	1,551,534
Debt securities	303,929	218,042
Interest on financial assets at fair value through profit or loss		
Financial assets held for trading	22,827	22,933
Financial assets not held for trading mandatorily at fair value through profit or loss	391	1,504
Financial assets designated at fair value through profit or loss	464	37
Interest on financial assets at fair value through other comprehensive income	242,387	129,629
Interest on hedging derivatives	122,499	31,229
Interest on other assets	9,092	8,048
	2,387,479	2,038,806
Interest and similar expense		
Interest on financial liabilities at amortised cost		
Resources from credit institutions	(25,308)	(20,764)
Resources from customers	(595,173)	(400,296)
Non subordinated debt securities issued	(86,377)	(31,001)
Subordinated debt	(41,138)	(41,616)
Interest on financial liabilities at fair value through profit or loss		
Financial liabilities held for trading		
Derivatives	(24,822)	(13,853)
Financial liabilities at fair value through profit or loss		
Resources from customers	(5,887)	—
Non subordinated debt securities issued	(182)	(277)
Interest on hedging derivatives	(204,743)	(150,660)
Interest on leasing	(6,162)	(5,911)
Interest on other liabilities	(139)	(68)
	(989,931)	(664,446)
	1,397,548	1,374,360

The balance Interest and similar income - Interest on financial assets at amortised cost - Loans and advances to customers includes the amount of Euros 43,735,000 (30 June 2023: Euros 27,984,000) 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 37,506,000 (30 June 2023: Euros 38,027,000) 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 amortised cost - Loans and advances to customers, negative interest of Euros 142,273,000 (30 June 2023: positive interests of Euros 13,780,000), Interest on financial assets at amortised cost - Debt securities, positive interests of Euros 32,348,000 (30 June 2023: positive interests of Euros 31,785,000), Interest on financial assets at fair value through other comprehensive income, positive interests of Euros 104,000 (30 June 2023: positive interests of Euros 2,542,000), no hedge breaks were recorded for customer's deposits.

The increase recorded in the balance Interest on financial assets at fair value through other comprehensive income mainly reflects the impact of the increase in the balance of the securities portfolio, resulting from the increase in liquidity investments in public debt securities at both BCP and Bank Millennium S.A.

The evolution of the balance Interest on customer resources and other loans, compared to the first half of 2023, mainly reflects the contribution of the activity in Portugal, mainly influenced by the increases in interest rates in the last year, but also, although less significantly, by the increase in the balance of interest-bearing deposits in that period.

The balances Interest and similar expense - Interest on non-subordinated debt securities issued and Interest on subordinated debt include the amount of Euros 1,738,000 and Euros 398,000, respectively (30 June 2023: Euros 1,466,000 and Euros 290,000, 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 and similar expense - Interest on leasing refers to the interest cost related to the leasing liabilities recognised under IFRS 16, as referred in accounting policy described 1 H.

3. Dividends from equity instruments

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Dividends from financial assets through other comprehensive income	786	1,175
	786	1,175

In the first half of 2023, the balances Dividends from financial assets through other comprehensive income include dividends from shares of Tiicc, Sarl in the amount of Euros 500,000. This balance also includes income from investment fund units received during the period.

4. Net fees and commissions income

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Fees and commissions received		
Banking services provided	257,640	236,951
Management and maintenance of accounts	84,746	84,406
Bancassurance	59,049	64,316
Securities operations	39,077	34,196
From guarantees granted	23,436	25,177
From commitments to third parties	2,600	2,660
Management and intervention commissions	11,971	11,633
Other commissions	10,973	10,681
	489,492	470,020
Fees and commissions paid		
Banking services provided by third parties	(71,303)	(62,998)
Securities operations	(4,302)	(4,251)
From guarantees received	(3,127)	(4,292)
Other commissions	(14,724)	(11,431)
	(93,456)	(82,972)
	396,036	387,048

5. Gains / (losses) on financial operations

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023 (restated)
Gains/(losses) on financial operations at fair value through profit or loss		
Gains/(losses) on financial assets held for trading	104,511	101,448
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss	6,708	4,616
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	(133,458)	(98,375)
	(22,239)	7,689
Foreign exchange gains/(losses)	17,664	10,644
Gains/(losses) on hedge accounting	541	823
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(1,329)	107,086
	(5,363)	126,242

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

	(Thousands of euros)	
	30 June 2024	30 June 2023 (restated)
Gains/(losses) on financial assets held for trading		
Gains		
Debt securities portfolio	5,282	7,412
Equity instruments	22,575	10,345
Derivative financial instruments	333,865	209,784
Other operations	551	740
	362,273	228,281
Losses		
Debt securities portfolio	(4,305)	(4,609)
Equity instruments	(22,269)	(9,312)
Derivative financial instruments	(230,970)	(112,523)
Other operations	(218)	(389)
	(257,762)	(126,833)
	104,511	101,448

(continues)

(continued)

(Thousands of euros)

	30 June 2024	30 June 2023 (restated)
Gains/(losses) on financial assets not held for trading mandatorily at fair value through profit or loss		
<i>Gains</i>		
Loans and advances to customers	1,319	1,823
Debt securities portfolio	14,298	33,377
Equity instruments	6,143	941
	<u>21,760</u>	<u>36,141</u>
<i>Losses</i>		
Loans and advances to customers	(487)	(2,308)
Debt securities portfolio	(6,546)	(25,849)
Equity instruments	(8,019)	(3,368)
	<u>(15,052)</u>	<u>(31,525)</u>
	<u>6,708</u>	<u>4,616</u>
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss		
<i>Gains</i>		
Debt securities portfolio	31	—
Resources from customers	18,051	13,979
Debt securities issued		
Certificates and structured securities issued	37,490	24,406
Other debt securities issued	37	116
	<u>55,609</u>	<u>38,501</u>
<i>Losses</i>		
Debt securities portfolio	(388)	(103)
Resources from customers	(19,943)	(1,009)
Debt securities issued		
Certificates and structured securities issued	(163,228)	(131,639)
Other debt securities issued	(5,508)	(4,125)
	<u>(189,067)</u>	<u>(136,876)</u>
	<u>(133,458)</u>	<u>(98,375)</u>

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)	
	30 June 2024	30 June 2023 (restated)
Foreign exchange gains/(losses)		
Gains	1,848,300	1,643,571
Losses	(1,830,636)	(1,632,927)
	17,664	10,644
Gains/(losses) on hedge accounting		
<i>Gains</i>		
Hedging derivatives	180,603	60,840
Hedged items	141,642	52,227
	322,245	113,067
<i>Losses</i>		
Hedging derivatives	(193,061)	(99,404)
Hedged items	(128,643)	(12,840)
	(321,704)	(112,244)
	541	823
Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss		
<i>Gains</i>		
Credit sales	2,830	384
Debt securities portfolio at fair value through other comprehensive income	1,375	1,576
Debt securities issued	1,026	764
Others	1,087	119,786
	6,318	122,510
<i>Losses</i>		
Credit sales	(4,141)	(6,992)
Debt securities portfolio at fair value through other comprehensive income	(682)	(7,786)
Debt securities issued	(736)	(466)
Others	(2,088)	(180)
	(7,647)	(15,424)
	(1,329)	107,086

The main contributions for the balance Gains/(losses) on hedge accounting were the gain of Euros 6,569,000 and a loss of Euros 5,150,000 relating to the deposit's portfolio hedge and portfolio of non-subordinated debt securities issued, respectively.

Regarding the sale of financial assets at fair value through other comprehensive income subject to hedge accounting, the balance Gains/(losses) arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss - Debt securities portfolio at fair value through other comprehensive income, includes a net gain of Euros 1,530,000 (30 June 2023: net gain Euros 782,000), which is offset in the balance Gains/(losses) on hedge accounting.

On 13 February 2023, the Bank concluded an agreement ("Agreement") for the sale of 80% of shares in Millennium Financial Services sp. z o. o. ("Company") to Towarzystwo Ubezpieczeń na Życie Europa S.A., which acquires 72% of the Company's shares, and Towarzystwo Ubezpieczeń Europa S.A., which acquires 8% of the Company's shares (collectively, the "Buyers").

Bank Millennium also concluded agreements with the Buyers and the Company regarding the exclusive insurance distribution model, including cooperation agreements, distribution agreements and agency agreements. Strategic insurance cooperation provides for long-term (10 years) cooperation in the field of bancassurance in relation to specific insurance related to credit products offered by the Bank Millennium.

The essence of the transaction provided for in the Agreement was the direct purchase of Shares by the Buyers from the Bank for a defined initial price, which could be subject to a price adjustment mechanism after the closing of the Transaction.

On 29 March 2023, 80% of the shares in the company were transferred to the Buyers, and the final settlement of the transaction, together with the price adjustment, took place in December 2023.

The caption "Gains arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss - Others" included, in the first half of 2023, the amount of Euros 119,625,000 corresponding to:

- a gain on the sale of the Entity in the amount of approximately Euros 108 million (around PLN 499.9 million), corresponding to the payment of the sale price less the book value of the shares sold;
- the valuation of derivative resulting from potential future earnouts payments, in the amount of Euros 11.6 million (PLN 54 million).

6. Other operating income / (losses)

The amount of this account is comprised of

	(Thousands of euros)	
	30 June 2024	30 June 2023
Operating income		
Gains on leasing operations	6,221	1,917
Income from services provided	15,937	14,929
Rents	965	835
Sales of cheques and others	3,711	4,511
Other operating income	35,741	26,402
	62,575	48,594
Operating costs		
Donations and contributions	(2,327)	(2,240)
Contribution to the banking sector	(32,997)	(44,807)
Contributions to Resolution Funds	(20,604)	(22,457)
Contribution to the Single Resolution Fund	—	(17,729)
Contributions to the Deposit Guarantee Fund	(366)	(611)
Special tax on the polish banking sector	(8,007)	—
Taxes	(6,859)	(8,723)
Losses on financial leasing operations	(33)	(5)
Other operating costs	(75,680)	(37,529)
	(146,873)	(134,101)
	(84,298)	(85,507)

The balance Contribution to the banking sector in Portugal is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contributions to Resolution Funds includes the periodic contributions that must be paid to the Portuguese Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile based on the objective incidence of those contributions. The period contributions affect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contributions to Resolution Funds also includes the mandatory contributions made by Bank Millennium, S.A to the Bank Guarantee Fund in Poland. The current principles of financing the deposit guarantee system and resolution in Poland, as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee system and forced restructuring, and are effective from 2017.

The method of calculating contributions regarding the resolution fund of banks in Poland was defined in the Delegated Regulation of the European Commission No. 2015/63 (amended by regulation 2016/1434), which applies directly to all European Union countries. The contribution for a given year from each entity is calculated by BFG in accordance with this regulation and the entity is notified by 1 May, each year.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF consider the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) No 2015/63 and European Parliament and of the Council Regulation (EU) No 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

In the first half of 2024, no contribution was made to the Single Resolution Fund attributable to the Group (BCP and ActivoBank) according to information from the SRB - Single Resolution Board of 15 February 2024, which states that the financial means available in the Single Resolution Fund as at 31 December 2023 have already reached the target level of at least 1% of covered deposits held in the Member States participating in the Single Resolution Mechanism, as set in Article 69 (1) of Regulation (EU) No. 806/2014.

In the first half of 2023, the total value of the contribution to the Single Resolution Fund attributable to the Group (BCP and ActivoBank) amounted to Euros 22,861,000. The Group delivered the amount of Euros 17,729,000 to the Single Resolution Fund and chose to constitute an irrevocable commitment in the amount of Euros 5,132,000, under the terms set out in Decree-Law no. 24/2013, of 19 February. As a guarantee of the assumption of the irrevocable payment commitment made in the year with the Single Resolution Fund, a deposit was set up for this purpose, in the amount of Euros 5,132,000, which is fully secured and accounted for in Other assets - Deposit account applications (note 32).

In the first half of 2024 and 2023, the accumulated irrevocable payments commitments constituted in the amount of Euros 30,638,000, are accounted in off-balance sheet items (note 45) and are fully collateralized by assets recorded in Other assets - Deposit account applications (note 32).

In the first half of 2024, the total value of the contribution to the Deposit Guarantee Fund attributable to the Group (BCP and ActivoBank) amounted to Euros 229,000 (30 June 2023: Euros 538,000), with the Group delivering the entire contribution to the Deposit Guarantee Fund. Until 2011, inclusive, under the terms set out in Banco de Portugal Notice No. 11/94, the Bank could choose to deliver part of the contribution to the Deposit Guarantee Fund and the other part to constitute an irrevocable payment commitment. As a guarantee of the assumption of irrevocable payment commitments assumed until 2012 with the Deposit Guarantee Fund, a security pledge has been created for this purpose, in the amount of Euros 98,316,000 (30 June 2023: Euros 99,093,000). The accumulated irrevocable payment commitments constituted amount to Euros 95,190,000 and are accounted for in off-balance sheet items (note 45).

Regarding the irrevocable commitments of the Single Resolution Fund and the Deposit Guarantee Fund, the Bank considered that they qualify as contingent liabilities under IAS 37, meaning that no liabilities or provisions were recorded for this purpose.

Regarding the item Special tax on the polish banking sector, as a result of the implementation of the Recovery Plan from July 2022, Bank Millennium S.A. benefited from the exemption from the special tax on the polish banking sector in 2023. As described in note 47, Bank Millennium S.A. took the decision to complete the implementation of the Recovery Plan, on 19 June 2024, no longer benefiting from the exemption from this tax.

7. Staff costs

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Remunerations	273,394	254,232
Mandatory social security charges		
Post-employment benefits (note 49)		
Service cost	(4,880)	(4,766)
Net interest cost / (income) in the liability coverage balance	(3,273)	(8,816)
Cost with early retirement programs	2,410	1,288
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	—	(9)
	(5,743)	(12,303)
Other mandatory social security charges	61,405	56,922
	55,662	44,619
Voluntary social security charges	7,516	7,921
Other staff costs	3,150	1,199
	339,722	307,971

As at 30 June 2023, the balance Remunerations included the amount of Euros 9,740,000 related to the distribution of profits to Bank's employees.

In the first half of 2024, the Group paid severance payments in the amount of 1,635,000 (30 June 2023: Euros 1,806,000), of which the highest amounted to Euros 381,000 (30 June 2023: Euros 565,000).

Remunerations

In compliance with the provisions of Article 47 of Banco de Portugal Notice no. 3/2020, quantitative information is disclosed regarding the remuneration paid to different categories of members of governing bodies and categories of employees provided for in Article 115 C no. 2 of the RGICS, as well as the information provided for in Article 450 g) to i) of Regulation (EU) 2019/876 of the European Parliament and of the Council.

A. BCP Board of Directors

The fixed remuneration and social charges paid to members of the Board of Directors of Banco Comercial Português, S.A. are analysed as follows:

(Thousands of euros)				
	Board of Directors			
	Executive Committee		Non-executive directors	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Fixed remuneration	1,622	1,528	1,016	995
Variable remuneration				
Pecuniary	692	461	—	—
Shares	856	460	—	—
Deferred	1,037	534	—	—
Supplementary retirement pension	324	305	108	69
Post-employment benefits	(8)	(14)	—	—
Other mandatory social security charges	389	367	232	237
	4,912	3,641	1,356	1,301
Number of beneficiaries	6	6	11	11

Considering that the remuneration of members of the Executive Committee and Directors, with an exclusivity contract, intends to compensate the functions that are performed in the Bank and in all other functions performed in subsidiaries or governing bodies for which they have been designated by indication or in representation of the Bank, in the latter case, the net amount of the remuneration annually received by each member of the Executive Committee will be deducted from the fixed annual remuneration attributed by the Bank, ensuring that the effective payable amount corresponds to the one approved by the Remuneration and Welfare Board.

The amount of remuneration paid to the Executive Committee includes the amount of Euros 45,000 (30 June 2023: Euros 45,000) supported by subsidiaries or companies whose governing bodies represent the Group's interests. Regarding the Non-executive directors, this amount was Euros 11,000 (30 June 2023: Euros 11,000).

In 2024, it was assigned variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2023, as described in accounting policies 1 R4 and 1 R5.

In the first half of 2024, the variable remuneration attributed was Euros 1,384,000 in cash, of which Euros 692,000 are deferred for 5 years, and 4,684,579 shares corresponding to Euros 2,769,000, of which 2,342,290 shares are deferred for 5 years.

In the first half of 2024, the deferred variable remuneration paid refers to the years 2022, 2021, 2020, 2019 and 2018, of which Euros 224,000 in cash and 2,225,180 BCP shares in the amount of Euros 813,000.

In 2023, it was assigned variable remuneration in accordance with the remuneration policies for the members of the management and supervisory bodies and for employees, approved for 2022, as described in accounting policies 1 R4 and 1 R5.

In the first half of 2023, the variable remuneration attributed was Euros 923,000 in cash, of which Euros 463,000 are deferred for 5 years, and 4,136,539 shares corresponding to Euros 1,846,000, of which 2,068,268 shares are deferred for 5 years.

In the first half of 2023, the deferred variable remuneration paid refers to the years 2021, 2020, 2019 and 2018, of which Euros 131,000 in cash and 1,811,526 BCP shares in the amount of Euros 403,000.

During the first half of 2024 and 2023, no severance payments were paid to members of the Board of Directors.

B. Key Function Holders (KFH)

During the first half of 2024, the remunerations and social security charges supported with the Group's Key Function Holders are, detailed by segment, as follows:

(Thousands of euros)

	30 June 2024				
	Retail	Corporate	Control functions	Others	Total
Fixed remuneration	601	1,057	1,355	2,513	5,526
Variable remuneration					
Pecuniary	172	179	504	882	1,737
Shares	134	153	70	506	863
Deferred	62	71	36	261	430
Post-employment benefits	(41)	(21)	(67)	(103)	(232)
Other mandatory social security charges	149	222	339	652	1,362
	1,077	1,661	2,237	4,711	9,686
Number of beneficiaries	8	11	30	37	86

Arising from the application of the Remuneration Policies for Employees, approved for the financial year 2023, as described in accounting policies 1 R4 and 1 R5, in the first half of 2024, the 86 Key Function Holders (KFH) were awarded with variable remuneration, in the amount of Euros 487,000 in cash and 1,798,447 shares deferred for 5 years.

During the first half of 2024, deferred variable remunerations were paid to KFH deferred from 2022, 2021, 2020 and 2019 years, corresponding in cash to Euros 167,000 and shares in the amount of Euros 263,000.

During the first half of 2024, severance pay was paid to one KFH in the amount of Euros 381,000.

During the first half of 2023, the remunerations and social security charges supported with the Group's Key Function Holders are, detailed by segment, as follows:

(Thousands of euros)

	30 June 2023				
	Retail	Corporate	Control functions	Others	Total
Fixed remuneration	691	855	1,380	2,502	5,428
Variable remuneration					
Pecuniary	275	335	466	1,027	2,103
Shares	98	119	166	369	752
Deferred	42	36	19	124	221
Post-employment benefits	(73)	(39)	(143)	(233)	(488)
Other mandatory social security charges	170	255	345	630	1,400
	1,203	1,561	2,233	4,419	9,416
Number of beneficiaries	9	13	27	38	87

Arising from the application of the Remuneration Policies for Employees, approved for the financial year 2022, as described in accounting policies 1 R4 and 1 R5, in the first half of 2023, the 87 Key Function Holders were awarded with variable remuneration, in the amount of Euros 337,000 in cash and 1,494,050 shares deferred for 5 years, as well as 229 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

During the first half of 2023, deferred variable remunerations were paid to KFH deferred from 2021, 2020 and 2019 years, corresponding in cash to Euros 102,000 and shares in the amount of Euros 120,000.

In the first half of 2023, severance payments were paid to 2 KFH in the amount of Euros 129,000, of which the highest payment was Euros 81,000.

The remunerations and social security charges supported with the Group's Key Function Holders, discriminated by Key management members and by members whose professional activities have significant impact in the risk profile of the Bank (Other KFH), are as follows:

(Thousands of euros)

	Key Function Holders					
	Key management members		Other KFH		Total	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Fixed remuneration	3,784	3,814	1,742	1,614	5,526	5,428
Variable remuneration						
Pecuniary	1,137	1,484	600	618	1,737	2,102
Shares	863	538	—	214	863	752
Deferred	425	217	5	5	430	222
Post-employment benefits	(143)	(266)	(89)	(222)	(232)	(488)
Other mandatory social security charges	953	943	409	457	1,362	1,400
	7,019	6,730	2,667	2,686	9,686	9,416
Number of beneficiaries	52	50	34	37	86	87

In the first half of 2024, the Key management members were awarded with deferred variable remuneration in the amount of Euros 487,000 and 1,798,447 shares deferred for 5 years.

During in the first half of 2024 deferred variable remunerations from 2022, 2021, 2020 and 2019 years were paid in cash to Key management members, in the amount of Euros 165,000, as well as BCP shares and participation units from AF Portfólio Imobiliário Fund corresponding to Euros 260,000. Regarding the other KFH, were paid Euros 2,000 in cash deferred from 2019, BCP shares and participation units from AF Portfólio Imobiliário Fund, from the years 2019, corresponding to Euros 3,000.

In the first half of 2023, the Key management members were awarded with deferred variable remuneration in the amount of Euros 337,000 and 1,494,050 shares deferred for 5 years, as well as 229 participation units from AF Portfólio Imobiliário Fund deferred for 3 years.

During the first half of 2023 deferred variable remunerations from 2021, 2020 and 2019 years were paid in cash to Key management members, in the amount of Euros 99,000, as well as BCP shares and participation units from AF Portfólio Imobiliário Fund corresponding to Euros 118,000. Relatedly to the other KFH, were paid Euros 2,000 in cash deferred from 2019, BCP shares and participation units from AF Portfólio Imobiliário Fund, from the years 2019, corresponding to Euros 3,000.

In accordance with regulation (EU) 11° 575/2013, Article 450 (1) (.i), in the first half of 2024 the Bank has 1 employee on the Board of Directors with remuneration between Euros 1 and Euros 1.5 million. In the first half of 2023, the Bank had no employees earning more than Euros 1 million.

8. Other administrative costs

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Water, electricity and fuel	7,080	8,856
Credit cards and mortgage	2,626	(613)
Communications	13,801	12,493
Maintenance and related services	9,637	8,912
Legal expenses	3,509	2,221
Travel, hotel and representation costs	4,800	3,650
Advisory services	20,734	17,871
Training costs	498	351
Information technology services	13,476	13,289
Consumables	4,390	3,634
Outsourcing and independent labour	55,984	52,914
Advertising	16,233	12,937
Rents and leases	14,636	13,306
Insurance	2,873	2,723
Transportation	5,627	5,589
Other specialised services	18,440	14,668
Other supplies and services	14,211	12,116
	208,555	184,917

The balance Rents and leases includes the amount of Euros 89,000 (30 June 2023: Euros 196,000) related to short-term lease contracts and the amount of Euros 1,160,000 (30 June 2023: Euros 1,283,000) related to lease contracts of low-value assets, as described in the accounting policy 1 H.

9. Amortisations and depreciations

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Amortisations of intangible assets (note 30):		
Software	17,918	17,613
Other intangible assets	2,755	2,331
	20,673	19,944
Depreciations of other tangible assets (note 29):		
Properties	7,404	7,174
Equipment		
Computers	8,764	8,879
Security equipment	512	479
Installations	1,627	1,551
Machinery	854	797
Furniture	1,247	1,259
Motor vehicles	2,739	2,399
Other equipment	989	737
Right-of-use		
Real estate	26,358	25,394
	50,494	48,669
	71,167	68,613

10. Results on modification

The Group has accounted for in this balance the negative amount of Euros 14,343,000 (30 June 2023: negative amount of Euros 11,597,000) 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 56, which amounted, in the first half of 2024, to Euros 9,801,000 (30 June 2023: Euros 7,779,000).

As described in note 47, 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, Bank Millennium S.A. has recorded, in the first half of 2024, a cost with credit holidays in the amount of Euros 46,633,000 (PLN 201,046,000).

11. Impairment of financial assets at amortised cost

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Loans and advances to credit institutions (note 21)		
Charge for the period	99	7
Reversals for the period	(64)	(648)
	35	(641)
Loans and advances to customers (note 22)		
Charge for the period	421,140	413,089
Reversals for the period	(265,864)	(258,491)
Recoveries of loans and interest charged-off	(56,295)	(11,082)
	98,981	143,516
Debt securities (note 23)		
<i>Associated to credit operations</i>		
Charge for the period	15	2,024
Reversals for the period	(1,970)	—
	(1,955)	2,024
<i>Not associated to credit operations</i>		
Charge for the period	2,245	1,749
Reversals for the period	(2,204)	(289)
	41	1,460
	(1,914)	3,484
	97,102	146,359

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

The detail of this balance is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Impairment of financial assets at fair value through other comprehensive income (note 24)		
Charge for the period	5,104	498
Reversals for the period	—	(612)
	5,104	(114)

13. Impairment of other assets

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Impairment of non-current assets held for sale (note 27)		
Charge for the period	2,320	5,514
Reversals for the period	(135)	(1,921)
	2,185	3,593
Impairment of other assets (note 32)		
Charge for the period	8,145	8,815
Reversals for the period	(2,859)	(3,973)
	5,286	4,842
Impairment of real estate and other assets arising from recovered loans (note 32)		
Charge for the period	3,523	5,947
Reversals for the period	(443)	(289)
	3,080	5,658
	10,551	14,093

14. Other provisions

This balance is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Provision for guarantees and other commitments (note 39)		
Charge for the period	14,708	21,759
Reversals for the period	(17,899)	(18,357)
	(3,191)	3,402
Other provisions for liabilities and charges (note 39)		
Charge for the period	281,671	386,554
Reversals for the period	(1,336)	(1,831)
	280,335	384,723
	277,144	388,125

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 56, which, in the first half of 2024, amounted to Euros 260,618,000 (30 June 2023: Euros 349,995,000).

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)	
	30 June 2024	30 June 2023 (restated)
Banco Millennium Atlântico, S.A. (note 26)		
Appropriation relating to the current period	1,676	892
Effect of the application of IAS 29:		
Amortization of the effect calculated until 31 December 2018 (a)	(77)	(135)
	1,599	757
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	16,681	19,693
Unicre - Instituição Financeira de Crédito, S.A.	1,557	386
SIBS, S.G.P.S, S.A.	8,242	5,648
Banque BCP, S.A.S.	1,685	1,994
Fidelidade Moçambique - Companhia de Seguros S.A.	980	944
Other companies	815	(1,761)
	29,960	26,904
	31,559	27,661

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

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

This balance is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Gains /(Losses) on disposal of investments	(36)	9,344
Gains /(Losses) on disposal of other assets	13,949	3,978
	13,913	13,322

As described in note 5, due to the sale of 80% of the shares of Millennium Financial Services sp. z o.o. by Bank Millennium in Poland and consequently loss of control over the company, the Group initially measured its remaining non-controlling stake (20%) at fair value, recording a gain of Euros 9,351,000, in first half of 2023, recorded as Gains / (Losses) on disposal of investments.

Starting from the moment of loss of control, the investment in the Company is treated as an investment in associates (Bank Millennium holds 20% of the shares in the Company) and is valued at the Group level using the equity method, while in the Bank Millennium's financial statements the valuation model is fair value with the valuation effect recorded in the Income Statement. The Bank Millennium's assessment is made on the basis of IFRS and their interpretations applicable as at the date of these financial statements.

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 13,260,000 (30 June 2023: gain of Euros 3,264,000).

17. Net income from discontinued or discontinuing operations

The amount of this account is comprised of:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.		
Losses (expenses)	—	(9)
	—	(9)

18. Earnings per share

The earnings per share are calculated as follows:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Continuing operations		
Net income from continuing operations	542,086	476,741
Non-controlling interests	(56,804)	(53,483)
Appropriated net income from continuing operations	485,282	423,258
Interests on perpetual subordinated bonds (Additional Tier 1)	(17,375)	(18,500)
Adjusted net income from continuing operations	467,907	404,758
Discontinued or discontinuing operations (note 17)		
Net income from discontinued or discontinuing operations	—	(9)
Adjusted net income	467,907	404,749
Average number of shares	15,113,989,952	15,113,989,952
Basic earnings per share (Euros):		
from continuing operations	0.063	0.054
from discontinued or discontinuing operations	0.000	0.000
	0.063	0.054
Diluted earnings per share (Euros):		
from continuing operations	0.063	0.054
from discontinued or discontinuing operations	0.000	0.000
	0.063	0.054

As at 30 June 2024, the Bank's share capital amounts to Euros 3,000,000,000 (30 June 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 30 June 2024 and 2023, so the diluted result is equivalent to the basic result.

19. Cash and deposits at Central Banks

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Cash	590,279	688,501
Central Banks		
Bank of Portugal	1,109,335	2,134,395
Central Banks abroad	2,010,750	1,722,630
	3,710,364	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.

20. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Credit institutions in Portugal	8,029	1,285
Credit institutions abroad	161,358	260,227
Amounts due for collection	96,500	76,175
	265,887	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.

21. Loans and advances to credit institutions

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Loans and advances to Central Banks		
Central Banks abroad	293,987	184,650
	293,987	184,650
Loans and advances to credit institutions in Portugal		
Term deposits	78,326	(23)
Term deposits to collateralise CIRS and IRS operations (*)	—	330
Other	671	10,175
	78,997	10,482
Loans and advances to credit institutions abroad		
Term deposits	399,792	371,647
Term deposits to collateralise CIRS and IRS operations (*)	30,012	58,446
Other	45,446	283,476
	475,250	713,569
	848,234	908,701
Impairment for loans and advances to credit institutions	(245)	(224)
	847,989	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)	
	30 June 2024	31 December 2023
Balance as at 1 January	224	862
Transfers	(14)	28
Charge for the period (note 11)	99	92
Reversals for the period (note 11)	(64)	(762)
Exchange rate differences	—	4
Balance at the end of the period	245	224

22. Loans and advances to customers

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

	(Thousands of euros)	
	30 June 2024	31 December 2023
Mortgage loans	29,055,619	28,622,845
Loans	16,379,630	16,520,496
Finance leases	4,329,983	4,195,116
Factoring operations	2,654,417	2,909,570
Current account credits	881,994	847,455
Overdrafts	1,181,507	1,019,668
Discounted bills	140,490	156,603
	54,623,640	54,271,753
Overdue loans - less than 90 days	147,054	110,996
Overdue loans - Over 90 days	488,399	505,060
	55,259,093	54,887,809
Loans impairment	(1,589,229)	(1,582,650)
	53,669,864	53,305,159

The balance Loans and advances to customers, as at 30 June 2024, is analysed as follows:

	(Thousands of euros)				
	30 June 2024				
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	544,332	—	544,332	(547)	543,785
Asset-backed loans	32,008,836	128,581	32,137,417	(587,100)	31,550,317
Other guaranteed loans	4,350,480	68,082	4,418,562	(180,811)	4,237,751
Unsecured loans	8,484,235	285,412	8,769,647	(605,726)	8,163,921
Foreign loans	2,251,357	12,181	2,263,538	(46,376)	2,217,162
Factoring operations	2,654,417	35,473	2,689,890	(60,650)	2,629,240
Finance leases	4,329,983	105,724	4,435,707	(108,019)	4,327,688
	54,623,640	635,453	55,259,093	(1,589,229)	53,669,864

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

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

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

(Thousands of euros)					
31 December 2023					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount
Public sector	538,721	40	538,761	(1,261)	537,500
Asset-backed loans	31,799,089	111,046	31,910,135	(564,616)	31,345,519
Other guaranteed loans	4,716,031	71,101	4,787,132	(183,142)	4,603,990
Unsecured loans	8,039,408	308,262	8,347,670	(612,363)	7,735,307
Foreign loans	2,073,818	13,816	2,087,634	(51,924)	2,035,710
Factoring operations	2,909,570	22,103	2,931,673	(59,231)	2,872,442
Finance leases	4,195,116	89,688	4,284,804	(110,113)	4,174,691
	54,271,753	616,056	54,887,809	(1,582,650)	53,305,159

The balance Loans and advances to customers includes the amount of Euros 11,307,156,000 (31 December 2023: Euros 10,875,965,000) regarding mortgage loans assigned to the cover pool backing the Group's covered bond programme issuances.

As part of the liquidity risk management, the Group holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As referred in note 50, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 5% or more of the share capital, identified in note 41.

The Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 113,849,000 (31 December 2023: Euros 112,007,000), as referred in note 50 a). The amount of impairment recognised for these contracts amounts to Euros 1,361,000 (31 December 2023: Euros 1,481,000).

The conclusion of business between the Company and holders of qualifying holdings or individuals or legal entities related to them in accordance with the provisions of article 33.º, n.º 3 of Notice 3/2020 of Bank of Portugal, regardless of the amount, is always subject of consideration and deliberation by the Board of Directors, after obtaining a prior opinion from the Audit Committee, and by proposal of the Executive Committee, which in turn deliberates under proposal from the Credit Committee, after obtaining an analysis and opinion from the Compliance Office, which pronounces regarding the compliance of the proposed operations with internal regulations, legal and regulatory provisions and other conditions that may apply to them, and the Risk Office, which evaluates and issues an opinion on the risks inherent to the operation.

The analysis of loans and advances to customers, as at 30 June 2024, by sector of activity, is as follows:

(Thousands of euros)

	30 June 2024					
	Outstanding loans	Overdue loans	Gross amount	Impairment	Net amount	% Gross amount
Agriculture and forestry	421,642	9,142	430,784	(15,842)	414,942	0.78 %
Fisheries	23,239	12	23,251	(547)	22,704	0.04 %
Mining	54,103	2,058	56,161	(8,011)	48,150	0.10 %
Food, beverage and tobacco	764,567	8,744	773,311	(28,907)	744,404	1.40 %
Textiles	376,885	13,334	390,219	(56,921)	333,298	0.71 %
Wood and cork	215,920	3,763	219,683	(6,328)	213,355	0.40 %
Paper, printing and publishing	118,030	1,505	119,535	(3,563)	115,972	0.22 %
Chemicals	680,917	6,044	686,961	(28,079)	658,882	1.24 %
Machinery, equipment and basic metallurgical	1,298,271	23,013	1,321,284	(55,117)	1,266,167	2.39 %
Electricity and gas	235,016	411	235,427	(4,440)	230,987	0.43 %
Water	188,918	587	189,505	(7,180)	182,325	0.34 %
Construction	1,460,077	26,840	1,486,917	(98,058)	1,388,859	2.69 %
Retail business	1,646,309	19,519	1,665,828	(36,481)	1,629,347	3.02 %
Wholesale business	1,956,960	26,551	1,983,511	(76,679)	1,906,832	3.59 %
Restaurants and hotels	1,349,016	11,535	1,360,551	(74,494)	1,286,057	2.46 %
Transports	1,292,042	20,243	1,312,285	(32,368)	1,279,917	2.38 %
Post offices	18,206	346	18,552	(585)	17,967	0.03 %
Telecommunications	344,055	3,960	348,015	(8,486)	339,529	0.63 %
Services						
Financial intermediation	1,460,190	24,995	1,485,185	(43,525)	1,441,660	2.69 %
Real estate activities	2,143,858	22,903	2,166,761	(54,086)	2,112,675	3.92 %
Consulting, scientific and technical activities	948,971	9,104	958,075	(158,863)	799,212	1.73 %
Administrative and support services activities	494,502	4,818	499,320	(18,950)	480,370	0.90 %
Public sector	563,893	—	563,893	(2,177)	561,716	1.02 %
Education	111,160	732	111,892	(2,183)	109,709	0.20 %
Health and collective service activities	383,364	1,517	384,881	(7,495)	377,386	0.70 %
Artistic, sports and recreational activities	199,678	825	200,503	(27,186)	173,317	0.36 %
Other services	242,495	7,160	249,655	(57,075)	192,580	0.45 %
Consumer loans	6,886,614	259,427	7,146,041	(455,090)	6,690,951	12.93 %
Mortgage credit	28,184,107	112,867	28,296,974	(202,115)	28,094,859	51.21 %
Other domestic activities	1,487	191	1,678	(125)	1,553	0.00 %
Other international activities	559,148	13,307	572,455	(18,273)	554,182	1.04 %
	54,623,640	635,453	55,259,093	(1,589,229)	53,669,864	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					
	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 item Loans and advances to customers, split by stage according with IFRS 9, is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Stage 1		
Gross amount	46,330,121	45,652,779
Impairment	(260,862)	(268,948)
	46,069,259	45,383,831
Stage 2		
Gross amount	6,972,144	7,295,904
Impairment	(267,882)	(291,928)
	6,704,262	7,003,976
Stage 3		
Gross amount	1,956,827	1,939,126
Impairment	(1,060,484)	(1,021,774)
	896,343	917,352
Net amount	53,669,864	53,305,159

The exposure and impairment of the above table also includes the operations classified as POCI as detailed in note 53.

The analysis of the exposure covered by collaterals associated with loans and advances to customers' portfolio, by stage according with IFRS 9, considering the collaterals' fair value, is as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Stage 1		
Securities and other financial assets	1,469,671	1,601,275
Residential real estate	25,735,548	25,107,829
Other real estate	3,529,322	3,236,223
Other guarantees	8,554,779	7,147,794
	39,289,320	37,093,121
Stage 2		
Securities and other financial assets	152,243	177,614
Residential real estate	2,748,169	2,840,231
Other real estate	1,000,715	1,159,093
Other guarantees	1,435,991	1,500,324
	5,337,118	5,677,262
Stage 3		
Securities and other financial assets	21,493	20,313
Residential real estate	460,971	442,566
Other real estate	330,439	346,101
Other guarantees	280,497	214,931
	1,093,400	1,023,911
	45,719,838	43,794,294

The balance Other guarantees include first-demand guarantees issued by the Bank and other entities, with an internal risk rating of 108 or better; personal guarantees, when the guarantors are classified with internal risk grade 108 or better. This balance also includes pledges, assets subject to financial leasing operations and personal guarantees, among others.

Considering the policy of risk management of the Group (note 53), the amounts presented do not include the fair value of the personal guarantees provided by customers with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. To reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. The Group continued to negotiate additional physical and financial collaterals with its customers.

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

	30 June 2024			31 December 2023		
	Restructured loans	Impairment (*)	Net amount	Restructured loans	Impairment (*)	Net amount
Agriculture and forestry	20,619	(2,267)	18,352	21,199	(1,928)	19,271
Fisheries	645	(38)	607	3,381	(2,708)	673
Mining	6,277	(5,104)	1,173	5,919	(3,246)	2,673
Food, beverage and tobacco	10,770	(6,424)	4,346	18,625	(7,781)	10,844
Textiles	8,372	(2,159)	6,213	7,766	(1,948)	5,818
Wood and cork	3,684	(518)	3,166	3,670	(428)	3,242
Paper, printing and publishing	4,329	(1,703)	2,626	6,563	(1,868)	4,695
Chemicals	21,669	(7,740)	13,929	22,807	(6,719)	16,088
Machinery, equipment and basic metallurgical	29,025	(13,142)	15,883	35,284	(14,955)	20,329
Electricity and gas	23,095	(329)	22,766	951	(6)	945
Water	392	54	446	1,749	(934)	815
Construction	58,718	(42,379)	16,339	141,642	(27,956)	113,686
Retail business	17,839	(3,160)	14,679	22,524	(4,587)	17,937
Wholesale business	48,073	(30,852)	17,221	25,671	(6,607)	19,064
Restaurants and hotels	124,941	(16,659)	108,282	63,536	(21,319)	42,217
Transports	5,156	(2,404)	2,752	4,666	(1,513)	3,153
Post offices	57	(17)	40	100	(40)	60
Telecommunications	2,635	(393)	2,242	1,861	(404)	1,457
Services						
Financial intermediation	24,308	(14,001)	10,307	24,992	(2,430)	22,562
Real estate activities	77,433	(18,406)	59,027	74,959	(14,492)	60,467
Consulting, scientific and technical activities	165,617	(132,079)	33,538	192,379	(130,306)	62,073
Administrative and support services activities	24,219	(8,975)	15,244	28,633	(10,843)	17,790
Public sector	63,030	(441)	62,589	60,886	(464)	60,422
Education	1,735	(102)	1,633	2,089	(234)	1,855
Health and collective service activities	9,459	(1,302)	8,157	9,543	(1,352)	8,191
Artistic, sports and recreational activities	29,263	(22,941)	6,322	38,720	(27,782)	10,938
Other services	10,555	(1,379)	9,176	8,596	(1,801)	6,795
Consumer loans	273,428	(120,251)	153,177	276,092	(115,154)	160,938
Mortgage credit	634,671	(77,208)	557,463	623,740	(71,001)	552,739
Other domestic activities	4	—	4	3	—	3
Other international activities	689	(639)	50	705	(621)	84
	1,700,707	(532,958)	1,167,749	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 described in point ii. of the section "Additional measures with impact on the Impairment level" of note 53.

The breakdown of the restructured loans as at 30 June 2024, by restructuring measure, is as follows:

(Thousands of euros)

30 June 2024						
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment (*)	Net amount
Extension of the repayment term	42,987	357,862	77,874	435,736	(160,818)	274,918
Introduction of the grace period for capital and / or interest	7,468	312,248	54,475	366,723	(134,462)	232,261
Interest rate reduction	2,984	104,214	2,752	106,966	(5,150)	101,816
Payment plan change	8,888	318,568	9,408	327,976	(147,513)	180,463
Debt relief	56	21,594	1,071	22,665	(22,197)	468
Debt-asset swaps	2	—	16	16	—	16
Other restructured loans	6,000	406,600	34,025	440,625	(62,818)	377,807
	68,385	1,521,086	179,621	1,700,707	(532,958)	1,167,749

The breakdown of the restructured loans as at 31 December 2023, by restructuring measure, is as follows:

(Thousands of euros)

31 December 2023						
	Number of operations	Outstanding loans	Overdue loans	Gross amount	Impairment (*)	Net amount
Extension of the repayment term	41,274	338,147	59,307	397,454	(130,610)	266,844
Introduction of the grace period for capital and / or interest	6,318	358,580	31,700	390,280	(97,525)	292,755
Interest rate reduction	2,130	106,926	2,383	109,309	(9,963)	99,346
Payment plan change	8,891	332,029	9,784	341,813	(133,956)	207,857
Debt relief	86	22,201	1,334	23,535	(21,655)	1,880
Debt-asset swaps	2	—	17	17	(1)	16
Other restructured loans	6,046	401,629	65,214	466,843	(87,717)	379,126
	64,747	1,559,512	169,739	1,729,251	(481,427)	1,247,824

(*) The impairment presented in the tables does not include the amounts of impairment calculated using the overlays methodology described in point ii. of the section "Additional measures with impact on the Impairment level" of note 53.

The restructured loans are also subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms and considering new collaterals.

The Group has implemented a process for marking operations restructured due to customers financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

The information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations);
- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, being a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined.

The demarcation of an operation marked as restructured due to financial difficulties, can only take place at least 2-years periods after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the customer. In the case of credits marked as Non-Performing Exposure (NPE), this 2-year period will only start on the date of classification of the credit as performing.

The definition of Non-Performing Loans for more than 90 days (NPL > 90) incorporates total credit (past due plus outstanding) associated with past due operations for more than 90 days. The amount calculated is Euros 774,295,000 (31 December 2023: Euros 749,569,000).

All customers who check at least one of the following conditions are marked in default and therefore as NPE:

- Material payment delay of more than 90 days in the amounts of principal, interest or unpaid commissions on the due date that, cumulatively, represent: more than Euros 100 (retail) or more than Euros 500 (non-retail); and more than 1% of the total debt (direct liabilities).

- Indications of low probability of payment:

a) Credit restructuring due to financial difficulties with loss of value; b) Delay after restructuring due to financial difficulties; c) Recurrence of restructuring due to financial difficulties; d) Credit with signs of impairment (or Stage 3 of IFRS 9); e) Insolvency or equivalent process; f) Litigation; g) Guarantees of operations in default; h) Loss of credit sales; i) Credit fraud; j) Unpaid credit status; k) Breach of covenants in a credit agreement; l) Contagion of default in an economic group; m) Cross default in the BCP Group.

The NPE associated with Loans and advances customers at amortised cost amounts to Euros 1,956,827,000 (31 December 2023: Euros 1,939,126,000).

The changes occurred in Loans impairment are analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Balance as at 1 January	1,582,650	1,502,373
Charge for the period in net income interest	(4,392)	3,545
Transfers resulting from changes in the Group's structure	—	411
Other transfers	(1,066)	(1,054)
Impairment charge for the period (note 11)	421,140	805,500
Reversals for the period (note 11)	(265,864)	(511,733)
Loans charged-off		
Write-offs	(96,787)	(192,473)
Credit assignments	(51,431)	(62,044)
Exchange rate differences	4,979	38,125
Balance at the end of the period	1,589,229	1,582,650

According to note 39, regarding the proceedings related to foreign currency-indexed mortgage loans of Bank Millennium the amount of Euros 1,400,128,000 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)	
	30 June 2024	31 December 2023
Agriculture and forestry	119	1,046
Fisheries	4,468	—
Mining	89	—
Food, beverage and tobacco	73	3,799
Textiles	304	1,141
Wood and cork	53	567
Paper, printing and publishing	1,222	103
Chemicals	6,680	1,058
Machinery, equipment and basic metallurgical	3,348	6,091
Electricity and gas	2	377
Water	4	51
Construction	2,654	3,100
Retail business	420	1,714
Wholesale business	23,894	3,338
Restaurants and hotels	5,612	891
Transports	1,193	475
Post offices	26	134
Telecommunications	1,037	234
Services		
Financial intermediation	(18,023)	20,210
Real estate activities	226	208
Consulting, scientific and technical activities	23,540	5,975
Administrative and support services activities	308	35,569
Education	154	10
Health and collective service activities	134	173
Artistic, sports and recreational activities	5,500	222
Other services	115	268
Consumer loans	19,660	64,537
Mortgage credit	1,364	1,968
Other domestic activities	15	761
Other international activities	12,596	38,453
	96,787	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 Write-offs, by type of credit, is as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Asset-backed loans	1,676	2,432
Other guaranteed loans	2,442	40,982
Unsecured loans	72,125	142,768
Foreign loans	10,979	—
Finance leases	9,565	6,291
	96,787	192,473

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

	(Thousands of euros)	
	30 June 2024	30 June 2023
Agriculture and forestry	3	—
Food, beverage and tobacco	557	11
Textiles	17	18
Wood and cork	27	12
Chemicals	542	11
Machinery, equipment and basic metallurgical	19	3
Construction	138	142
Retail business	524	1,004
Wholesale business	1,185	1,291
Restaurants and hotels	9	13
Transports	600	182
Telecommunications	5	—
Services		
Financial intermediation	12	616
Real estate activities	80	92
Consulting, scientific and technical activities	29	329
Administrative and support services activities	11	26
Education	—	1
Health and collective service activities	29	1
Artistic, sports and recreational activities	1	20
Other services	1	1,194
Consumer loans	5,389	5,721
Mortgage credit	381	336
Other domestic activities	15	13
Other international activities	46,721	46
	56,295	11,082

The analysis of recovered loans and interest occurred during first half of 2024 and 2023, by type of credit, is as follows:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Asset-backed loans	537	467
Other guaranteed loans	892	759
Unsecured loans	7,474	9,728
Foreign loans	46,674	12
Finance leases	718	116
	56,295	11,082

The balance Loans and advances to customers includes the effect of traditional securitization transactions made through Special Purpose Entities (SPE) consolidated following the application of IFRS 10, in accordance with accounting policy 1 B and synthetic securitization. The characterization of these operations is described in note 1 D.

Traditional securitizations

The traditional securitization transaction engaged by the BCP and still ongoing, refers to mortgage loans portfolios and are set through securitization funds and special purpose entities (SPEs). As referred in accounting policy 1 B, when the substance of the relationships with the referred SPEs indicates that the Group holds control of its activities, those are consolidated by the full method.

Magellan Mortgages No. 3

On 24 June 2005, the Bank transferred, through securitization funds, an owned mortgage loans portfolio to the SPE “Magellan Mortgages No. 3 PLC”. Considering that, by having acquired part of the subordinated tranche of the bonds issued by that SPE, the Bank holds the control of the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1.B. As at 30 June 2024, the SPE’s credit portfolio associated with this operation amounts to Euros 150,519,000 (31 December 2023: Euros 160,845,000) and bonds issued with different subordination levels amount to Euros 113,444,000 (this amount excludes bonds hold by the Group in the amount of Euros 51,057,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

BCP has four operations in progress which form structures of synthetic securitization with similar characteristics, with reference to credit portfolios granted by the Bank mainly to Small and Medium Enterprises (SMEs).

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 152,169,000 as at 30 June 2024 (31 December 2023: Euros 177,327,000). The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 172,186,000 (31 December 2023: Euros 172,994,000) and the respective gain recorded in 2024 amounts to Euros 4,050,000 (31 December 2023: Euros 959,000).

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing. The legal maturity date is 21 September of 2043 and, as at 30 June 2024, the operation amounts to Euros 349,291,000 (31 December 2023: Euros 393,247,000). The fair value of the relative CDS is recorded as a positive amount of Euros 60,665,000 (31 December 2023: Euros 60,386,000) and the respective gain recorded in 2024 amounts to Euros 1,281,000 (31 December 2023: Euros 648,000).

Caravela SME No.5

Caravela SME No.5, initiated on 20 December 2022, is supported by a portfolio of medium and long-term loans, leasing contract and commercial paper programmes. The legal maturity date is 26 September of 2035 and, as at 30 June 2024, the operation amounts to Euros 1,379,844,000 (31 December 2023: Euros 1,697,747,000). The fair value of the relative CDS is recorded as a negative amount of Euros 39,282,000 (31 December 2023: positive amount 46,362,000) and the respective cost recorded in 2024 amounts to Euros 9,754,000 (31 December 2023: Euros 18,010,000).

Caravela SME No.6

Caravela SME No.6, initiated on 28 February 2024, is supported by a credit portfolio of short-term exposures to Portuguese SME and Corporate customers, in the form of current accounts overdrafts, authorised overdrafts and confirming agreements. The legal maturity date is 26 March of 2028 and, as at 30 June 2024, the operation amounts to Euros 850,000,000. The fair value of the relative CDS is recorded as a negative amount of Euros 23,278,000 and the respective cost recorded in 2024 amounts to Euros 2,431,000.

In any of these transactions, the Bank contracted a Credit Default Swap (CDS) with a Special Purpose Entity (SPE), purchasing from it from, credit risk protection on the referenced portfolio. In the case of synthetic structures, in the of this same CDS the risk of the respective portfolios was subdivided into 3 tranches: senior, mezzanine and equity. In this case of Caravela SME no.3 and no.4 operations, the mezzanine tranche and part of equity (20%) were placed on the market through the issuance, by the SPE, of Credit Linked Notes (CLN's) subscribed by investors, while in Caravela SME no.5 and no.6 has been placed on the market for the entire mezzanine tranche. In turn, the Bank retained the risk of the tranche senior and the remaining part of the equity tranche (80%) in the case of Caravela operations no. 3 and no. 4, and the whole of the equity tranche in the case of Caravela SME no.5 and no.6. The proceeds of the issuance of the CLNs were applied by the SPE in the constitution of a deposit which fully collateralises its liabilities to its creditors in connection with the transaction, including BCP.

These operations allowed the Bank to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but the Bank did not transfer to third parties most of the rights and obligations arising from the credits included in the respective portfolios, thus not meeting the derecognition criteria in the accounting policy presented in note 1 C1.3.

23. Debt securities

The balance Debt securities is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	104,432	115,629
Commercial paper	1,827,753	1,762,453
Foreign issuers		
Commercial paper	22,647	38,900
	1,954,832	1,916,982
Overdue securities - over 90 days	5,218	40
	1,960,050	1,917,022
Impairment	(6,761)	(8,668)
	1,953,289	1,908,354
Debt securities held not associated with credit operations		
Bonds issued by public entities (*)		
Portuguese issuers	3,560,485	3,552,807
Foreign issuers	12,570,550	11,237,924
Bonds issued by public companies and other entities		
Portuguese issuers	667,914	459,392
Foreign issuers	490,258	395,102
Treasury bills (Public Issuers and Central Banks)		
Foreign issuers	—	42,277
	17,289,207	15,687,502
Impairment	(17,904)	(16,720)
	17,271,303	15,670,782
	19,224,592	17,579,136

(*) Includes the negative amount of Euros 322,741,000 (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 30 June 2024 amounts to Euros 10,682,887,000 (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)	
	30 June 2024	31 December 2023
Debt securities held associated with credit operations		
Agriculture and forestry	2,513	2,479
Mining	105,212	85,939
Food, beverage and tobacco	95,105	102,720
Textiles	40,825	45,203
Wood and cork	27,163	23,720
Paper, printing and publishing	9,741	9,206
Chemicals	227,311	215,972
Machinery, equipment and basic metallurgical	59,867	42,787
Electricity and gas	218,969	211,183
Water	32,007	31,955
Construction	10,195	10,633
Retail business	52,774	28,973
Wholesale business	69,858	64,044
Restaurants and hotels	8,868	8,857
Transports	24,508	33,392
Telecommunications	4,022	4,018
Services		
Financial intermediation	121,582	114,283
Real estate activities	60,015	55,566
Consulting, scientific and technical activities	717,182	751,610
Administrative and support services activities	29,077	11,217
Health and collective service activities	4,969	4,974
Artistic, sports and recreational activities	6,844	7,058
Other services	2,035	3,665
Other international activities	22,647	38,900
	1,953,289	1,908,354
Debt securities held not associated with credit operations		
Machinery, equipment and basic metallurgical	23,933	11,977
Electricity and gas	106,631	99,846
Wholesale business	100,215	—
Services		
Financial intermediation	490,258	437,378
Consulting, scientific and technical activities	434,736	346,117
	1,155,773	895,318
Government and Public securities	16,115,530	14,775,464
	17,271,303	15,670,782
	19,224,592	17,579,136

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

(Thousands of euros)						
	30 June 2024			31 December 2023		
	Restructured loans	Impairment	Net amount	Restructured loans	Impairment	Net amount
Debt securities held associated with credit operations						
Food, beverage and tobacco	9,606	(235)	9,371	7,711	(126)	7,585
Chemicals	5,178	(1,517)	3,661	—	—	—
Services						
Administrative and support services activities	10,158	(73)	10,085	10,311	(90)	10,221
	24,942	(1,825)	23,117	18,022	(216)	17,806

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

(Thousands of euros)		
	30 June 2024	31 December 2023
Debt securities held associated with credit operations		
Balance as at 1 January	8,668	4,676
Charge for the period in net income interest	—	2
Transfers	48	—
Charge for the period (note 11)	15	3,991
Reversals for the period (note 11)	(1,970)	—
Exchange rate differences	—	(1)
Balance at the end of the period	6,761	8,668
Debt securities held not associated with credit operations		
Balance as at 1 January	16,720	9,563
Other transfers	930	—
Charge for the period (note 11)	2,245	9,323
Reversals for the period (note 11)	(2,204)	(688)
Amounts charged-off	—	(1,282)
Exchange rate differences	213	(196)
Balance at the end of the period	17,904	16,720

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

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

	(Thousands of euros)	
	30 June 2024	31 December 2023 (restated)
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	1,797,052	355,526
Equity instruments	72,179	53,432
Trading derivatives	388,748	413,946
	2,257,979	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss		
Loans and advances to customers at fair value	1,371	4,454
Debt instruments	260,110	253,311
Equity instruments	128,176	182,242
	389,657	440,007
Financial assets designated at fair value through profit or loss		
Debt instruments	34,138	32,004
	34,138	32,004
Financial assets at fair value through other comprehensive income		
Debt instruments	13,763,622	10,809,872
Equity instruments	24,240	24,419
	13,787,862	10,834,291
	16,469,636	12,129,206

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 30 June 2024, is analysed as follows:

(Thousands of euros)

	30 June 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	24,064	—	34,138	2,027,269	2,085,471
Foreign issuers	39,169	—	—	6,325,480	6,364,649
Bonds issued by public companies and other entities					
Portuguese issuers	—	51	—	566,668	566,719
Foreign issuers	62	—	—	1,274,610	1,274,672
Treasury bills (Public Issuers and Central Banks)					
Portuguese issuers	1,466,124	—	—	—	1,466,124
Foreign issuers	267,633	—	—	3,569,595	3,837,228
Shares of foreign companies (a)	—	24,397	—	—	24,397
Investment fund units (b)	—	235,662	—	—	235,662
	1,797,052	260,110	34,138	13,763,622	15,854,922
Equity instruments					
Shares					
Portuguese companies	—	—	—	15,666	15,666
Foreign companies	42	15,465	—	8,574	24,081
Investment fund units (c)	—	112,711	—	—	112,711
Other securities (d)	72,137	—	—	—	72,137
	72,179	128,176	—	24,240	224,595
Trading derivatives	388,748	—	—	—	388,748
	2,257,979	388,286	34,138	13,787,862	16,468,265
Level 1	1,868,821	—	34,138	11,010,309	12,913,268
Level 2	74,169	—	—	2,675,879	2,750,048
Level 3	314,989	388,286	—	101,674	804,949

- (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 71,727,000 in Exchange Traded Funds (ETFs).

The portfolios are recorded at fair value in accordance with the accounting policy described in note 1 C. As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

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 62,000 (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 38).

The portfolio of Financial assets at fair value through profit or loss (excluding Loans and advances to customers at fair value) and Financial assets at fair value through other comprehensive income, net of impairment, by type of asset, as at 31 December 2023, is analysed as follows:

(Thousands of euros)

31 December 2023 (restated)					
	At fair value through profit or loss				Total
	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	
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)	—	229,763	—	—	229,763
Commercial paper	2,965	—	—	—	2,965
	355,526	253,311	32,004	10,809,872	11,450,713
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	435,553	32,004	10,834,291	12,124,752
Level 1	405,585	—	32,004	8,301,377	8,738,966
Level 2	84,614	—	—	2,431,483	2,516,097
Level 3	332,705	435,553	—	101,431	869,689

- (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)	
	30 June 2024	31 December 2023
Balance as at 1 January	1,150	1,067
Transfers to fair value changes (note 43)	(5,104)	(1,322)
Impairment through profit and loss (note 12)	5,104	2,641
Reversals through profit and loss (note 12)	—	(1,319)
Exchange rate differences	10	83
Balance at the end of the period	1,160	1,150

The accumulated impairment related to credit risk associated with the financial assets at fair value through other comprehensive income amounts to Euros 11,486,000 and is recognised against Fair value reserves (31 December 2023: Euros 6,432,000).

The portfolio of financial assets at fair value through other comprehensive income, as at 30 June 2024, is analysed as follows:

	(Thousands of euros)			
	30 June 2024			
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	Total
Debt instruments				
Bonds issued by public entities				
Portuguese issuers	2,169,634	(98,903)	(43,462)	2,027,269
Foreign issuers	6,339,495	1,014	(15,029)	6,325,480
Bonds issued by public companies and other entities				
Portuguese issuers	569,991	(7,961)	4,638	566,668
Foreign issuers	1,332,598	(52,013)	(5,975)	1,274,610
Treasury bills (Public Issuers and Central Banks)				
Foreign issuers	3,568,990	—	605	3,569,595
	13,980,708	(157,863)	(59,223)	13,763,622
Equity instruments				
Shares				
Portuguese companies	22,693	—	(7,027)	15,666
Foreign companies	4,974	—	3,600	8,574
	27,667	—	(3,427)	24,240
	14,008,375	(157,863)	(62,650)	13,787,862

(a) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and 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)			Total
	Amortised cost (a)	Fair value hedge adjustments (note 43)	Fair value adjustments (note 43)	
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) Includes interest accrued and accumulated impairment for debt securities classified as financial assets at fair value through other comprehensive income, as provided by IFRS 9, and according to the requirements defined in the accounting policy 1 C1.5.1.2.

The balance Financial assets not held for trading mandatorily at fair value through profit or loss - Loans to customers at fair value is analysed as follows:

(Thousands of euros)		
	30 June 2024	31 December 2023
Unsecured loans	483	2,688
Overdue loans - less than 90 days	45	106
Overdue loans - Over 90 days	843	1,660
	1,371	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 30 June 2024, is as follows:

(Thousands of euros)				
30 June 2024				
	Bonds and Treasury bills	Shares	Other Financial Assets	Total
Mining	—	13	—	13
Paper, printing and publishing	47,805	—	—	47,805
Chemicals	4,013	3	—	4,016
Machinery, equipment and basic metallurgical	2,401	2	—	2,403
Electricity and gas	87,083	—	—	87,083
Water	9,790	—	—	9,790
Construction	—	3	—	3
Wholesale business	7,171	477	—	7,648
Transports	42,034	—	—	42,034
Telecommunications	41,525	4,413	—	45,938
Services				
Financial intermediation	3,991,853	53,142	419,972	4,464,967
Real estate activities	—	—	130	130
Consulting, scientific and technical activities	136,681	169	—	136,850
Administrative and support services activities	24,126	5,895	—	30,021
Public sector	18,067	—	408	18,475
Health and collective service activities	10,120	—	—	10,120
Other services	—	26	—	26
Other international activities	—	1	—	1
	4,422,669	64,144	420,510	4,907,323
Government and Public securities	11,172,194	—	—	11,172,194
	15,594,863	64,144	420,510	16,079,517

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	449,524	4,012,323
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	449,932	4,394,012
Government and Public securities	7,316,794	—	—	7,316,794
	11,197,452	63,422	449,932	11,710,806

The analysis of trading derivatives, by maturity, as at 30 June 2024, is as follows:

(Thousands of euros)						
	30 June 2024					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 37)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	414,116	783,060	2,343,749	3,540,925	40,452	58,867
Interest rate options (purchase)	—	218,799	81,035	299,834	2,262	—
Interest rate options (sale)	—	218,799	81,036	299,835	—	2,250
	414,116	1,220,658	2,505,820	4,140,594	42,714	61,117
Stock Exchange transactions:						
Interest rate futures	—	—	119,200	119,200	—	—
	—	—	119,200	119,200	—	—
Currency derivatives:						
OTC Market:						
Forward exchange contract	280,556	118,687	7,460	406,703	836	6,157
Currency swaps	1,482,334	558,162	4,273	2,044,769	25,210	2,984
Other currency contracts	76,589	—	—	76,589	—	—
	1,839,479	676,849	11,733	2,528,061	26,046	9,141
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	386,646	1,612,078	172,332	2,171,056	3,868	11,448
Shares/indexes options (purchase)	117,637	258,425	166,478	542,540	81,676	—
Shares/indexes options (sale)	5,095	8,471	528,978	542,544	—	83,425
	509,378	1,878,974	867,788	3,256,140	85,544	94,873
Stock exchange transactions:						
Shares futures	—	—	1,041,885	1,041,885	—	—
	—	—	1,041,885	1,041,885	—	—
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	—	—	2	2	—	—
	—	—	2	2	—	—
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	—	—	388,912	388,912	234,445	2,719
	—	—	388,912	388,912	234,445	2,719
Total derivatives traded in:						
OTC Market	2,762,973	3,776,481	3,774,253	10,313,707	388,749	167,850
of which: Embedded derivatives	—	—	527,230	527,230	—	81,189
Stock Exchange	—	—	1,161,087	1,161,087	—	—
	2,762,973	3,776,481	4,935,340	11,474,794	388,749	167,850

The analysis of trading derivatives, by maturity, as at 31 December 2023, is as follows:

(Thousands of euros)						
	31 December 2023					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 37)
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	885,425	602,395	4,038,102	5,525,922	56,115	49,956
Interest rate options (purchase)	13,750	32,876	295,120	341,746	2,824	–
Interest rate options (sale)	13,750	32,876	295,121	341,747	–	2,779
	912,925	668,147	4,628,343	6,209,415	58,939	52,735
Stock Exchange transactions:						
Interest rate futures	–	–	28,351	28,351	–	–
	–	–	28,351	28,351	–	–
Currency derivatives:						
OTC Market:						
Forward exchange contract	246,896	109,064	6,591	362,551	3,855	9,235
Currency swaps	1,386,897	437,757	7,327	1,831,981	16,822	26,780
Other currency contracts	107,251	–	–	107,251	–	–
	1,741,044	546,821	13,918	2,301,783	20,677	36,015
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	815,184	1,572,063	228,377	2,615,624	5,004	19,865
Shares/indexes options (purchase)	117,574	482,355	199,637	799,566	95,945	–
Shares/indexes options (sale)	779,957	17,699	1,910	799,566	–	97,923
	1,712,715	2,072,117	429,924	4,214,756	100,949	117,788
Stock exchange transactions:						
Shares futures	–	–	891,352	891,352	–	–
	–	–	891,352	891,352	–	–
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	–	–	1	1	–	–
	–	–	1	1	–	–
Credit derivatives:						
OTC Market:						
Credit default swaps (CDS)	–	–	358,107	358,107	233,381	223
	–	–	358,107	358,107	233,381	223
Total derivatives traded in:						
OTC Market	4,366,684	3,287,085	5,430,292	13,084,061	413,946	206,761
of which: Embedded derivatives	–	–	771,103	771,103	–	95,357
Stock Exchange	–	–	919,704	919,704	–	–
	4,366,684	3,287,085	6,349,996	14,003,765	413,946	206,761

25. Hedging derivatives

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

	(Thousands of euros)			
	30 June 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
Swaps	62,962	36,749	40,628	67,825

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39, using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 811,000 (31 December 2023: negative amount of Euros 5,590,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a negative amount of Euros 46,000 (31 December 2023: positive amount of Euros 517,000).

Reclassifications of amounts recorded in results for fair reserves were carried out related to cash flow hedge relationships, in a negative amount of Euros 151,712,000 (31 December 2023: negative amount of Euros 45,947,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 53.

The analysis of hedging derivatives portfolio, by maturity, as at 30 June 2024, is as follows:

	(Thousands of euros)					
	30 June 2024					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	201,614	1,402,835	15,834,715	17,439,164	54,774	2,698
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	144,617	251,913	—	396,530	7,820	—
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	—	5,605,000	8,175,280	13,780,280	368	5,564
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	20,054	81,055	—	101,109	—	28,487
Total derivatives traded by						
OTC Market	366,285	7,340,803	24,009,995	31,717,083	62,962	36,749

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2023, is as follows:

(Thousands of euros)						
	31 December 2023					
	Notional (remaining period)			Total	Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year		Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	7,750	508,735	10,965,729	11,482,214	34,716	8,441
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	140,291	208,173	—	348,464	2,279	6,272
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	499,574	1,600,000	8,159,354	10,258,928	164	14,965
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency and interest rate swap (CIRS)	354,009	19,885	80,374	454,268	3,469	38,147
Total derivatives traded by						
OTC Market	1,001,624	2,336,793	19,205,457	22,543,874	40,628	67,825

26. Investments in associates

This balance is analysed as follows:

(Thousands of euros)		
	30 June 2024	31 December 2023 (restated)
Portuguese credit institutions	45,545	51,793
Foreign credit institutions	127,344	128,467
Other Portuguese companies	269,204	197,467
Other foreign companies	42,416	43,042
	484,509	420,769
Impairment	(46,258)	(46,355)
	438,251	374,414

The balance Investments in associates, as at 30 June 2024, is analysed as follows:

(Thousands of euros)			
30 June 2024			
	Global value of investment	Impairment of investments in associates	Book value of investment
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	100,684	—	100,684
Banco Millennium Atlântico, S.A.	74,496	(28,247)	46,249
Banque BCP, S.A.S.	52,848	—	52,848
SIBS, S.G.P.S, S.A.	67,653	—	67,653
Unicre - Instituição Financeira de Crédito, S.A.	45,545	—	45,545
Fidelidade Moçambique - Companhia de Seguros S.A.	13,351	—	13,351
Lusofundo - Fundo de Investimento Imobiliário Fechado	19,377	—	19,377
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	7,687	—	7,687
Fundo Turismo Algarve FCR	73,803	—	73,803
Europa Millennium Financial Services Sp. z o.o.	11,054	—	11,054
Webspectator Corporation	18,011	(18,011)	—
	484,509	(46,258)	438,251

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 associates, as at 31 December 2023, is analysed as follows:

(Thousands of euros)			
31 December 2023 (restated)			
	Global value of investment	Impairment of investments in associates	Book value of investment
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	105,675	—	105,675
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
Lusofundo - Fundo de Investimento Imobiliário Fechado	18,780	—	18,780
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	8,467	—	8,467
Europa Millennium Financial Services Sp. z o.o.	12,089	—	12,089
Webspectator Corporation	18,011	(18,011)	—
	420,769	(46,355)	374,414

Lusofundo - Fundo de Investimento Imobiliário Fechado and Fundo Especial de Investimento Imobiliário Fechado Eurofundo are now considered as associates (previously recorded in Financial assets not held for trading mandatorily at fair value through profit or loss), and on 31 December 2023 the balance of this item was restated, in the amount of Euros 18,780,000 related to Lusofundo - Fundo de Investimento Imobiliário Fechado and Euros 8,467,000 of Fundo Especial de Investimento Imobiliário Fechado Eurofundo.

The Group's companies included in the consolidation perimeter are presented in note 57, as well as the main indicators of the most relevant ones.

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

(Thousands of euros)		
	30 June 2024	31 December 2023
Balance as at 1 January	46,355	66,263
Exchange rate differences	(97)	(19,908)
Balance at the end of the period	46,258	46,355

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Banco Millennium Atlântico, S.A., is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Ownership held by BCP on associate's equity as at 1 January	47,086	70,928
Application of IAS 29 for the period:		
Net non-monetary assets of the BMA		
Effect of exchange rate variations (note 43)	(15)	(3,417)
Amortization of the effect of IAS 29 application calculated as at 31 December 2018 (note 15)	(77)	(268)
Goodwill of the merger operation of the BMA		
Effect of exchange rate variations (note 43)	(40)	(8,223)
Appropriation of the net income of the associates (note 15)	1,676	2,977
Other comprehensive income attributable to BCP	(2,263)	3,182
Exchange differences		
Effect on BMA's equity	(166)	(27,994)
Goodwill associated with investment in BMA	(49)	(10,007)
Impairment of investments in associates (note 43)	97	19,908
Investment held at the end of the period	46,249	47,086

The following table presents the financial statements of Banco Millennium Atlântico, S.A, prepared in accordance with IFRS, modified by the consolidation adjustments:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Net income for the period	7,371	13,097
Comprehensive income	(9,954)	13,996
Total comprehensive income attributable to Shareholders of the associate	(2,583)	27,093
Application of IAS 29 (*)	(339)	(1,180)
Attributable to Shareholders of the associates adjusted to BCP GAAP	(2,922)	25,913
Attributable to the BCP Group	(664)	5,891
Balance sheet		
Financial assets	1,914,020	1,979,566
Non-financial assets	228,321	245,431
Financial liabilities	(1,929,589)	(2,000,669)
Non-financial liabilities	(19,212)	(27,475)
Attributable to Shareholders of the associates	193,540	196,853
Application of IAS 29 (*)	20,360	20,764
Attributable to Shareholders of the associates adjusted to BCP GAAP	213,900	217,617
Attributable to the BCP Group	48,629	49,474
Goodwill of the merge	25,867	25,956
Impairment of investments in associates	(28,247)	(28,344)
Attributable to the BCP Group adjusted of consolidation items	46,249	47,086

(*) The impact of the IAS 29 adoption was calculated from the date of the merger (April 2016).

The amounts presented do not include adjustments arising from the application of IAS 29. Based on the requirements of IAS 29, Angola was considered a hyperinflationary economy until 31 December 2018, for the purpose of presenting the consolidated financial statements, as described in accounting policy 1 B6. This classification ceased to be applied on 1 January 2019.

In accordance with the requirements of IFRS 12 and considering their relevance, the movements occurred in the investment held in Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023 (restated)
Appropriation of equity of the associate on 1 January	105,675	75,968
Correction of transition adjustments related to the adoption of IFRS 17 and IFRS 9 (note 43)		
Other comprehensive income	—	(3,659)
Other reserves	—	(5,433)
Appropriation of equity of the associate on 1 January (restated)	105,675	66,876
Appropriation of net income for the year of associates (note 15)	16,681	40,422
Other comprehensive income attributable to BCP	18,697	(1,565)
Dividends received	(40,369)	—
Other changes	—	(58)
Investment held at the end of the period	100,684	105,675

The following table presents the financial statements of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

	(Thousands of euros)	
	30 June 2024	31 December 2023 (restated)
Net income for the period	37,628	82,494
Correction of net income from previous years	(3,584)	—
Comprehensive income	38,157	(3,194)
Total comprehensive income attributable to Shareholders of the associate	72,201	79,300
Attributable to the BCP Group (49%)	35,378	38,857
Balance sheet		
Financial assets	7,828,810	7,795,317
Non-financial assets	505,976	482,087
Financial liabilities	(4,147,564)	(3,632,700)
Non-financial liabilities	(3,718,185)	(4,165,573)
Total equity	469,037	479,131
Attributable to non-controlling interests	11,072	10,980
Attributable to Shareholders of the associates	457,965	468,151
Adjustments of intra-group transactions (*)	378,415	378,415
Attributable to Shareholders of the associate adjusted to BCP GAAP	836,380	846,566
Attributable to the BCP Group (49%)	409,826	414,817
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)
Attributable to the BCP Group adjusted of consolidation items	100,684	105,675

(*) Adjustment related to the cancellation in the BCP Group consolidated accounts of the VOBA recorded by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., at the time of the initial registration of this investment. VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition under IFRS 4. With the implementation of IFRS 17, this concept was cancelled in the consolidated accounts of Millenniumbcp Ageas having no impact on the Group's consolidated accounts as it is not recognised in the investment.

27. Non-current assets held for sale

This balance is analysed as follows:

	(Thousands of euros)					
	30 June 2024			31 December 2023		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	38,110	(16,255)	21,855	87,735	(39,327)	48,408
Assets belong to investments funds and real estate companies	19,917	(6,148)	13,769	19,854	(6,149)	13,705
Assets for own use (closed branches)	2,835	(1,013)	1,822	3,472	(1,671)	1,801
Equipment and other	5,341	(588)	4,753	5,006	(696)	4,310
Other assets (*)	16,694	(5,727)	10,967	16,446	(4,353)	12,093
	82,897	(29,731)	53,166	132,513	(52,196)	80,317

(*) includes Shares, Price Deposit and Property Adjudication Proposals

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 G.

The balance Real estate - Assets arising from recovered loans includes, essentially, real estate resulted from process of recovered loans or judicial auction being accounted for at the time the Group assumes control of the asset, which is usually associated with the transfer of their legal ownership. Additional information on these assets is presented in note 53.

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.

In the first half of 2024, this balance includes properties for which the Group has already entered sales contracts in the gross amount of Euros 6,421,000 (31 December 2023: Euros 53,014,000). The impairment associated with these contracts amounts to Euros 2,307,000 (31 December 2023: Euros 24,127,000), and it was calculated considering the value of the respective contracts.

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

	(Thousands of euros)	
	30 June 2024	31 December 2023
Balance as at 1 January	52,196	149,565
Transfer to other assets	—	(51,802)
Other transfers	702	(21,143)
Charge for the period (note 13)	2,320	12,899
Reversals for the period (note 13)	(135)	(1,656)
Amounts charged-off	(25,408)	(35,249)
Exchange rate differences	56	(418)
Balance at the end of the period	29,731	52,196

28. Investment property

The balance Investment property corresponds to real estate evaluated in accordance with the accounting policy presented in note 1 N, based on independent assessments and compliance with legal requirements.

The rents received related to these assets amounted to Euros 485,000 (31 December 2023: Euros 851,000).

The changes occurred in this balance are analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Balance as at 1 January	39,100	15,217
Revaluations	1,007	94
Acquisitions	—	23,789
Balance at the end of the period	40,107	39,100

29. Other tangible assets

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Real estate	671,695	669,847
Equipment		
Computer equipment	319,283	346,220
Security equipment	64,336	67,587
Facilities	136,772	151,649
Machinery	46,407	49,712
Furniture	77,853	84,154
Motor vehicles	37,217	35,839
Other equipment	32,701	31,842
Right of use		
Real estate	410,132	390,625
Assets under construction	13,820	20,563
Other tangible assets	16	36
	1,810,232	1,848,074
Accumulated depreciation		
Relative to the current period (note 9)	(50,494)	(98,282)
Relative to the previous periods	(1,163,899)	(1,143,345)
	(1,214,393)	(1,241,627)
	595,839	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 amortised 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 half of 2024, are analysed as follows:

(Thousands of euros)

	2024					Balance as at 30 June
	Balance as at 1 January	Acquisitions / Charge	Disposals / Write-off	Transfers	Exchange differences	
Real estate	669,847	34	(2,810)	1,343	3,281	671,695
Equipment:						
Computer equipment	346,220	5,620	(41,083)	6,676	1,850	319,283
Security equipment	67,587	254	(4,186)	477	204	64,336
Facilities	151,649	371	(15,864)	94	522	136,772
Machinery	49,712	225	(4,652)	820	302	46,407
Furniture	84,154	332	(6,989)	158	198	77,853
Motor vehicles	35,839	4,266	(3,303)	—	415	37,217
Other equipment	31,842	4	(525)	1,121	259	32,701
Right of use						
Real estate	390,625	21,282	(3,912)	—	2,137	410,132
Assets under construction	20,563	6,554	(827)	(12,758)	288	13,820
Other tangible assets	36	—	(20)	—	—	16
	1,848,074	38,942	(84,171)	(2,069)	9,456	1,810,232
Accumulated depreciation						
Real estate	(410,455)	(7,404)	2,687	876	(1,357)	(415,653)
Equipment:						
Computer equipment	(294,471)	(8,764)	40,944	(21)	(1,367)	(263,679)
Security equipment	(63,599)	(512)	4,180	—	(153)	(60,084)
Facilities	(134,380)	(1,627)	15,836	32	(339)	(120,478)
Machinery	(42,015)	(854)	4,650	(373)	(224)	(38,816)
Furniture	(79,822)	(1,247)	6,972	376	(155)	(73,876)
Motor vehicles	(19,188)	(2,739)	2,723	1	(267)	(19,470)
Other equipment	(25,101)	(989)	524	(6)	(201)	(25,773)
Right of use						
Real estate	(172,560)	(26,358)	3,598	—	(1,228)	(196,548)
Other tangible assets	(36)	—	20	—	—	(16)
	(1,241,627)	(50,494)	82,134	885	(5,291)	(1,214,393)
	606,447	(11,552)	(2,037)	(1,184)	4,165	595,839

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

(Thousands of euros)

	2023					Balance as at 31 December
	Balance as at 1 January	Acquisitions / Charge	Disposals / Write-off	Transfers	Exchange differences	
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
Facilities	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	—
Assets under construction	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)
Facilities	(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

30. Goodwill and intangible assets

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	111,578	110,640
Euro Bank, S.A. (Poland)	44,606	44,231
Others	10,182	10,172
	166,366	165,043
Impairment		
Bank Millennium, S.A. (Poland)	(111,578)	(110,640)
Others	(9,880)	(9,880)
	(121,458)	(120,520)
	44,908	44,523
Intangible assets		
Software	303,085	309,776
Other intangible assets	42,399	80,598
	345,484	390,374
Accumulated amortisation		
Charge for the period (note 9)	(20,673)	(39,217)
Charge for the previous periods	(138,056)	(172,575)
	(158,729)	(211,792)
	186,755	178,582
	231,663	223,105

According to the accounting policy described in note 1 B, the recoverable amount of the Goodwill is annually assessed in the second half of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2023, valuations of their investments for which there is goodwill recognised considering among other factors:

- (i) an estimate of future cash flows generated by each cash generating unit;
- (ii) an expectation of potential changes in the amounts and timing of cash flows;
- (iii) the time value of money;
- (iv) a risk premium associated with the uncertainty by holding the asset; and
- (v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

In the first half of 2024, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill.

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

(Thousands of euros)						
	2024					Balance as at 30 June
	Balance as at 1 January	Acquisitions / Charge	Disposals / Write-off	Transfers	Exchange differences	
Goodwill - Differences arising on consolidation	165,043	—	—	—	1,323	166,366
Impairment for goodwill	(120,520)	—	—	—	(938)	(121,458)
	44,523	—	—	—	385	44,908
Intangible assets						
Software	309,776	28,377	(27,539)	(9,779)	2,250	303,085
Other intangible assets	80,598	—	(48,710)	9,863	648	42,399
	390,374	28,377	(76,249)	84	2,898	345,484
Accumulated depreciation						
Software	(138,508)	(17,918)	26,919	203	(1,315)	(130,619)
Other intangible assets	(73,284)	(2,755)	48,710	(203)	(578)	(28,110)
	(211,792)	(20,673)	75,629	—	(1,893)	(158,729)
	178,582	7,704	(620)	84	1,005	186,755
	223,105	7,704	(620)	84	1,390	231,663

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

(Thousands of euros)						
	2023					Balance as at 31 December
	Balance as at 1 January	Acquisitions / Charge	Disposals / Write-off	Transfers	Exchange differences	
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

31. Income tax

Income tax assets and liabilities are analysed as follows:

(Thousands of euros)						
	30 June 2024			31 December 2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred taxes not depending on the future profits (a)						
Impairment losses (b)	837,789	—	837,789	862,261	—	862,261
Employee benefits	624,036	—	624,036	732,273	—	732,273
	1,461,825	—	1,461,825	1,594,534	—	1,594,534
Deferred taxes depending on the future profits						
Impairment losses (b)	499,757	—	499,757	419,544	—	419,544
Tax losses carried forward	162,072	—	162,072	167,995	—	167,995
Employee benefits	57,289	(92,618)	(35,329)	103,938	(141,506)	(37,568)
Financial assets at fair value through other comprehensive income	469,609	(86,205)	383,404	500,202	(82,879)	417,323
Derivatives	—	(3,320)	(3,320)	—	(7,750)	(7,750)
Intangible assets	1,011	—	1,011	968	—	968
Other tangible assets	11,790	(2,868)	8,922	9,401	(3,268)	6,133
Others	99,390	(121,422)	(22,032)	92,615	(108,258)	(15,643)
	1,300,918	(306,433)	994,485	1,294,663	(343,661)	951,002
Total deferred taxes	2,762,743	(306,433)	2,456,310	2,889,197	(343,661)	2,545,536
Offset between deferred tax assets and deferred tax liabilities	(300,595)	300,595	—	(334,866)	334,866	—
Net deferred taxes	2,462,148	(5,838)	2,456,310	2,554,331	(8,795)	2,545,536
Current taxes (c)	22,068	(114,498)	—	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.

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 1,260,264,000 (31 December 2023: Euros 1,387,878,000), of which Euros 823,801,000 relate to impairment losses on credits (31 December 2023: Euros 848,120,000) and Euros 436,462,000 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:

	30 June 2024	31 December 2023
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 30 June 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 recognised 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 2025 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 basis of 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. With reference to 30 June 2024, this analysis and conclusions remain valid.

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)	
	30 June 2024	31 December 2023
Temporary differences	19,445	40,976
Tax losses carried forward		
2014	161,906	161,906
2015	2	2
2016	279,332	282,498
2017	2,773	2,773
2018	118,295	118,295
2019	28,999	24,192
2020	15,690	15,213
2021	193,392	193,878
2022	19,727	19,469
2023	3,028	2,402
2024	18,642	—
Total	841,786	820,628

The amount of unrecognised deferred taxes relating to tax losses by year of expiry is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
2024	126	206
2025	14,100	13,623
2026	130	129
2027	11,185	12,051
2028	975	2,293
2029	14,050	—
No expiry date	801,220	792,326
Total	841,786	820,628

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 June 2024, is analysed as follows:

(Thousands of euros)			
	30 June 2024		
	Net income for the period	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(24,472)	—	—
Employee benefits	(108,237)	—	—
	(132,709)	—	—
Deferred taxes depending on the future profits			
Impairment losses	80,341	(1,572)	1,444
Tax losses carried forward (a)	(6,009)	—	86
Employee benefits	(9,580)	11,773	46
Financial assets at fair value through other comprehensive income	—	(32,202)	(1,717)
Derivatives	—	—	4,430
Intangible assets	35	—	8
Other tangible assets	2,790	—	(1)
Others	(1,377)	(1,675)	(3,337)
	66,200	(23,676)	959
	(66,509)	(23,676)	959
Current taxes			
Current period	(81,058)	(751)	—
Correction of previous periods	9,793	—	—
	(71,265)	(751)	—
	(137,774)	(24,427)	959

The impact of income taxes in Net income and in other balances of Group's equity, as at 30 June 2023, is analysed as follows:

(Thousands of euros)			
	30 June 2023		
	Net income for the period	Reserves	Exchange differences
Deferred taxes not depending on the future profits			
Impairment losses	(63,021)	—	—
Employee benefits	(75,351)	(3,243)	—
	(138,372)	(3,243)	—
Deferred taxes depending on the future profits			
Impairment losses	(2,359)	(1,560)	7,530
Tax losses carried forward (a)	(2,840)	—	348
Employee benefits	(9,010)	15,412	227
Financial assets at fair value through other comprehensive income	—	(58,749)	18,773
Derivatives	—	—	(89)
Intangible assets	(109)	—	59
Other tangible assets	558	—	(22)
Others	32,607	(194)	(18,296)
	18,847	(45,091)	8,530
	(119,525)	(48,334)	8,530
Current taxes			
Current period	(126,565)	(5)	—
Correction of previous periods	91	—	—
	(126,474)	(5)	—
	(245,999)	(48,339)	8,530

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

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

	(Thousands of euros)	
	30 June 2024	30 June 2023
Net income before income taxes	679,860	722,740
Current tax rate (%)	31.5%	31.5%
Expected tax	(214,156)	(227,663)
Non-deductible impairment and provisions (a)	(17,637)	(69,640)
Mandatory contributions to the banking sector (b)	(14,597)	(16,708)
Results of companies accounted by the equity method	9,946	9,273
Interests on other equity instruments (c)	5,473	5,828
Effect of the tax rate difference (d)	15,207	32,282
Effect of recognition/derecognition net of deferred taxes (e)	68,575	20,385
Non-deductible costs and other corrections	1,514	(1,338)
Correction of previous periods (f)	4,303	1,305
Impact of special tax regime for groups of companies	3,947	648
Autonomous tax	(349)	(371)
Total	(137,774)	(245,999)
Effective rate (%)	20.3%	34.0%

(a) In 2024 includes the negative amount of Euros 22,415,000 (2023: negative Euros 57,496,000) 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 Portugal and in Poland.

(c) Relates to the impact of the deduction for taxable income purposes of interest paid in respect of perpetual bonds representing subordinated debt issued in 31 January 2019 and 18 January 2024.

(d) In 2024 this balance includes the amount of Euros 9,529,000 (2023: Euros 10,317,000) related with the effect of the taxation of 20% tax on interests of Mozambique's public debt securities and the amount of Euros 7,149,000 (2023: Euros 20,933,000) 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 21,504,000 related to the additional 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 51,621,000 was recognised in the first half 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 and the amount of Euros 1,744,000 of current tax recovered in relation to the financial years 2020-2022, in both cases as a result of 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.

32. Other assets

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Deposit account applications	56,463	57,866
Capital supplies	177,800	173,175
Obligations with post-employment benefits	348,594	390,258
Debtors for futures and options transactions	133,143	118,472
Real estate and other assets arising from recovered loans	306,997	338,486
Debtors		
Residents		
Receivables from real estate, transfers of assets and other securities	73,877	87,816
Prosecution cases / agreements with the Bank	9,153	11,163
SIBS	3,257	3,579
Others	28,496	21,779
Non-residents	26,523	50,992
Amounts due for collection	79,768	81,614
Interest and other amounts receivable	63,484	80,094
Amounts receivable on trading activity	102,186	10,736
Amounts due from customers	66,946	76,047
Artistic patrimony	28,796	28,796
Prepaid expenses	22,251	25,505
Subsidies receivables	12,012	8,347
Other recoverable tax	7,742	8,112
Gold and other precious metals	3,708	3,562
Capital supplementary contributions	165	165
Associates	209	116
Sundry assets	372,632	371,836
	1,924,202	1,948,516
Impairment for other assets	(320,696)	(321,832)
	1,603,506	1,626,684

The balance Deposit account applications includes the amount of 30,638,000 (31 December 2023: 30,638,000) relating to the collateral constituted in compliance with the assumption of irrevocable payment commitments to Single Resolution Fund, as referred in note 6.

As referred in note 46, as at 30 June 2024, the balance Capital supplies includes the amount of Euros 170,455,000 (31 December 2023: Euros 165,837,000) arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount.

The balance Amounts receivable on trading activity corresponds to transactions awaiting financial settlement.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recorded in the income statement.

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

(Thousands of euros)						
	30 June 2024			31 December 2023		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Real estate						
Assets arising from recovered loans	132,114	(48,359)	83,755	138,165	(45,829)	92,336
Assets belong to investments funds and real estate companies	150,711	(77,433)	73,278	173,443	(84,904)	88,539
Assets for own use (closed branches)	12,528	(5,228)	7,300	13,537	(5,432)	8,105
Equipment	95	(83)	12	92	(81)	11
Other assets (*)	11,549	(18)	11,531	13,249	(594)	12,655
	306,997	(131,121)	175,876	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)		
	30 June 2024	31 December 2023
Balance as at 1 January	184,992	191,752
Other transfers	(110)	(513)
Charge for the period (note 13)	8,145	17,673
Reversals for the period (note 13)	(2,859)	(7,150)
Amounts charged-off	(701)	(17,232)
Exchange rate differences	108	462
Balance at the end of the period	189,575	184,992

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

(Thousands of euros)		
	30 June 2024	31 December 2023
Balance as at 1 January	136,840	—
Transfer of Non-current assets held for sale (note 27)	—	51,802
Other transfers	(592)	52,488
Charge for the period (note 13)	3,523	34,706
Reversals for the period (note 13)	(443)	(98)
Amounts charged-off	(8,776)	(1,953)
Exchange rate differences	569	(105)
Balance at the end of the period	131,121	136,840

33. Resources from credit institutions

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Resources and other financing from Central Banks		
Central Banks abroad	111,842	110,776
	111,842	110,776
Resources from credit institutions in Portugal		
Sight deposits	33,956	63,128
Term Deposits	253,247	79,198
	287,203	142,326
Resources from credit institutions abroad		
Repayable on demand	70,339	88,864
Term deposits	218,288	127,224
Loans obtained	261,345	264,635
CIRS and IRS operations collateralised by deposits (*)	148,379	88,633
Sales operations with repurchase agreement	20,321	—
Other resources	43,308	6,668
	761,980	576,024
	1,161,025	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.

34. Resources from customers and other loans

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Deposits from customers		
Repayable on demand	45,780,079	45,048,931
Term deposits	29,608,657	25,106,121
Saving accounts	4,148,802	4,487,509
Cheques and orders to pay	641,123	630,497
Other	52,500	60,000
	80,231,161	75,333,058
Corrections to the liabilities value subject to hedging operations	39,440	103,654
Deferred costs/ (income)	(613)	(621)
Interest payable	269,655	170,722
	80,539,643	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.

35. Non subordinated debt securities issued

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Bonds	286,634	232,866
Medium term notes (MTN)	2,347,961	2,347,610
Securitisations	113,443	121,933
	2,748,038	2,702,409
Corrections to the liabilities value subject to hedging operations	(40,327)	(22,873)
Deferred costs / (income)	(10,456)	(11,142)
Interest payable	90,807	44,288
	2,788,062	2,712,682

36. Subordinated debt

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Bonds		
Non-Perpetual	1,405,263	1,402,278
Corrections to the liabilities value subject to hedging operations (note 53)	(40,909)	(41,831)
Deferred costs / (income)	(1,558)	(1,956)
Interest payable	23,294	38,934
	1,386,090	1,397,425

As at 30 June 2024, the subordinated debt issues are analysed as follows:

	(Thousands of euros)					
	30 June 2024					
Issue	Issue date	Repayment date	Interest rate	Nominal value	Book value	Own funds value (*)
Banco Comercial Português						
Bcp Fix Rate Reset Sub Notes-Emtm 854	December, 2017	December, 2027	See reference (i)	166,300	169,746	114,281
Bcp Subord Fix Rate Note Projeto Tagus Mtn 855	September, 2019	March, 2030	See reference (ii)	450,000	441,107	450,000
BCP Tier 2 Subord Callable Notes Due May 2032 - MTN 858	November, 2021	May, 2032	See reference (iii)	300,000	278,820	300,000
BCP2022 Tier 2 Sub Callable Notes Due 2 June 2033 MTN 860	December, 2022	March, 2033	See reference (iv)	133,700	133,777	133,700
Bank Millennium Group						
Bank Millennium - BKMO_071227R	December, 2017	December, 2027	8.16%	162,462	163,355	49,690
Bank Millennium - BKMO_300129W	January, 2019	January, 2029	8.15%	192,634	199,241	58,918
Magellan No. 3						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	—
					1,386,090	1,106,589

(*) 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)

Issue	31 December 2023					
	Issue date	Repayment 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%.

37. Financial liabilities held for trading

This balance is analysed as follows:

(Thousands of euros)

	30 June 2024	31 December 2023
Short selling securities	25,227	626
Trading derivatives (note 24)		
Swaps	76,018	96,824
Options	85,675	100,702
of which: Embedded derivatives	81,189	95,357
Forwards	6,157	9,235
	167,850	206,761
	193,077	207,387
Level 2	84,425	108,767
Level 3	108,652	98,620

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48. The balance Financial liabilities held for trading includes, as at 30 June 2024, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 C5. in the amount of Euros 81,189,000 (31 December 2023: Euros 95,357,000). This note should be analysed together with note 24.

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

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Deposits from customers (*)	2,015,450	2,321,000
Certificates	1,151,396	989,703
Debt securities at fair value through profit and loss		
Medium term notes (MTN)	166,744	297,784
	3,333,590	3,608,487

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

39. Provisions

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Provision for guarantees and other commitments	117,414	121,574
Other provisions for liabilities and charges	845,796	631,529
	963,210	753,103

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

	(Thousands of euros)	
	30 June 2024	31 December 2023
Balance as at 1 January	121,574	110,754
Transfers	(1,105)	(1,990)
Charge for the period (note 14)	14,708	40,602
Reversals for the period (note 14)	(17,899)	(28,372)
Exchange rate differences	136	580
Balance at the end of the period	117,414	121,574

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

	(Thousands of euros)	
	30 June 2024	31 December 2023
Balance as at 1 January	631,529	451,032
Transfers	23,166	(24,858)
Charge for the period (note 14)	281,671	785,928
Reversals for the period (note 14)	(1,336)	(4,000)
Amounts charged-off	(22,325)	(42,138)
Allocation to loan's portfolio (note 22)	(70,337)	(583,027)
Exchange rate differences	3,428	48,592
Balance at the end of the period	845,796	631,529

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 56, which, in the first half of 2024, amounted to Euros 260,618,000 (31 December 2023: Euros 675,252,000).

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date in order to reflect the best estimate of the amount and respective probability of payment.

This balance includes provisions for lawsuits, frauds and tax contingencies. As at 30 June 2024, the provisions constituted to cover tax contingencies amounted to Euros 44,308,000 (31 December 2023: Euros 54,384,000).

Provisions for 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 recognised 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 56 "Legal risk related to foreign currency mortgage loans in Bank Millennium (Poland)".

As at 30 June 2024, the Loans and advances to customers portfolio in CHF has a gross amount of Euros 1,896,911,000 (31 December 2023: Euros 2,218,947,000).

As at 30 June 2024, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amount to Euros 1,905,320,000 (PLN 8,206,595,000), of which Euros 1,400,128,000 (PLN 6,030,633,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 22) and Euros 505,192,000 (PLN 2,175,962,000) are presented under Provisions.

As at 31 December 2023, the provisions estimated by Bank Millennium to address the legal risk related to foreign currency-indexed mortgage loans amounted to Euros 1,812,231,000 (PLN 7,871,789,000), of which Euros 1,500,209,000 (PLN 6,516,460,000) are presented under assets, as a deduction from the gross amount of the loan portfolio in CHF (note 22) and Euros 312,022,000 (PLN 1,355,329,000) are presented under Provisions.

The variation in the level of provisions or concrete losses will depend on the final court decisions about each case and on the number of court cases.

40. Other liabilities

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Interests and other amounts payable	151,243	169,842
Operations to be settled - foreign, transfers and deposits	232,441	249,509
Credit insurance received and to accrued	37,748	49,181
Holidays, subsidies and other remuneration payable	60,953	58,018
Transactions on securities to be settled	98,285	3,855
Public sector	58,749	51,675
Creditors		
Rents to pay	213,524	215,714
Deposit account and other applications	132,160	157,102
Suppliers	39,445	57,652
From factoring operations	39,357	47,987
For futures and options transactions	14,001	11,121
Liabilities not covered by the Group Pension Fund - amounts payable by the Group	7,811	10,561
Associates	—	26
Other creditors		
Residents	31,806	35,660
Non-residents	76,281	96,525
Deferred income	11,792	10,424
Other administrative costs payable	9,782	7,809
Other liabilities	333,789	458,891
	1,549,167	1,691,552

The balance Liabilities not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 6,055,000 (31 December 2023: Euros 6,620,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

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

The Group has several operating leases for properties, being recorded in the item Rents to pay the amount of lease liabilities recognised under IFRS 16, as described in the accounting policy 1 H. The analysis of this balance, by maturity, is as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Until 1 year	21,530	20,728
1 to 5 years	84,382	84,482
Over 5 years	139,589	146,725
	245,501	251,935
Accrued costs recognised in Net interest income	(31,977)	(36,221)
	213,524	215,714

41. Share capital, Share premium and Other equity instruments

As at 30 June 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 30 June 2024, the Share premium amounts to Euros 16,470,667.12, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 30 June 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 repayment took place on their first call date, 31 January 2024, at the nominal value plus the respective accrued interests.

As at 30 June 2024, the shareholders who hold, individually or jointly, 5% or more of the Bank's capital, are the following:

Shareholder	number of shares	% share capital	% voting rights
Chiado (Luxembourg) S.à.r.l. (Fosun Group)	3,027,936,381	20.03%	20.03%
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	2,946,353,914	19.49%	19.49%
Total Qualified Shareholdings	5,974,290,295	39.52%	39.52%

42. Legal and statutory reserves

Under the Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital, or until the sum of the free reserves constituted and the retained earnings, if higher. In accordance with the proposal for the appropriation of net income for the 2023 financial year approved at the General Shareholders' Meeting held on 22 May 2024, the Bank increased its legal reserves in the amount of Euros 68,027,000, thus, as at 30 June 2024 the Legal Reserves amount to Euros 384,402,000 (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 43).

43. Reserves and retained earnings

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023 (restated)
Fair value changes - Gross amount		
Financial assets at fair value through other comprehensive income (note 24)		
Debt instruments (*)	(59,223)	(75,326)
Equity instruments	(3,427)	(3,747)
Of associates and other changes	11,623	(1,728)
Cash-flow hedge	(1,181,483)	(1,274,684)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(342)	(2,596)
	(1,232,852)	(1,358,081)
Fair value changes - Tax		
Financial assets at fair value through other comprehensive income		
Debt instruments	16,345	20,266
Equity instruments	1,222	1,403
Cash-flow hedge	369,271	398,207
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	108	814
	386,946	420,690
	(845,906)	(937,391)
Exchange differences arising on consolidation		
Bank Millennium, S.A.	(28,356)	(35,347)
BIM - Banco Internacional de Moçambique, S.A.	(139,946)	(152,108)
Banco Millennium Atlântico, S.A.	(180,392)	(180,187)
Others	1,604	2,031
	(347,090)	(365,611)
Application of IAS 29		
Effect on equity of Banco Millennium Atlântico, S.A.	50,626	50,584
Others	(3,965)	(3,965)
	46,661	46,619
Other reserves and retained earnings	3,448,541	2,970,466
	2,302,206	1,714,083

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

During the first half of 2024, Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. corrected the transition adjustments relating to the adoption of IFRS 17 and IFRS 9 in the negative amount of Euros 9,092,000.

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 amortised cost.

During first half of 2024, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2024					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 30 June
Financial assets at fair value through other comprehensive income (note 24)						
Debt instruments						
Debt securities - Portuguese public issuers	(42,645)	(21,276)	20,347	112	—	(43,462)
Others	(32,681)	5,290	7,307	4,992	(669)	(15,761)
	(75,326)	(15,986)	27,654	5,104	(669)	(59,223)
Equity instruments	(3,747)	89	—	—	231	(3,427)
Associates and other changes						
Millenniumbcp Ageas	(10,267)	18,579	—	—	(4,629)	3,683
Other associates and other changes	8,539	(599)	—	—	—	7,940
	(1,728)	17,980	—	—	(4,629)	11,623
	(80,801)	2,083	27,654	5,104	(5,067)	(51,027)

During 2023 the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in own credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2023 (restated)					
	Balance as at 1 January	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	Balance as at 31 December
Financial assets at fair value through other comprehensive income (note 24)						
Debt instruments						
Debt securities - Portuguese public issuers	(89,985)	140,651	(104,087)	306	10,470	(42,645)
Others	(138,440)	155,004	(51,078)	1,016	817	(32,681)
	(228,425)	295,655	(155,165)	1,322	11,287	(75,326)
Equity instruments	(25,846)	6,782	—	—	15,317	(3,747)
Associates and other changes						
Millenniumbcp Ageas	(7,384)	(1,533)	—	—	(1,350)	(10,267)
Other associates and other changes	11,563	2,699	—	—	(5,723)	8,539
	4,179	1,166	—	—	(7,073)	(1,728)
	(250,092)	303,603	(155,165)	1,322	19,531	(80,801)

The item Disposals refers to the derecognition of debt securities and equity instruments at fair value through other comprehensive income.

44. Non-controlling interests

This balance is analysed as follows:

(Thousands of euros)		
	30 June 2024	31 December 2023
Fair value changes		
Debt instruments	(16,692)	(27,718)
Equity instruments	2,951	2,924
Cash-flow hedge	(4,314)	(6,226)
Other	13	4
	(18,042)	(31,016)
Deferred taxes		
Debt instruments	3,200	5,362
Equity instruments	(605)	(600)
Cash-flow hedge	820	1,183
	3,415	5,945
	(14,627)	(25,071)
Exchange differences arising on consolidation	(123,576)	(136,624)
Actuarial losses (net of taxes)	619	897
Other reserves and retained earnings	1,176,316	1,148,225
	1,038,732	987,427

The balance Non-controlling interests is analysed as follows:

(Thousands of euros)				
	Balance Sheet		Income Statement	
	30 June 2024	31 December 2023	30 June 2024	30 June 2023
Bank Millennium Group	850,845	792,061	41,313	38,571
BIM - Banco Internacional de Moçambique Group	171,107	178,500	15,577	15,009
Other subsidiaries	16,780	16,866	(86)	(97)
	1,038,732	987,427	56,804	53,483

The following table presents a summary of financial information for the main subsidiaries included in this balance, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousands of euros)				
	Bank Millennium Group		BIM - Banco Internacional de Moçambique Group	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Net income for the period	82,791	77,297	46,757	48,499
Correction of net income from previous periods	—	—	—	(3,447)
Adjusted net income	82,791	77,297	46,757	45,052
Net income for the period attributable to the shareholders	41,478	38,726	31,180	30,043
Net income for the period attributable to non-controlling interests	41,313	38,571	15,577	15,009
Other comprehensive income attributable to the shareholders	17,541	91,671	11,497	(7,523)
Other comprehensive income attributable to non-controlling interests	17,470	91,305	5,743	(3,758)
Total comprehensive income	117,802	260,273	63,997	33,771
	31 December		31 December	
	30 June 2024	2023	30 June 2024	2023
Balance sheet				
Financial assets	30,680,377	28,184,289	2,715,077	2,495,727
Non-financial assets	786,718	752,625	219,140	215,447
Financial liabilities	(28,540,597)	(26,121,981)	(2,333,964)	(2,096,244)
Non-financial liabilities	(1,221,362)	(1,227,601)	(87,867)	(80,310)
Equity	1,705,136	1,587,332	512,386	534,620
Equity attributed to the shareholders	854,291	795,271	341,687	356,514
Equity attributed to the non-controlling interests	850,845	792,061	170,699	178,106
Cash flows arising from:				
operating activities	2,476,866	3,337,195	74,070	101,745
investing activities	(2,723,105)	(2,828,892)	(7,403)	(18,862)
financing activities	(15,301)	474,329	(90,325)	(71,516)
Increase / (decrease) in cash and equivalents	(261,540)	982,632	(23,658)	11,367
Dividends paid during the period:				
attributed to the shareholders	—	—	57,503	47,478
attributed to the non-controlling interests	—	—	28,727	23,719
	—	—	86,230	71,197

45. Guarantees and other commitments

This balance is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Guarantees granted		
Guarantees	3,921,014	3,893,124
Stand-by letter of credit	77,764	75,018
Open documentary credits	264,276	238,962
Bails and indemnities	135,215	135,256
	4,398,269	4,342,360
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	5,930	2,051
Irrevocable credit facilities	4,992,120	5,279,307
Securities subscription	18,368	22,145
Other irrevocable commitments	158,091	157,711
Revocable commitments		
Revocable credit facilities	6,431,173	6,013,393
Bank overdraft facilities	914,010	890,579
Other revocable commitments	161,017	181,380
	12,680,709	12,546,566
Guarantees received	27,819,344	28,126,885
Commitments from third parties	12,120,992	12,352,650
Securities and other items held for safekeeping	86,866,525	85,357,406
Securities and other items held under custody by the Securities Depository Authority	91,332,139	87,167,519
Other off balance sheet accounts	146,981,395	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 customer by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 39).

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

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

As at 30 June 2024 and 31 December 2023, the balance Irrevocable commitments - Other irrevocable commitments includes the amount of Euros 30,638,000 relating to the collateral constituted in compliance with the assumption of irrevocable payment commitments to Single Resolution Fund, as referred in note 6.

This balance also includes, in 30 June 2024 and 31 December 2023, the amount of Euros 95,190,000 corresponding to irrevocable commitments for cumulative payments assumed with the Deposit Guarantee Fund, as referred in note 6.

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

The balance of Guarantees granted, Irrevocable credit facilities and revocable commitments portfolio detailed by stage according with IFRS 9, is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Stage 1		
Gross amount	15,323,591	14,934,354
Impairment	(11,556)	(12,880)
	15,312,035	14,921,474
Stage 2		
Gross amount	1,264,288	1,433,605
Impairment	(12,126)	(14,686)
	1,252,162	1,418,919
Stage 3		
Gross amount	308,710	339,060
Impairment	(93,732)	(94,008)
	214,978	245,052
	16,779,175	16,585,445

46. Transfers of assets

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

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

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

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

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

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

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in Financial assets not held for trading mandatorily at fair value through profit or loss portfolio and are accounted for at fair value based on the last available Net assets value (NAV), as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

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

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

The amounts accumulated as at 30 June 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.

As at 30 June 2024, the assets received under the scope of these operations are comprised of:

(Thousands of euros)			
	30 June 2024		Total
	Senior securities	Junior securities	
	Investment fund units (note 24)	Capital supplies (note 32)	
Fundo Recuperação FCR			
Gross value	166,790	77,036	243,826
Impairment and other fair value adjustments	(147,626)	(77,036)	(224,662)
	19,164	—	19,164
Fundo Aquarius FCR			
Gross value	93,899	—	93,899
Impairment and other fair value adjustments	(353)	—	(353)
	93,546	—	93,546
Discovery Real Estate Fund			
Gross value	157,716	—	157,716
Impairment and other fair value adjustments	12,512	—	12,512
	170,228	—	170,228
Fundo Vega FCR			
Gross value	46,587	93,419	140,006
Impairment and other fair value adjustments	(10,084)	(93,419)	(103,503)
	36,503	—	36,503
Total Gross value	464,992	170,455	635,447
Total impairment and other fair value adjustments	(145,551)	(170,455)	(316,006)
	319,441	—	319,441

As at 30 June 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.

It is also important to mention the following aspects: (i) these are Funds whose latest Audit Reports available with reference to 31 December 2023, do not include reserves. However, in the Audit Report of Fundo Recuperação there is an emphasis related to the fact that the financial statements have been prepared on a non-continuity basis of operations (given that the Fund's duration ends on 31 July 2024 and the Discovery Fund's Audit Report contains a material uncertainty related to going concern; (ii) the funds are subject to supervision by the competent authorities.

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

(Thousands of euros)

	31 December 2023		
	Senior securities	Junior securities	Total
	Investment fund units (note 24)	Capital supplies (note 32)	
Fundo Recuperação FCR			
Gross value	166,637	74,631	241,268
Impairment and other fair value adjustments	(138,607)	(74,631)	(213,238)
	28,030	—	28,030
Fundo Aquarius FCR			
Gross value	105,498	—	105,498
Impairment and other fair value adjustments	(7,379)	—	(7,379)
	98,119	—	98,119
Discovery Real Estate Fund			
Gross value	157,716	—	157,716
Impairment and other fair value adjustments	4,568	—	4,568
	162,284	—	162,284
Fundo Vega FCR			
Gross value	46,233	91,206	137,439
Impairment and other fair value adjustments	(10,091)	(91,206)	(101,297)
	36,142	—	36,142
Total Gross value	476,084	165,837	641,921
Total impairment and other fair value adjustments	(151,509)	(165,837)	(317,346)
	324,575	—	324,575

As at 31 December 2023, the book value of these assets is accounted for in item Financial assets not held for trading mandatorily at fair value through profit or loss and considers the Fund's Global Net Asset Value (NAV) communicated by the Management Companies.

The following aspects should also be mentioned: (i) these are Funds whose latest Limited Audit Reports available with reference to 30 June 2023, and Audit Reports available with reference to 31 December 2022, do not include reserves; (ii) the funds are subject to supervision by the competent authorities.

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

(Thousands of euros)

Corporate restructuring funds	30 June 2024			31 December 2023		
	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação FCR	169,387	166,790	2,597	171,846	166,637	5,209
Fundo Aquarius FCR	105,339	93,899	11,440	118,350	105,497	12,853
Discovery Real Estate Fund	158,991	158,991	—	158,991	158,991	—
Fundo Vega FCR	45,439	43,825	1,614	45,439	43,492	1,947
	479,156	463,505	15,651	494,626	474,617	20,009

There are additional subscription commitments for the fund Discovery, in the amount of Euros 1,107,000 (31 December 2023: Euros 1,107,000).

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)	
	30 June 2024	31 December 2023 (restated)
Financial assets not held for trading mandatorily at fair value through profit or loss (note 24)		
Fundo Turismo Algarve, FCR	—	40,758
	—	40,758
Investments in associates (note 26)		
Fundo Turismo Algarve, FCR	73,803	—
Lusofundo - Fundo de Investimento Imobiliário Fechado	19,377	18,780
Fundo Especial de Investimento Imobiliário Fechado Eurofundo	7,687	8,467
	100,867	27,247
Other assets (note 32)		
Imoserit, S.A.	—	14,805
	100,867	82,810

47. Relevant events occurred during the first half of 2024

Bank Millennium Minimum requirements for own funds and liabilities subject to write down or conversion (MREL)

Bank Millennium manages MREL indicators in a manner analogous to capital adequacy management.

In terms of the MREL-TREA and MREL-TEM requirements, Bank Millennium Group has a surplus compared to the minimum required levels as at 30 June 2024, and also meets the MREL-TREA Requirement after the inclusion of the Combined Buffer Requirement.

MREL	30.06.2024	31.03.2024	30.06.2023
MREL-TREA ratio	22.92 %	23.65 %	14.93 %
Minimum required level MREL-TREA	18.03 %	18.89 %	14.42 %
Surplus(+) / Deficit(-) of MREL-TREA (p.p.)	4.89 %	4.76 %	0.51 %
Minimum required level including Combined Buffer Requirement (CBR)	20.78 %	21.64 %	17.17 %
Surplus(+) / Deficit(-) of MREL-TREA+CBR (p.p.)	2.14 %	2.01 %	-2.24 %
MREL-TEM ratio	7.05%	7.33%	5.87%
Minimum required level of MREL-TEM	5.91 %	5.91 %	4.46 %
Surplus(+) / Deficit(-) of MREL-TEM (p.p.)	1.14 %	1.42 %	1.41 %

In June 2024, Bank Millennium received a letter from the Bank Guarantee Fund regarding the joint decision of the Single Resolution Board (SRB) and the BFG requiring that the Bank meet the communicated MREL-TREA requirements in the amount of 18.03% (previously 18.89% in the decision received 5 June 2023) including 17.92% in subordinated instruments and MREL-TEM requirements in the amount of 5.91% (as in the decision received on 5 May 2023) including 5.87% in subordinated instruments.

Completion of implementation of the Bank Millennium's Recovery Plan

The Management Board of Bank Millennium S.A. informs that on 19 June 2024 it took a decision to complete the implementation of the Recovery Plan, notifying of the fact Polish Financial Supervision Authority and Bank Guarantee Fund.

In the Bank Millennium's Management Board's opinion, all key assumptions of the Recovery Plan ('Plan') have been achieved. In particular, all indicators defined in the Plan have reached safe levels, profitability and financial results of Bank Millennium S.A. Capital Group ('the Group') improved sustainably, capital ratios were restored to levels well above required regulatory minimums while the Bank Millennium and the Group meet MREL requirements, including the combined buffer requirements. The Bank Millennium's Management Board also does not identify future circumstances that would justify further continuation of the Recovery Plan.

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 (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 Avenida 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.

S&P Global Ratings upgraded BCP's Outlook

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

EIB signed an agreement with Millennium bcp

As at 11 January 2024, the EIB signed an agreement with Millennium bcp to provide Euros 400 million 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 would 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.

48. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to customer, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Group's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks, it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term.

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value (this class incorporates among other, factoring operations, current account credit, credit cards and overdrafts in demand deposits).

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment (Stage 3 loans), the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Group for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Group. This was calculated from the average production of the three most recent months compared to the reporting date.

As in the case of credits without defined maturity, also for the resources from customers without defined maturity (demand deposits) it is considered that given the potential short term of the same, possibility of their liquidation at any time, the book value of these liabilities is a reasonable estimate of their fair value.

The average discount rates for Loans and advances to credit institutions, Loans and advances to customers, Resources from credit institutions and Resources from customers are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Resources from credit institutions		Resources from customers	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023
EUR	4.14%	4.31%	5.04%	4.76%	4.10%	4.28%	4.13%	4.32%
AOA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
AUD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.90%	4.86%
CAD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.04%	5.43%
CHF	n.a.	n.a.	3.36%	3.57%	n.a.	n.a.	1.50%	2.10%
CNY	n.a.	n.a.	2.52%	2.95%	n.a.	n.a.	2.29%	2.66%
DKK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.84%	3.93%
GBP	n.a.	n.a.	n.a.	n.a.	5.75%	5.69%	5.50%	5.50%
HKD	n.a.	n.a.	4.37%	4.24%	n.a.	n.a.	4.80%	5.30%
JPY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MOP	n.a.	n.a.	4.13%	3.66%	n.a.	n.a.	4.74%	5.11%
MZN	16.89%	19.51%	22.00%	23.62%	n.a.	n.a.	14.00%	16.41%
NOK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.09%	5.09%
PLN	5.51%	5.27%	8.83%	8.28%	5.83%	5.28%	5.72%	5.48%
SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.99%	4.37%
TRY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	55.05%	44.94%
USD	5.71%	5.78%	6.69%	6.34%	5.90%	5.85%	5.03%	5.03%
ZAR	n.a.	8.69%	13.02%	13.08%	n.a.	n.a.	5.41%	5.87%

Financial assets and liabilities measured at fair value through profit or loss (except derivatives), financial assets at fair value through other comprehensive income

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame. In this class of assets, the fair value corresponds to their book value.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets measured at amortised cost - Debt securities

These financial instruments are accounted at amortised cost net of impairment, as referred in the accounting policy described in note 1 C1.1.1. The fair value of this class of assets, is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value. In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically because of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes. The remaining market inputs, such as yield curves, credit, exchange rates, among others, are also made available by financial content providers.

Debt securities non-subordinated issued and subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate remunerated instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised. For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded, when applicable. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non-institutional customers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average of the reference rates of the yield curve obtained from the market prices of the different currencies used in the determination of the fair value of the issues is analysed as follows:

	30 June 2024		31 December 2023	
	EUR	PLN	EUR	PLN
Placed in the institutional market				
Subordinated	2.96 %	0.00 %	4.98 %	0.00 %
Senior	0.00 %	0.00 %	0.04 %	0.00 %
Placed in retail				
Senior and collateralised	0.15 %	0.05 %	0.19 %	0.04 %

For non-subordinated debt securities issued, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a positive amount of Euros 61,578,000 (31 December 2023: a positive amount of Euros 118,547,000) and includes a payable amount of Euros 81,189,000 (31 December 2023: a payable amount of Euros 95,357,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading (note 24 and 37).

The following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the financial assets and liabilities of the Group:

	30 June 2024				31 December 2023			
	EUR	USD	GBP	PLN	EUR	USD	GBP	PLN
1 day	3.70%	5.30%	5.23%	5.73%	3.93%	5.28%	5.20%	5.74%
7 days	3.70%	5.33%	5.24%	5.73%	3.93%	5.29%	5.22%	5.74%
1 month	3.71%	5.42%	5.28%	5.74%	3.96%	5.37%	5.25%	5.70%
2 months	3.72%	5.45%	5.28%	5.75%	3.98%	5.41%	5.29%	5.74%
3 months	3.72%	5.47%	5.28%	5.75%	3.97%	5.44%	5.32%	5.78%
6 months	3.66%	5.50%	5.29%	5.76%	3.86%	5.37%	5.34%	5.72%
9 months	3.63%	5.47%	5.30%	5.76%	3.75%	5.33%	5.29%	5.71%
1 year	3.53%	5.30%	5.30%	5.78%	3.45%	5.05%	5.25%	5.50%
2 years	3.21%	4.85%	4.76%	5.38%	2.81%	4.37%	4.28%	4.94%
3 years	3.03%	4.58%	4.52%	5.14%	2.56%	4.04%	3.94%	4.62%
5 years	2.87%	4.33%	4.24%	5.00%	2.43%	3.81%	3.63%	4.41%
7 years	2.83%	4.24%	4.13%	5.02%	2.44%	3.75%	3.53%	4.41%
10 years	2.83%	4.20%	4.12%	5.12%	2.50%	3.74%	3.54%	4.49%
15 years	2.85%	4.20%	4.19%	5.25%	2.56%	3.76%	3.63%	4.66%
20 years	2.77%	4.16%	4.22%	5.32%	2.51%	3.74%	3.66%	4.75%
30 years	2.54%	3.98%	4.18%	5.32%	2.33%	3.57%	3.61%	4.75%

The following table shows the fair value of financial assets and liabilities of the Group, as at 30 June 2024:

(Thousands of euros)					
30 June 2024					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	—	—	3,710,364	3,710,364	3,710,364
Loans and advances to credit institutions repayable on demand	—	—	265,887	265,887	265,887
Financial assets at amortised cost					
Loans and advances to credit institutions	—	—	847,989	847,989	840,611
Loans and advances to customers (i)	—	—	53,669,864	53,669,864	52,660,009
Debt securities	—	—	19,224,592	19,224,592	18,635,480
Financial assets at fair value through profit or loss					
Financial assets held for trading	2,257,979	—	—	2,257,979	2,257,979
Financial assets not held for trading mandatorily at fair value through profit or loss	389,657	—	—	389,657	389,657
Financial assets designated at fair value through profit or loss	34,138	—	—	34,138	34,138
Financial assets at fair value through other comprehensive income	—	13,787,862	—	13,787,862	13,787,862
Hedging derivatives (ii)	62,962	—	—	62,962	62,962
	2,744,736	13,787,862	77,718,696	94,251,294	92,644,949
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	—	—	1,161,025	1,161,025	1,156,663
Resources from customers (i)	—	—	80,539,643	80,539,643	80,398,440
Non subordinated debt securities issued (i)	—	—	2,788,062	2,788,062	2,849,640
Subordinated debt (i)	—	—	1,386,090	1,386,090	1,448,817
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	193,077	—	—	193,077	193,077
Financial liabilities designated at fair value through profit or loss	3,333,590	—	—	3,333,590	3,333,590
Hedging derivatives (ii)	36,749	—	—	36,749	36,749
	3,563,416	—	85,874,820	89,438,236	89,416,976

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;

(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Group includes in the Book value column of the heading Financial assets at amortised cost - Debt securities the variation in the fair value of the hedged element attributable to the hedged risk (risk of interest rate) for securities to which the Group is applying fair value hedge accounting.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2023:

(Thousands of euros)					
31 December 2023 (restated)					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Assets					
Cash and deposits at Central Banks	—	—	4,545,526	4,545,526	4,545,526
Loans and advances to credit institutions repayable on demand	—	—	337,687	337,687	337,687
Financial assets at amortised cost					
Loans and advances to credit institutions	—	—	908,477	908,477	904,728
Loans and advances to customers (i)	—	—	53,305,159	53,305,159	52,389,825
Debt securities	—	—	17,579,136	17,579,136	17,260,082
Financial assets at fair value through profit or loss					
Financial assets held for trading	822,904	—	—	822,904	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	440,007	—	—	440,007	440,007
Financial assets designated at fair value through profit or loss	32,004	—	—	32,004	32,004
Financial assets at fair value through other comprehensive income					
Hedging derivatives (ii)	40,628	—	—	40,628	40,628
	1,335,543	10,834,291	76,675,985	88,845,819	87,607,682
Liabilities					
Financial liabilities at amortised cost					
Resources from credit institutions	—	—	829,126	829,126	820,805
Resources from customers (i)	—	—	75,606,813	75,606,813	75,460,202
Non subordinated debt securities issued (i)	—	—	2,712,682	2,712,682	2,831,229
Subordinated debt (i)	—	—	1,397,425	1,397,425	1,456,002
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading	207,387	—	—	207,387	207,387
Financial liabilities designated at fair value through profit or loss	3,608,487	—	—	3,608,487	3,608,487
Hedging derivatives (ii)	67,825	—	—	67,825	67,825
	3,883,699	—	80,546,046	84,429,745	84,451,937

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;

(ii) - Includes a portion that is recognised in reserves in the application of accounting cash flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13. The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded. When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued based on the prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

- i. there is a firm daily enforceable quotation for the financial instruments concerned, or;
- ii. there is a quotation available in market information systems that aggregate multiple prices of various stakeholders.

Level 2 - Valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

- i. failure to comply with the rules defined for level 1, or;
- ii. they are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral agreements (ISDAs with Credit Support Annex (CSA)). In addition, derivative financial instruments traded in the over-the-counter market, which, despite not having CSA agreements, the non-observable market data component (i.e., internal ratings, default probabilities determined by internal models, etc.) incorporated in the estimation of CVA/DVA is not significant in the overall value of the derivative. In order to assess the significance of this component, the Bank defined a quantitative relevance criterion and performed a qualitative sensitivity analysis on the valuation component that includes unobservable market data.

Level 3 - Valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:
 - i. - those measured using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
 - ii. - those measured using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
 - iii. - those measured taking as reference the NAV (Net Asset Value) disclosed by the management entities of securities/ real estate/other investment funds not listed on a regulated market.

Level 3 includes over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements, and whose unobservable market data component incorporated in the estimation of the value adjustment, such as those relating to synthetic securitisation operations carried out by the Bank.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 30 June 2024:

(Thousands of euros)				
30 June 2024				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	3,710,364	—	—	3,710,364
Loans and advances to credit institutions repayable on demand	265,887	—	—	265,887
Financial assets at amortised cost				
Loans and advances to credit institutions	—	—	840,611	840,611
Loans and advances to customers	—	—	52,660,009	52,660,009
Debt securities	15,239,575	692,694	2,703,211	18,635,480
Financial assets at fair value through profit or loss				
Financial assets held for trading	1,868,821	74,169	314,989	2,257,979
Financial assets not held for trading mandatorily at fair value through profit or loss	—	—	389,657	389,657
Financial assets designated at fair value through profit or loss	34,138	—	—	34,138
Financial assets at fair value through other comprehensive income	11,010,309	2,675,879	101,674	13,787,862
Hedging derivatives	—	62,962	—	62,962
	32,129,094	3,505,704	57,010,151	92,644,949
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	—	—	1,156,663	1,156,663
Resources from customers	—	—	80,398,440	80,398,440
Non subordinated debt securities issued	—	—	2,849,640	2,849,640
Subordinated debt	—	—	1,448,817	1,448,817
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	—	84,425	108,652	193,077
Financial liabilities designated at fair value through profit or loss	1,151,396	—	2,182,194	3,333,590
Hedging derivatives	—	36,749	—	36,749
	1,151,396	121,174	88,144,406	89,416,976

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group as at 31 December 2023:

(Thousands of euros)				
31 December 2023 (restated)				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and deposits at Central Banks	4,545,526	—	—	4,545,526
Loans and advances to credit institutions repayable on demand	337,687	—	—	337,687
Financial assets at amortised cost				
Loans and advances to credit institutions	—	—	904,728	904,728
Loans and advances to customers	—	—	52,389,825	52,389,825
Debt securities	13,626,971	935,239	2,697,872	17,260,082
Financial assets at fair value through profit or loss				
Financial assets held for trading	405,585	84,614	332,705	822,904
Financial assets not held for trading mandatorily at fair value through profit or loss	—	—	440,007	440,007
Financial assets designated at fair value through profit or loss	32,004	—	—	32,004
Financial assets at fair value through other comprehensive income	8,301,377	2,431,483	101,431	10,834,291
Hedging derivatives	—	40,628	—	40,628
	27,249,150	3,491,964	56,866,568	87,607,682
Liabilities				
Financial liabilities at amortised cost				
Resources from credit institutions	—	—	820,805	820,805
Resources from customers	—	—	75,460,202	75,460,202
Non subordinated debt securities issued	—	—	2,831,229	2,831,229
Subordinated debt	—	—	1,456,002	1,456,002
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	—	108,767	98,620	207,387
Financial liabilities designated at fair value through profit or loss	989,703	—	2,618,784	3,608,487
Hedging derivatives	—	67,825	—	67,825
	989,703	176,592	83,285,642	84,451,937

The changes that occurred during the first semester of 2024 in financial assets and liabilities accounted for at fair value and classified at level 3, are detailed as follows:

(Thousands of euros)

	2024			
	Financial assets			Financial liabilities held for trading (*)
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	
Balance as at 1 January	332,705	440,007	101,431	97,994
Gains / (losses) recognised in profit or loss				
Results on financial operations	3,729	6,096	—	(14,148)
Net interest income	31	372	—	—
Transfers between portfolios	—	(73,803)	—	—
Transfers between levels	47	—	—	(72)
Purchases / (Sales, repayments or amortisations)	(21,523)	(8,504)	(2,815)	(349)
Gains / (losses) recognised in reserves	—	—	4,062	—
Exchange differences	—	564	498	—
Accruals of interest	—	—	(1,502)	—
Other changes	—	24,925	—	—
Balance as at 30 June	314,989	389,657	101,674	83,425

(*) Do not include short sales in the amount of Euros 25,227,000 (note 37).

As at 30 June 2024, the item Transfer between portfolios in the amount of Euros 73,803,000 refers to the classification of Fundo Turismo Algarve, FCR as associates, as referred in note 26.

In the six-month period ended 30 June 2024, there were no relevant transfers relating to the measurement of financial instruments with respect to valuation levels.

The changes that occurred during 2023 in financial assets and liabilities accounted for at fair value and classified at level 3, are detailed as follows:

(Thousands of euros)

	2023 (restated)			
	Financial assets			Financial liabilities held for trading (*)
	Held for trading	Not held for trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	
Balance as at 1 January	295,296	552,679	109,705	54,354
Gains / (losses) recognised in profit or loss				
Results on financial operations	11,032	(3,668)	—	203
Net interest income	(31)	2,202	—	—
Transfers between portfolios	—	(38,520)	—	—
Purchases / (Sales, repayments or amortisations)	26,408	(77,696)	(14,487)	43,437
Gains / (losses) recognised in reserves	—	—	6,124	—
Exchange differences	—	5,010	(626)	—
Accruals of interest	—	—	715	—
Balance as at 31 December	332,705	440,007	101,431	97,994

(*) Do not include short sales in the amount of Euros 626,000 (note 37).

49. Post-employment benefits and other long-term benefits

The Group assumed the liability to pay to their employees' pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 R.

The number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	30 June 2024	31 December 2023
Pensioners	17,084	17,121
Former Attendees Acquired Rights	3,426	3,452
Employees	6,270	6,345
	26,780	26,918

In accordance with the accounting policy described in note 1 R, the Group's retirement pension liabilities and other benefits and the respective coverage, based on the Projected Unit Credit method are analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Actual amount of the past services		
Pensioners	2,266,650	2,318,761
Former attendees acquired rights	172,566	183,252
Employees	539,108	577,562
	2,978,324	3,079,575
Pension fund value	(3,326,918)	(3,469,833)
Net (assets) / liabilities in balance sheet (note 32)	(348,594)	(390,258)
Accumulated actuarial deviations and changing assumptions effect recognised in Other comprehensive income	3,422,822	3,375,415

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 30 June 2024 amounts to Euros 76,362,000 (31 December 2023: Euros 195,420,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

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.

The change in the projected benefit obligations is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Balance as at 1 January	3,079,575	2,790,624
Service cost	(4,880)	(9,616)
Interest cost / (income)	52,982	111,658
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	23,605	42,609
Related to changes in assumptions	(102,576)	279,783
Payments	(76,362)	(149,634)
Early retirement programmes and terminations by mutual agreement	2,410	7,043
Contributions of employees	3,570	7,108
Balance at the end of the period	2,978,324	3,079,575

The pensions paid by the Fund, including the Additional Complement, amounts to Euros 76,362,000 (31 December 2023: Euros 149,634,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 250,259,000 (31 December 2023: Euros 258,840,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability amounts to Euros 32,723,000 (31 December 2023: Euros 33,765,000), in order to pay:

- i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
- ii) pensions and complementary pensions to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planned that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

In the first half of 2024 and during the financial year of 2023, the changes occurred in the plan's assets value is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Balance as at 1 January	3,469,833	3,384,118
Employees' contributions	3,570	7,108
Actuarial gains / (losses)	(126,378)	99,512
Payments	(76,362)	(149,634)
Expected return on plan assets	56,255	128,720
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	—	9
Balance at the end of the period	3,326,918	3,469,833

The elements of the Pension Fund's assets are analysed as follows:

	(Thousands of euros)					
	30 June 2024			31 December 2023		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	180,531	1,280	181,811	330,370	1,262	331,632
Bonds and other fixed income securities	1,817,108	—	1,817,108	1,995,531	—	1,995,531
Participations units in investment funds	—	616,677	616,677	—	497,830	497,830
Participations units in real estate funds	—	305,230	305,230	—	298,969	298,969
Properties	—	264,968	264,968	—	264,968	264,968
Loans and advances to credit institutions and others	—	141,124	141,124	—	80,903	80,903
	1,997,639	1,329,279	3,326,918	2,325,901	1,143,932	3,469,833

The balance Properties includes buildings booked in the Fund's financial statements and used by the Group's companies which amounts to Euros 227,346,000 (31 December 2023: Euros 227,346,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Bonds and other fixed income securities	6,922	1,812
Loans and advances to credit institutions and others	20,719	48,438
	27,641	50,250

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Balance as at 1 January	(390,258)	(593,494)
Recognised in the income statement:		
Service cost	(4,880)	(9,616)
Interest cost / (income) net of the balance liabilities coverage	(3,273)	(17,062)
Cost with early retirement programs	2,410	7,043
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	—	(9)
	(5,743)	(19,644)
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	126,378	(99,512)
Difference between expected and effective obligations	23,605	42,609
Arising from changes in actuarial assumptions	(102,576)	279,783
	47,407	222,880
Balance at the end of the period	(348,594)	(390,258)

In accordance with IAS 19, the Group accounted for (income)/costs with post-employment benefits, which is analysed as follows:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Current service cost	(4,880)	(4,766)
Net interest cost / (income) in the liability coverage balance	(3,273)	(8,816)
Cost with early retirement programs	2,410	1,288
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	—	(9)
(Income) / Cost of the period	(5,743)	(12,303)

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

Assumptions used in the liability's assessment

Considering the market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	30 June 2024	31 December 2023
Salary growth rate (c)	1.9% in 2025 and 1.15% in the following years	2.65% in 2024; 1.9% in 2025 and 1.15% in the following years
Pension's growth rate (c)	1.5% in 2025 and 0.75% in the following years	2.25% in 2024; 1.5% in 2025 and 0.75% in the following years
Discount rate / Projected Fund's rate of return	3.81%	3.53%
Mortality tables		
Men	TV 88/90 less a year	TV 88/90 less a year
Women (a)	TV 99/01 less 2 years	TV 99/01 less 2 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 4 months	66 years and 4 months
Total salary growth rate for Social Security purposes	1.75 %	1.75 %
Revaluation rate of wages / pensions of Social Security	1 %	1 %

a) The mortality table considered for women corresponds to TV 99/01 adjusted in less than 2 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) Retirement age is variable. The normal retirement age increases one month for each civil year and cannot be higher than the normal retirement age in force in the General Social Security Regime (RGSS). The normal retirement age in the RGSS is variable and depends on the evolution of the average life expectancy at 65 years of age.

In 2024 and 2023 the retirement age was 66 years and 4 months. For 2025, the normal retirement age in the RGSS is 66 years and 7 months. The reduction in the retirement age was due to the evolution of the average life expectancy at 65 years in Portugal. For the projection of life expectancy's increment, it was considered an increase of one year in every 10 years, with the maximum retirement age being set at 67 years and 2 months.

c) This rate refers to the growth for the years following the reporting year.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19 and are determined based on the references of the entities under common control. No disability decreases are considered in the calculation of the liabilities.

The discount rate used to update the Bank's pension fund liabilities, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis carried out on a set of available information, which includes, among other elements, the market references for this indicator published by internationally recognised specialized entities and which are based, as defined by IAS 19, on market yields of a universe of high quality bond issues (low risk), different maturities, called in Euros and relating to a diverse and representative range of issuers (non-sovereign). With reference to 30 June 2024, the Group used a discount rate of 3.81% (31 December 2023: 3.53%).

The Actuarial gains are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of euros)				
	Actuarial (gains) / losses			
	30 June 2024		31 December 2023	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		23,605		42,609
Changes on the assumptions:				
Discount rate		(102,576)		225,566
Salary and pensions growth rate		—		54,217
Deviation between expected income and income from funds	-1.82%	126,378	7.07 %	(99,512)
		47,407		222,880

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)				
	Impact resulting from changes in financial assumptions			
	30 June 2024		31 December 2023	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	91,927	(85,835)	99,220	(92,532)
Pension's increase rate	(92,506)	95,884	(104,068)	108,563
Salary growth rate	(22,869)	26,323	(25,075)	29,118

(Thousands of euros)				
	Impact resulting from changes in demographic assumptions			
	30 June 2024		31 December 2023	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	94,434	(94,844)	100,138	(100,538)

(*) The impact of 1 year reduction in the mortality table implies an increase in the average life expectancy

Defined contribution plan

According to what is described in accounting policy 1 R3, in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group for employees who have been admitted until 1 July 2009, it was accounted for a cost, in 2023, of Euros 2,061,000 as an estimated contribution given that the Group estimates that the following requirements will be met, cumulatively: (i) the previous year BCP's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. In the first half of 2024, the Group accounted for staff costs the amount of Euros 222,000 (30 June 2023: Euros 384,000) related to this contribution.

50. Related parties

As defined by IAS 24, the companies detailed in note 57 - List of subsidiary and associates of Banco Comercial Português Group, the post-employment benefit plans, the members of the Board of Directors and the key management members are considered related parties of the Group. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties, people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, namely under Article no. 109 of the Legal Framework of Credit Institutions and Financial Companies and also in accordance with Article no. 33 of Notice 3/2020 of the Bank of Portugal, are considered related parties as well, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 41.

A) Balances and transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Assets		
Financial assets at amortised cost		
Loans and advances to customers	112,488	110,527
Debt securities	52,538	52,548
	165,026	163,075
Liabilities		
Resources from customers	102,953	48,099
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	2,090	2,138
	105,043	50,237

The values of Financial assets at amortised cost are net of impairment in the amount of Euros 1,361,000 (31 December 2023: Euros 1,481,000) for Loans and advances to customers and for Debt securities the amount of Euros 237,000 (31 December 2023: Euros 237,000).

The transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of euros)		
	30 June 2024	30 June 2023
Income		
Interest and similar income	5,941	6,286
Commissions	556	171
	6,497	6,457
Costs		
Interest and similar expense	259	—
Commissions	136	40
	395	40

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit facilities, are as follows:

(Thousands of euros)		
	30 June 2024	31 December 2023
Guarantees granted	3,713	3,536
Revocable credit facilities	2,544	5,622
	6,257	9,158

The Group has accounted for provisions for guarantees granted the amount of Euros 8,000 (31 December 2023: Euros 8,000) and provisions for revocable credit facilities the amount of Euros 117,000 (31 December 2023: Euros 141,000).

B) Balances and transactions with members of the Board of Directors and key management members

The balances with related parties discriminated in the following table, included on the consolidated balance sheet, are analysed as follows:

(Thousands of euros)				
	Loans and advances to customers		Resources from customers	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Board of Directors				
Non-executive directors	6	8	10,832	8,900
Executive Committee (*)	6	27	3,221	2,918
Closely related people	12	19	2,936	2,651
Controlled entities	—	—	10	24
Key management members				
Key management members	4,897	5,416	11,474	10,934
Closely related people	1,926	1,948	4,377	4,433
Controlled entities	1,092	705	3,388	3,276
	7,939	8,123	36,238	33,136

(*) The item Loans to Customers corresponds to mortgage loans granted prior to the respective election and to the amount used from private credit cards which must be settled on the maturity date.

In accordance with Article 85, no. 9 of RGICSF, no credits were granted in the first half of 2024 and in the financial year of 2023.

The transactions with related parties discriminated in the following table, included in income items of the consolidated income statement, are as follows:

	(Thousands of euros)			
	Interest and similar income		Commissions income	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Board of Directors				
Non-executive directors	—	—	14	14
Executive Committee	—	—	5	12
Closely related people	—	—	2	5
Key management members				
Key management members	124	72	13	31
Closely related people	45	39	10	18
Controlled entities	26	24	12	14
	195	135	56	94

The transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

	(Thousands of euros)			
	Interest and similar expense		Commissions' expense	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Board of Directors				
Non-executive directors	116	39	—	—
Executive Committee (*)	29	2	—	—
Closely related people	37	12	—	—
Controlled entities	1	—	—	—
Key management members				
Key management members	121	25	—	—
Closely related people	31	3	—	1
Controlled entities	31	3	1	1
	366	84	1	2

The revocable credit facilities granted by the Group to the following related parties are as follows:

	(Thousands of euros)			
	Guarantees granted		Revocable credit facilities	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Board of Directors				
Non-executive directors	—	—	121	143
Executive Committee (*)	—	—	174	160
Closely related people	—	—	93	63
Key management members				
Key management members	5	5	1,030	844
Closely related people	—	—	186	180
Controlled entities	—	—	391	622
	5	5	1,995	2,012

(*) Corresponds to the maximum authorized and unused limit of private credit cards and overdraft authorization in a salary account under the same regime as all the Bank's other employees.

The shareholder and bondholder position of members of the Board of Directors, Key management members and people closely related to the previous categories, as well as the movements occurred in the first half of 2024, are as follows:

Shareholders/Bondholders	Security	Number of securities		Acquisitions	Disposals	Date	Unit price Euros
		30 June 2024	31 December 2023				
MEMBERS OF BOARD OF DIRECTORS							
Altina de Fátima Sebastião González Villamarin	BCP Shares	0	0				
Ana Paula Alcobia Gray	BCP Shares	0	0				
Cidália Maria da Mota Lopes	BCP Shares	2,184	2,184				
Fernando da Costa Lima	BCP Shares	18,986	18,986				
João Nuno Oliveira Jorge Palma	BCP Shares	2,117,128	1,723,818	740,699 (a)	347,389 (b)	6/6/2024	0.3650
Jorge Manuel Baptista Magalhães Correia	BCP Shares	388,500	388,500				
	Bonds (i)	1	1				
	Bonds (ii)	1	1				
	Bonds (iv)	2	1	1		24/1/2024	200,000
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	1,865,924	1,504,495	680,403 (a)	318,974 (b)	6/6/2024	0.3650
José Pedro Rivera Ferreira Malaquias	BCP Shares	9,808	9,808				
Lingjiang Xu	BCP Shares	0	0				
Lingzi Yuan (Smilla Yuan)	BCP Shares	0	0				
Maria José Henriques Barreto de Matos de Campos	BCP Shares	2,554,839	2,014,344	675,618 (a)	135,123 (b)	6/6/2024	0.3650
Miguel de Campos Pereira de Bragança	BCP Shares	2,533,914	2,111,178	796,413 (a)	373,677 (b)	6/6/2024	0.3650
Miguel Maya Dias Pinheiro	BCP Shares	3,036,111	2,501,557	1,008,022 (a)	473,468 (b)	6/6/2024	0.3650
Nuno Manuel da Silva Amado	BCP Shares	2,525,388	2,525,388				
	Bonds (i)	2	2				
	Bonds (ii)	2	2				
	Bonds (iii)	3	3				
	Bonds (iv)	1	1				
Rui Manuel da Silva Teixeira	BCP Shares	1,498,863	1,152,379	666,315 (a)	319,831 (b)	6/6/2024	0.3650
Valter Rui Dias de Barros	BCP Shares	0	0				
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	0	133,881		50,000	12/1/2024	0.2706
		53,881			30,000	23/1/2024	0.3120
Alexandre Manuel Casimiro de Almeida	BCP Shares	253,569	169,519	84,050 (a)		24/4/2024	0.3200
Américo João Pinto Carola	BCP Shares	187,904	140,747	85,944 (a)	38,787 (b)	24/4/2024	0.3200
Ana Maria Jordão F. Torres Marques Tavares	BCP Shares	303,654	255,931	86,175 (a)	38,452 (b)	24/4/2024	0.3200
Ana Patrícia Moniz Macedo	BCP Shares	76,217	35,864	73,090 (a)	32,737 (b)	24/4/2024	0.3200
António Augusto Amaral de Medeiros	BCP Shares	263,200	178,245	84,955 (a)		24/4/2024	0.3200
António Ferreira Pinto Júnior	BCP Shares	11,842	11,842				
António José Lindeiro Cordeiro	BCP Shares		93,898	1,102		31/1/2024	0.2630
		102,898		14,108 (a)	6,210 (b)	24/4/2024	0.3200
António Luís Duarte Bandeira	BCP Shares	373,205	321,903	93,907 (a)	42,605 (b)	24/4/2024	0.3200
António Ricardo Fery Salgueiro Antunes	BCP Shares	164,793	120,117	81,112 (a)	36,436 (b)	24/4/2024	0.3200
António Vítor Martins Monteiro	BCP Shares	3,872	3,872				

(i) - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

(ii) - BCP Tier 2 Subordinated Callable Notes

(iii) - BCP 1.75% EUR 500M 6.5NC5.5 Social Senior Preferred Notes

(iv) - BCP/2023 - BCP Senior Preferred Fixed FLT OCT 2026

(a) - identifies the increment in shares during 2024 corresponding to the annual deferred variable compensation of previous years.

(b) - identifies the shares used in sell-cover in 2024 related to the increment of shares of variable compensation.

Shareholders/Bondholders	Security	Number of securities		Acquisitions	Disposals	Date	Unit price Euros
		30 June 2024	31 December 2023				
Artur Frederico Silva Luna Pais	BCP Shares	526,608	517,197	17,278 (a)	7,867 (b)	24/4/2024	0.3200
Belmira Abreu Cabral	BCP Shares	175,247	129,190	83,909 (a)	37,852 (b)	24/4/2024	0.3200
Bernardo Roquette de Aragão de Portugal Collaço	BCP Shares	140,761	89,825	91,104 (a)	40,168 (b)	24/4/2024	0.3200
Carlos Manuel da Silva Teixeira	BCP Shares	0	0				
Chi Wai Leung (Timothy)	BCP Shares	43,768	43,768				
Constantino Alves Mousinho	BCP Shares	109,616	108,170	1,446 (a)		24/4/2024	0.3200
Fernando Maria Cardoso Rodrigues Bicho	BCP Shares	0	0				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	225,660	174,218	94,374 (a)	42,932 (b)	24/4/2024	0.3200
Francisco António Caspa Monteiro	BCP Shares	276,645	225,015	94,457 (a)	42,827 (b)	24/4/2024	0.3200
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	238,150	153,373	84,777 (a)		24/4/2024	0.3200
Hugo Miguel Martins Resende	BCP Shares	230,211	178,524	94,457 (a)	42,770 (b)	24/4/2024	0.3200
João Adriano Azevedo Seixas Vale	BCP Shares	43,222	43,222				
João Brás Jorge	BCP Shares	91,709	91,709				
João Manuel Taveira Pinto Santos Paiva	BCP Shares	352,982	259,116	93,866 (a)		24/4/2024	0.3200
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares		107,720		48,257	12/1/2024	0.3140
		144,857		85,394 (a)		24/4/2024	0.3200
Jorge Manuel Machado de Sousa Góis	BCP Shares	272,432	190,352	82,080 (a)		24/4/2024	0.3200
Jorge Manuel Magalhães Oliveira Pereira	BCP Shares	101,127	57,488	79,142 (a)	35,503 (b)	24/4/2024	0.3200
Jorge Manuel Nobre Carreteiro	BCP Shares	162,472	80,764	81,708 (a)		24/4/2024	0.3200
José Artur Gouveia Coelho Caetano	BCP Shares	0	0				
José Carlos Benito Garcia de Oliveira	BCP Shares	37,941	37,941				
José Gonçalo Prior Regalado	BCP Shares	240,473	147,115	93,358 (a)		24/4/2024	0.3200
José Guilherme Potier Raposo Pulido Valente	BCP Shares	361,103	315,008	84,500 (a)	38,405 (b)	24/4/2024	0.3200
Liliana Marisa Catoja Costa Lemos	BCP Shares	400	400				
Luis Miguel Manso Correia dos Santos	BCP Shares	380,277	285,820	94,457 (a)		24/4/2024	0.3200
Maria Constança C. Brandão Amado Fonseca G. Santos	BCP Shares	800	800				
Maria de Fátima Coelho Dias	BCP Shares	0	0				
Maria de Los Angeles Sanchez Sanchez	BCP Shares	62,419	61,375	1,860 (a)	816 (b)	24/4/2024	0.3200
Maria Helena Soledade Nunes Henriques	BCP Shares	316,161	268,800	86,299 (a)	38,938 (b)	24/4/2024	0.3200
Maria Manuela de Araújo Mesquita Reis	BCP Shares	275,831	228,036	84,955 (a)	37,160 (b)	24/4/2024	0.3200
Mário António Pinho Gaspar Neves	BCP Shares	187,895	142,301	82,972 (a)	37,378 (b)	24/4/2024	0.3200
Mário Madeira Robalo Fernandes	BCP Shares	267,714	220,539	85,944 (a)	38,769 (b)	24/4/2024	0.3200
Nelson Luís Vieira Teixeira	BCP Shares		118,570		37,000	28/2/2024	0.2800
		130,270		87,138 (a)	38,438 (b)	24/4/2024	0.3200
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	344,858	251,695	93,163 (a)		24/4/2024	0.3200
Nuno Miguel Nobre Botelho	BCP Shares		112,894		5,000	27/3/2024	0.3040
		126,049		18,155 (a)		24/4/2024	0.3200
			173,559		17,000	6/3/2024	0.2670
Pedro José Mora de Paiva Beija	BCP Shares			94,457 (a)	41,570 (b)	24/4/2024	0.3200
		121,946			87,500	17/5/2024	0.3510
Pedro Manuel Francisco da Silva Dias	BCP Shares	246,098	152,178	93,920 (a)		24/4/2024	0.3200
Pedro Manuel Macedo Vilas Boas	BCP Shares	155,150	70,000	85,150 (a)		24/4/2024	0.3200
Pedro Manuel Rendas Duarte Turras	BCP Shares	195,194	146,367	87,221 (a)	38,394 (b)	24/4/2024	0.3200

(a) - identifies the increment in shares during 2024 corresponding to the annual deferred variable compensation of previous years.

(b) - identifies the shares used in sell-cover in 2024 related to the increment of shares of variable compensation.

Shareholders/Bondholders	Security	Number of securities		Acquisitions	Disposals	Date	Unit price Euros
		30 June 2024	31 December 2023				
Ricardo Potes Valadares	BCP Shares	108,405	100,121	14,841 (a)	6,557 (b)	24/4/2024	0.3200
Rosa Maria Ferreira Vaz Santa Bárbara	BCP Shares	132,330	38,464	93,866 (a)		24/4/2024	0.3200
Rui Artur dos Santos Baptista	BCP Shares	0	0				
Rui Emanuel Agapito Silva	BCP Shares	193,172	145,528	86,671 (a)	39,027 (b)	24/4/2024	0.3200
Rui Fernando da Silva Teixeira	BCP Shares	269,042	221,892	85,944 (a)	38,794 (b)	24/4/2024	0.3200
Rui Manuel Pereira Pedro	BCP Shares	483,521	408,353	93,961 (a)	18,793 (b)	24/4/2024	0.3200
Rui Miguel Alves Costa	BCP Shares	442,620	348,163	94,457 (a)		24/4/2024	0.3200
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	167,569	146,835	20,734 (a)		24/4/2024	0.3200
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	172,218	79,629	92,589 (a)		24/4/2024	0.3200
Tiago Alexandre Machado Ferreira Mateus	BCP Shares	118,985	52,540	66,445 (a)		24/4/2024	0.3200
Vânia Alexandra Machado Marques Correia	BCP Shares	242,226	160,146	82,080 (a)		24/4/2024	0.3200

PEOPLE CLOSELY RELATED TO THE PREVIOUS

of: Cidália Maria da Mota Lopes

Alexandre Miguel Martins Ventura	BCP Shares	2,184	2,184

of: Maria José Henriques Barreto de Matos de Campos

Ricardo Gil Monteiro Lopes de Campos	BCP Shares	(c)	(c)

of: Rui Manuel da Silva Teixeira

Maria Helena Espassandim Catão	BCP Shares	576	576

of: Américo João Pinto Carola

Ana Isabel Salgueiro Antunes	BCP Shares	29	29

of: Ana Maria Jordão F. Torres Marques Tavares

Álvaro Manuel Coreia Marques Tavares	BCP Shares	25,118	25,118

Francisco Jordão Torres Marques Tavares	BCP Shares	1,016	1,016

of: António Luís Duarte Bandeira

Ana Margarida Rebelo A. M. Soares Bandeira	BCP Shares	2,976	2,976

of: António Vítor Martins Monteiro

Isabel Maria Vaz Leite Pinto Martins Monteiro	BCP Shares	3,104	3,104

of: Francisco António Caspa Monteiro

Ricardo Miranda Monteiro	BCP Shares	1,639	1,639

Rita Miranda Monteiro	BCP Shares	1,639	1,639

of: Maria Helena Soledade Nunes Henriques

João Paulo Rodrigues Taborda Gonçalves	BCP Shares	130	130

of: Maria Manuela de Araújo Mesquita Reis

Luís Filipe da Silva Reis	BCP Shares	280,000	280,000

of: José Pedro Rivera Ferreira Malaquias

Maria Joana de Oliveira Monteiro Ferreira Malaquias	BCP Shares	(d)	(d)

(i) - Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Capital Notes

(a) - identifies the increment in shares during 2024 corresponding to the annual deferred variable compensation of previous years.

(b) - identifies the shares used in sell-cover in 2024 related to the increment of shares of variable compensation.

(c) - solidary ownership in both securities accounts, and Dr. Ricardo Campos is the first holder and Eng.^a Maria José Campos is the 2nd holder of the securities account.

(d) - solidary ownership in both securities accounts, and Dr. José Pedro Ferreira Malaquias is the first holder and Maria Joana Ferreira Malaquias is the 2nd holder of the securities account.

C) Balances and transactions with associates

The balances with associates included in the consolidated balance sheet items, except for the item investments in associates, are as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Assets		
Loans and advances to credit institutions repayable on demand	32,629	12,220
Financial assets at amortised cost		
Loans and advances to credit institutions	208,730	212,037
Loans and advances to customers	3,599	2,517
Financial assets at fair value through profit or loss		
Financial assets held for trading	3,304	3,465
Other assets	12,296	11,778
	260,558	242,017
Liabilities		
Financial liabilities at amortised cost		
Resources from credit institutions	22,803	22,365
Resources from customers	143,225	198,627
Non subordinated debt securities issued	6,867	6,896
Financial liabilities held for trading	16,530	5,136
Other liabilities	104	356
	189,529	233,380

The transactions with associates included in the consolidated income statement items are as follows:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Income		
Interest and similar income	6,973	3,578
Commissions	25,697	28,161
Gains on financial operations	16	58
Other operating income	2,297	905
	34,983	32,702
Costs		
Interest and similar expense	1,701	1,710
Commissions	742	5
Other administrative costs	1,185	1,279
Losses on financial operations	792	74
Other operating losses	—	1,254
	4,420	4,322

The guarantees granted and revocable and irrevocable credit facilities by the Group over associates are as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Guarantees granted	1,294	4,824
Revocable credit facilities	16,913	9,328
Irrevocable credit facilities	1,611	—
Other revocable commitments	—	16,284
	19,818	30,436

Under the scope of the Group's insurance mediation activities, the remuneration from services provided is analysed as follows:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Life insurance		
Saving products	11,477	12,533
Mortgage and consumer loans	10,462	10,486
Others	—	1
	21,939	23,020
Non-Life insurance		
Accidents and health	13,241	11,809
Motor	2,114	2,029
Multi-Risk Housing	4,589	4,177
Others	973	923
	20,917	18,938
	42,856	41,958

Remuneration from insurance intermediation services was received through bank transfers and resulted from insurance intermediation with Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Ageas Portugal - Companhia de Seguros, S.A. (Millenniumbcpc Ageas Group). The Group does not collect insurance premiums on behalf of Insurance Companies nor performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported related to the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activities, by nature, are analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Funds receivable for payment of life insurance commissions	11,219	10,546
Funds receivable for payment of non-life insurance commissions	9,349	9,713
	20,568	20,259

The commissions received result from insurance mediation contracts and investment contracts, under the terms established in the contracts in force. The mediation commissions are calculated according to the nature of the contracts subject to mediation, as follows:

- insurance contracts - use of fixed rates on gross premiums issued;
- investment contracts - use of fixed rates on the responsibilities assumed by the insurance company under the commercialisation of these products.

D) Transactions with the Pension Fund

The balances with the Pension Fund included in items of the consolidated balance sheet are as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Liabilities		
Resources from customers	27,577	55,080
Non subordinated debt securities issued	9,112	9,075
Other liabilities	—	231
	36,689	64,386

In the first half of 2024 and during the financial year of 2023, there were no transactions related to other financial instruments between the Group and the Pension Fund.

Income and expenses with the Pension Fund included in the items of the consolidated income statement are as follows:

	(Thousands of euros)	
	30 June 2024	30 June 2023
Income		
Commissions	518	548
Expenses		
Interest and similar expense	110	—
Other administrative costs	7,691	6,905
	7,801	6,905

The balance Other administrative costs corresponds to rents incurred under the scope of the Pension Fund's properties in which the tenant is the Group.

As at 30 June 2024 the guarantees granted by the Group to the Pension Fund amount to Euros 5,000 (31 December 2023: Euros 5,000) and in other revocable commitments amount to Euros 5,000,000.

51. 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 manages customers or economic groups in effective default, as well as customers who have filed for bankruptcy or other similar mechanisms, aiming to minimize losses through agreements or payment restructuring processes; and
- ActivoBank, a bank focused on mainly young clients, who are 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;
- Specialized Monitoring Division which manages the exposures to business groups that have specific monitoring needs or that show relevant signs of impairment, in order to defend the value and manage credit risk, seeking to optimize outcomes in the medium and long term;
- 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, particularly with regard to Project and Structured Finance;
- 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, focused on high net worth individuals, 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 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 30 June 2024, 31 December 2023 and 30 June 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 risk weighted exposures 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 and subject to periodic review, related to the level of activity of each business area.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), at the reference date and with the Organization of the Group's business areas in force on 30 June 2024. Information relating to prior periods is restated whenever changes occur in the internal organization of the Group that affect the composition of the reportable segments (business and geographical) or relevant changes in the criteria for allocation of indirect revenues and costs, as described in the previous paragraph, ensuring the comparability of the information provided across the reported periods.

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 30 June 2024, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)							
	30 June 2024						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business ⁽¹⁾	Total				
INCOME STATEMENT							
Net interest income (2)	577,860	724,265	1,302,125	138,602	23,798	(66,977)	1,397,548
Net fees and commissions income	223,657	110,080	333,737	75,331	17,101	(30,133)	396,036
Other net income	6,821	(47,589)	(40,768)	6,422	46	(36,085)	(70,385)
Gains/(losses) on financial operations (3)	1,082	(675)	407	964	24	(6,758)	(5,363)
Dividends from equity instruments	—	786	786	—	—	—	786
Share of profit of associates under the equity method	—	2,579	2,579	—	—	28,980	31,559
Net operating income	809,420	789,446	1,598,866	221,319	40,969	(110,973)	1,750,181
Operating expenses	161,950	303,148	465,098	30,781	7,559	116,006	619,444
Results on modification (4)	—	(60,976)	(60,976)	—	—	—	(60,976)
Impairment for credit and financial assets (5)	(29,526)	(41,329)	(70,855)	(75,075)	(541)	44,300	(102,171)
Other impairments and provisions (6)	—	(263,292)	(263,292)	—	—	(24,438)	(287,730)
Net income before income tax	617,944	120,701	738,645	115,463	32,869	(207,117)	679,860
Income tax	(193,417)	10,445	(182,972)	(36,140)	(10,288)	91,626	(137,774)
Net income after income tax							
from continuing operations	424,527	131,146	555,673	79,323	22,581	(115,491)	542,086
Net income for the period	424,527	131,146	555,673	79,323	22,581	(115,491)	542,086
Non-controlling interests	—	(56,889)	(56,889)	—	—	85	(56,804)
Net income for the period attributable to Bank's Shareholders	424,527	74,257	498,784	79,323	22,581	(115,406)	485,282

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) 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 half of 2024 of approximately Euro 172 million.

(3) 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.

(4) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). Includes the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(5) 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.

(6) Includes impairment of non-current assets held for sale, investments in associates, 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 30 June 2024, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)							
	30 June 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	14,982,821	2,870,828	17,853,649	1,706,357	3,122,235	(17,858,001)	4,824,240
Loans and advances to customers ⁽¹⁾	26,028,094	18,023,056	44,051,150	10,674,609	345,061	553,704	55,624,524
Financial assets ⁽²⁾	—	12,476,700	12,476,700	—	—	21,325,830	33,802,530
Other assets	—	1,076,815	1,076,815	—	—	4,369,933	5,446,748
Total Assets	41,010,915	34,447,399	75,458,314	12,380,966	3,467,296	8,391,466	99,698,042
Resources from credit institutions ⁽³⁾	245,609	208,691	454,300	1,043,671	—	(336,946)	1,161,025
Resources from customers ⁽⁴⁾	38,718,987	29,318,702	68,037,689	9,895,615	3,214,548	1,407,241	82,555,093
Debt securities issued ⁽⁵⁾	1,091,119	834,782	1,925,901	303	226,719	1,953,279	4,106,202
Other financial liabilities ⁽⁶⁾	—	512,387	512,387	—	—	1,103,529	1,615,916
Other liabilities ⁽⁷⁾	—	1,309,228	1,309,228	—	—	1,323,485	2,632,713
Total Liabilities	40,055,715	32,183,790	72,239,505	10,939,589	3,441,267	5,450,588	92,070,949
Total Equity	955,200	2,263,609	3,218,809	1,441,377	26,029	2,940,878	7,627,093
Total Liabilities and Equity	41,010,915	34,447,399	75,458,314	12,380,966	3,467,296	8,391,466	99,698,042
Number of employees	3,570	9,431	13,001	436	102	2,166	15,705

(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 amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 June 2023, the net contribution of the major business segments, for the income statement, is analysed as follows:

(Thousands of euros)							
	30 June 2023 (restated)						
	Commercial banking			Companies and Corporate in Portugal	Private banking	Other	Consolidated
	Retail in Portugal	Foreign business ⁽¹⁾	Total				
INCOME STATEMENT							
Net interest income	410,507	666,834	1,077,341	92,129	17,166	187,724	1,374,360
Net fees and commissions income	218,230	106,820	325,050	67,739	15,987	(21,728)	387,048
Other net income	7,595	(5,345)	2,250	12,640	1	(87,076)	(72,185)
Gains/(losses) on financial operations (2)	825	121,751	122,576	88	53	3,525	126,242
Dividends from equity instruments	—	675	675	—	—	500	1,175
Share of profit of associates under the equity method	—	1,701	1,701	—	—	25,960	27,661
Net operating income	637,157	892,436	1,529,593	172,596	33,207	108,905	1,844,301
Operating expenses	175,139	254,724	429,863	30,898	7,640	93,100	561,501
Results on modification (3)	—	(11,597)	(11,597)	—	—	—	(11,597)
Impairment for credit and financial assets (4)	(15,371)	(39,710)	(55,081)	(87,625)	(307)	(3,873)	(146,886)
Other impairments and provisions (5)	(98)	(354,051)	(354,149)	—	—	(47,428)	(401,577)
Net income before income tax	446,549	232,354	678,903	54,073	25,260	(35,496)	722,740
Income tax	(139,770)	(109,247)	(249,017)	(16,925)	(7,906)	27,849	(245,999)
Net income after income tax							
from continuing operations	306,779	123,107	429,886	37,148	17,354	(7,647)	476,741
Income arising from discontinued operations	—	—	—	—	—	(9)	(9)
Net income for the period	306,779	123,107	429,886	37,148	17,354	(7,656)	476,732
Non-controlling interests	—	(53,581)	(53,581)	—	—	98	(53,483)
Net income for the period attributable to Bank's Shareholders	306,779	69,526	376,305	37,148	17,354	(7,558)	423,249

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

(3) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). It's also included the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(4) Includes impairment of financial assets at amortised cost, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets at amortised cost not associated with credit operations.

(5) Includes impairment of non-current assets held for sale, investments in associates, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2023, the net contribution of the major operational Segments, for the balance sheet, is analysed as follows:

(Thousands of euros)

	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⁾	—	10,269,401	10,269,401	—	—	17,566,761	27,836,162
Other assets	—	1,000,591	1,000,591	—	—	4,524,276	5,524,867
Total Assets	40,411,543	31,655,126	72,066,669	12,460,826	2,705,076	7,138,115	94,370,686
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	2,770,222	7,290,406
Total Liabilities and Equity	40,411,543	31,655,126	72,066,669	12,460,826	2,705,076	7,138,115	94,370,686
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 amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

(6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

(7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 June 2024, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of euros)									
	30 June 2024								
	Portugal					Poland	Mozambique	Other ⁽¹⁾	Consolidated
	Retail banking	Companies and Corporate	Private banking	Other	Total				
INCOME STATEMENT									
Net interest income (2)	577,860	138,602	23,798	(66,977)	673,283	623,312	100,953	—	1,397,548
Net fees and commissions income	223,657	75,331	17,101	(30,133)	285,956	90,489	19,591	—	396,036
Other net income	6,821	6,422	46	(36,085)	(22,796)	(48,325)	736	—	(70,385)
Gains/(losses) on financial operations (3)	1,082	964	24	(6,758)	(4,688)	(8,253)	7,578	—	(5,363)
Dividends from equity instruments	—	—	—	—	—	786	—	—	786
Share of profit of associates under the equity method	—	—	—	28,980	28,980	—	980	1,599	31,559
Net operating income	809,420	221,319	40,969	(110,973)	960,735	658,009	129,838	1,599	1,750,181
Operating expenses	161,950	30,781	7,559	116,006	316,296	238,345	64,803	—	619,444
Results on modification (4)	—	—	—	—	—	(60,976)	—	—	(60,976)
Impairment for credit and financial assets (5)	(29,526)	(75,075)	(541)	44,300	(60,842)	(40,527)	(802)	—	(102,171)
Other impairments and provisions (6)	—	—	—	(24,438)	(24,438)	(260,968)	(2,324)	—	(287,730)
Net income before income tax	617,944	115,463	32,869	(207,117)	559,159	57,193	61,909	1,599	679,860
Income tax	(193,417)	(36,140)	(10,288)	91,626	(148,219)	25,597	(15,152)	—	(137,774)
Net income after income tax									
from continuing operations	424,527	79,323	22,581	(115,491)	410,940	82,790	46,757	1,599	542,086
Net income for the year	424,527	79,323	22,581	(115,491)	410,940	82,790	46,757	1,599	542,086
Non-controlling interests	—	—	—	85	85	(41,312)	(15,577)	—	(56,804)
Net income for the year attributable to Bank's Shareholders	424,527	79,323	22,581	(115,406)	411,025	41,478	31,180	1,599	485,282

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) 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 half of 2024 of approximately Euro 172 million.

(3) 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.

(4) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). Includes the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(5) 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).

(6) Includes impairment of non-current assets held for sale, investments in associates, 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 30 June 2024, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

	30 June 2024								
	Portugal				Total	Poland	Mozambique	Other ⁽¹⁾	Consolidated
	Retail banking	Companies and Corporate	Private banking	Other					
BALANCE SHEET									
Cash and Loans and advances to credit institutions	14,982,821	1,706,357	3,122,235	(17,858,001)	1,953,412	1,473,943	1,396,885	—	4,824,240
Loans and advances to customers ⁽¹⁾	26,028,094	10,674,609	345,061	553,704	37,601,468	17,375,521	647,535	—	55,624,524
Financial assets ⁽²⁾	—	—	—	21,325,830	21,325,830	11,819,860	656,876	(36)	33,802,530
Other assets	—	—	—	4,369,933	4,369,933	797,772	232,921	46,122	5,446,748
Total Assets	41,010,915	12,380,966	3,467,296	8,391,466	65,250,643	31,467,096	2,934,217	46,086	99,698,042
Resources from other credit institutions ⁽³⁾	245,609	1,043,671	—	(336,946)	952,334	136,720	71,971	—	1,161,025
Resources from customers ⁽⁴⁾	38,718,987	9,895,615	3,214,548	1,407,241	53,236,391	27,056,846	2,261,856	—	82,555,093
Debt securities issued ⁽⁵⁾	1,091,119	303	226,719	1,953,279	3,271,420	834,782	—	—	4,106,202
Other financial liabilities ⁽⁶⁾	—	—	—	1,103,529	1,103,529	512,249	138	—	1,615,916
Other liabilities ⁽⁷⁾	—	—	—	1,323,485	1,323,485	1,221,362	87,866	—	2,632,713
Total Liabilities	40,055,715	10,939,589	3,441,267	5,450,588	59,887,159	29,761,959	2,421,831	—	92,070,949
Total Equity	955,200	1,441,377	26,029	2,940,878	5,363,484	1,705,137	512,386	46,086	7,627,093
Total Liabilities and Equity	41,010,915	12,380,966	3,467,296	8,391,466	65,250,643	31,467,096	2,934,217	46,086	99,698,042
Number of employees	3,570	436	102	2,166	6,274	6,834	2,597	0	15,705

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 amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

As at 30 June 2023, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

	(Thousands of euros)								
	30 June 2023 (restated)								
	Portugal								
	Retail banking	Companies and Corporate	Private banking	Other	Total	Poland	Mozambique	Other ⁽¹⁾	Consolidated
INCOME STATEMENT									
Net interest income	410,507	92,129	17,166	187,724	707,526	561,063	105,771	—	1,374,360
Net fees and commissions income	218,230	67,739	15,987	(21,728)	280,228	87,239	19,581	—	387,048
Other net income	7,595	12,640	1	(87,076)	(66,840)	(6,636)	1,291	—	(72,185)
Gains/(losses) on financial operations (2)	825	88	53	3,525	4,491	114,222	7,529	—	126,242
Dividends from equity instruments	—	—	—	500	500	675	—	—	1,175
Share of profit of associates under the equity method	—	—	—	25,960	25,960	—	943	758	27,661
Net operating income	637,157	172,596	33,207	108,905	951,865	756,563	135,115	758	1,844,301
Operating expenses	175,139	30,898	7,640	93,100	306,777	193,581	61,143	—	561,501
Results on modification (3)	—	—	—	—	—	(11,597)	—	—	(11,597)
Impairment for credit and financial assets (4)	(15,371)	(87,625)	(307)	(3,873)	(107,176)	(34,010)	(5,700)	—	(146,886)
Other impairments and provisions (5)	(98)	—	—	(47,428)	(47,526)	(349,912)	(4,139)	—	(401,577)
Net income before income tax	446,549	54,073	25,260	(35,496)	490,386	167,463	64,133	758	722,740
Income tax	(139,770)	(16,925)	(7,906)	27,849	(136,752)	(90,167)	(19,080)	—	(245,999)
Net income after income tax from continuing operations	306,779	37,148	17,354	(7,647)	353,634	77,296	45,053	758	476,741
Income arising from discontinued operations	—	—	—	(9)	(9)	—	—	—	(9)
Net income for the period	306,779	37,148	17,354	(7,656)	353,625	77,296	45,053	758	476,732
Non-controlling interests	—	—	—	98	98	(38,572)	(15,009)	—	(53,483)
Net income for the period attributable to Bank's Shareholders	306,779	37,148	17,354	(7,558)	353,723	38,724	30,044	758	423,249

(1) Includes the contribution associated with the investments held in Angola, in Banco Millennium Atlântico.

(2) Includes results from financial operations at fair value through profit or loss, results from foreign exchange, results from hedge accounting operations and results arising from derecognition of financial assets and liabilities not measured at fair value through profit or loss.

(3) Results mainly from the amount associated to potential costs arising from the moratorium program in Poland (credit holidays). It's also included the results of contractual amendments, namely, costs arising from negotiations with customers holding mortgage loans in foreign currency.

(4) Includes impairment of financial assets at amortised cost, for loans to customers (net of recoveries - principal and accrual) and for debt instruments related to credit operations. It also includes impairment of financial assets (at fair value through other comprehensive income and at amortised cost not associated with credit operations).

(5) Includes impairment of non-current assets held for sale, investments in associates, goodwill, other assets and provisions, highlighting the provisions for legal proceedings related to mortgage loans granted in Swiss francs, booked by the Polish subsidiary.

As at 31 December 2023, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

(Thousands of euros)

31 December 2023 (restated)									
	Portugal				Total	Poland	Mozambique	Other ⁽¹⁾	Consolidated
	Retail banking	Companies and Corporate	Private banking	Other					
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⁾	—	—	—	17,566,761	17,566,761	9,594,784	674,653	(36)	27,836,162
Other assets	—	—	—	4,524,276	4,524,276	724,824	228,803	46,964	5,524,867
Total Assets	40,411,543	12,460,826	2,705,076	7,138,115	62,715,560	28,897,024	2,711,174	46,928	94,370,686
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	2,770,222	5,121,526	1,587,332	534,620	46,928	7,290,406
Total Liabilities and Equity	40,411,543	12,460,826	2,705,076	7,138,115	62,715,560	28,897,024	2,711,174	46,928	94,370,686
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 amortised cost and financial liabilities at fair value through profit or loss (debt securities and certificates).

6) Includes financial liabilities held for trading, subordinated debt and hedging derivatives.

7) Includes provisions, current and deferred tax liabilities and other liabilities.

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

	(Thousands of euros)	
	30 June 2024	30 June 2023 (restated)
Net contribution		
Retail banking in Portugal	424,527	306,779
Companies and Corporate	79,323	37,148
Private Banking	22,580	17,353
Foreign business (continuing operations)	131,146	123,108
Non-controlling interests ⁽¹⁾	(56,889)	(53,581)
	600,687	430,807
Amounts not allocated to segments (presented under segment Other):		
Net interest income - bonds portfolio	248,400	136,111
Net interest income - others ⁽²⁾	(315,378)	51,615
Foreign exchange activity	19,182	7,257
Gains / (losses) arising from sales of subsidiaries and other assets	13,043	(2,339)
Equity accounted earnings	28,980	27,721
Impairment and other provisions ⁽³⁾	19,863	(51,302)
Operational costs	(116,006)	(93,099)
Gains on sale of Portuguese public debt	(887)	(3,322)
Gains on sale of foreign public debt	731	(160)
Mandatory contributions	(39,734)	(72,583)
Loans sale	(1,311)	(6,608)
Income from other financial assets not held for trading mandatorily at fair value through profit or loss ⁽⁴⁾	5,363	1,287
Taxes ⁽⁵⁾	91,626	27,848
Income from discontinued operations	—	(9)
Non-controlling interests	85	98
Others ⁽⁶⁾	(69,362)	(30,073)
Total not allocated to segments (presented under segment Other)	(115,405)	(7,558)
Consolidated net income	485,282	423,249

(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 semester of 2024 of approximately Euros 172 million. Net income of this segment Other excluding this impact corresponds to a positive amount of Euros 3 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.

52. Solvency

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

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

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

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

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

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

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

CRD IV/CRR establishes Pillar 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 Pillar 2 requirements, O-SII and capital conservation buffer, as following:

2024 Minimum Capital Requirements								
BCP Consolidated	Phased-in	of which:			Fully implemented	of which:		
		Pillar 1	Pillar 2	Buffers		Pillar 1	Pillar 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)	
	30 June 2024	31 December 2023
Common equity tier 1 (CET1)		
Share capital	3,000,000	3,000,000
Share Premium	16,471	16,471
Reserves and retained earnings	2,922,731	2,632,602
Non-controlling interests eligible to CET1	540,056	475,923
Regulatory adjustments to CET1	(38,869)	32,342
	6,440,389	6,157,338
Tier 1		
Capital Instruments	400,000	400,000
Non-controlling interests eligible to AT1	89,015	84,267
	6,929,404	6,641,605
Tier 2		
Subordinated debt	997,981	1,014,615
Non-controlling interests eligible to Tier 2	227,303	225,063
Other	28,133	24,303
	1,253,417	1,263,981
Total own funds	8,182,821	7,905,586
RWA - Risk weighted assets		
Credit risk	33,985,290	34,304,305
Market risk	849,952	547,022
Operational risk	4,854,039	4,854,039
CVA	38,968	45,646
	39,728,249	39,751,012
Capital ratios		
CET1	16.2%	15.5%
Tier 1	17.4%	16.7%
Tier 2	3.2%	3.2%
Total own funds	20.6%	19.9%

The presented amounts include the accumulated net income.

53. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line. Under this scope, the monitoring and control of the main types of financial risks (e.g., credit, market, operational) or non-financial risks (e.g., legal and compliance, reputational) to which the Group's business is subject to, including the impact of the ESG risk drivers (environmental, social and governance).

The Bank implemented a regular process for identifying and assessing the risks to which its activity is exposed, which conclusions are presented to the management bodies and influence the update of the Group's risk appetite and risk strategy.

Internal organisation

The Board of Directors of Banco Comercial Português is responsible for the definition of the risk strategy and policies, including the approval of the principles and rules of the highest level to be followed in risk management of the Group, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee and Committee for Risk Assessment, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee, hearing the Risk Assessment Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business. Other commissions regularly monitor specific risks, namely the Compliance and Operational Risks Commission, the Credit and Non-performing Assets Monitoring Commission, the Pension Funds Risk Monitoring Commission, the Operational Resilience Commission (with a focus on information technologies and cybernetics), the Sustainability Commission and the Corporate Risk Monitoring Commission.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Board of Directors and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

As Head of the Compliance Office, the Compliance Officer is responsible for ensuring that regulatory requirements are complied with, as well as the ethical values of the organization, fulfilling all the attributions that are legally conferred to it, ensuring the existence of an internal control culture, thus contributing to the mitigation of the risk of attributing sanctions or significant asset or reputational damages to the Group Entities, including the compliance with the regulatory framework on the prevention and combating money laundering and terrorism financing.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

Risk items	(Thousands of euros)	
	30 June 2024	31 December 2023
Central Governments or Central Banks (*)	31,440,666	26,982,937
Regional Governments or Local Authorities	1,319,121	1,210,789
Administrative and non-profit Organisations	2,110,407	1,098,748
Multilateral Development Banks	246,103	227,711
Other Credit Institutions	3,199,083	3,383,775
Retail and Corporate customers	68,236,112	67,789,863
Other items (**)	9,706,185	11,858,196
	116,257,677	112,552,019

Note: gross exposures of impairment and amortisation, in accordance with the prudential consolidation perimeter. Includes securitization positions.

(*) In 2024 includes DTA's (Euros 2,046,120,609).

(**) In 2023 DTA's were included in Other items.

The evaluation of the risk associated to the loan portfolio and quantification of the respective losses expected considers the following methodological notes.

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loan's recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 108 or better on the Rating Master Scale;
- personal guarantees when the persons are classified with Risk Grade 108 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognised stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United Kingdom, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it can be applied the substitution principle by replacing the Risk Grade of the client by the Risk Grade of the guarantor, (if the Risk of Grade Degree of the guarantor is better than the client's), when the protection is formalized through:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- Personal guarantees (or, in the case of Leasing, there is a recovery agreement of the provider);
- Credit derivatives;
- Formalization of the clause of the contracting party in leasing contracts in which it is an entity that is in a relationship of dominion or group with the lessee.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and before decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

In any case, they are the subject to a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices - income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Regulation (EU) 575/2013 and Law 153/2015 of 14 September and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notice n. 5/2006 of Bank of Portugal and e CRR 575/2013, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following two methods:

- i) - depreciation of the property by direct application of the index, if the amount owed does not exceed Euros 300,000;
- ii) - review of the property value by external valuers, depending on the value of the credit operation, and in accordance with the established standards from ECB and Bank of Portugal.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews with the minimum periodicities in accordance with the Regulation (EU) 575/2013, in the case of offices, commercial spaces, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer, preserving the referred i) above.

For the remaining real estate (land or countryside buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients' assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has eighteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 123, 124 and 125, that correspond, in this order, to situations of increased severity in terms default, as risk grade 125 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division - a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

The following table lists the equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

Internal risk grade (*)	External ratings			
	Fitch	S&P	Moody's	DBRS
101	AAA	AAA	Aaa	AAA
102	AA+	AA+	Aa1	AA (high)
102	AA	AA	Aa2	AA
103	AA-	AA-	Aa3	AA (low)
103	A+	A+	A1	A (high)
104	A	A	A2	A
105	A-	A-	A3	A (low)
105	BBB+	BBB+	Baa1	BBB (high)
106	BBB	BBB	Baa2	BBB
107	BBB-	BBB-	Baa3	BBB (low)
108	BB+	BB+	Ba1	BB (high)
109	BB	BB	Ba2	BB
111	BB-	BB-	Ba3	BB (low)
112	B+	B+	B1	B (high)
114	B	B	B2	B
115	Lower B	Lower B	Lower B2	Lower B

(*) Clients with GR 110 and GR 113 correspond to BB- and B- from S&P, respectively, or another equivalent.

c) Impairment and Write-offs

The credit impairment calculation as at 30 June 2024 and 31 December 2023 integrates the general principles defined in International Financial Reporting Standards (IFRS 9) and the guidelines issued by the Bank of Portugal through Circular Letter CC/2018/00000062, in order to align the calculation process used in the Group with the best international practices in this area.

As at 30 June 2024, the financial instruments subject to impairment requirements under IFRS 9, (do not include equity instruments as accounting policy 1.C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

Category	30 June 2024				
	Gross exposure				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	848,234	—	—	—	848,234
Loans and advances to customers (note 22)	46,329,480	6,965,518	1,931,919	32,176	55,259,093
Debt instruments (note 23)	19,186,648	57,391	5,218	—	19,249,257
Debt instruments at fair value through other comprehensive income (note 24) (*)	13,763,622	—	1,160	—	13,764,782
Guarantees and other commitments (note 45) (**)	15,323,590	1,264,278	307,022	1,699	16,896,589
Total	95,451,574	8,287,187	2,245,319	33,875	106,017,955

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit facilities and revocable commitments

(Thousands of euros)

Category	30 June 2024				
	Impairment losses				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	245	—	—	—	245
Loans and advances to customers (note 22)	260,862	267,692	1,047,030	13,645	1,589,229
Debt instruments (note 23)	22,355	752	1,558	—	24,665
Debt instruments at fair value through other comprehensive income (note 24) (*)	—	—	1,160	—	1,160
Guarantees and other commitments (note 39)	11,556	12,126	93,732	—	117,414
Total	295,018	280,570	1,143,480	13,645	1,732,713

(Thousands of euros)

Category	30 June 2024				
	Net exposure				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	847,989	—	—	—	847,989
Loans and advances to customers (note 22)	46,068,618	6,697,826	884,889	18,531	53,669,864
Debt instruments (note 23)	19,164,293	56,639	3,660	—	19,224,592
Debt instruments at fair value through other comprehensive income (note 24) (*)	13,763,622	—	—	—	13,763,622
Guarantees and other commitments (note 45) (**)	15,312,034	1,252,152	213,290	1,699	16,779,175
Total	95,156,556	8,006,617	1,101,839	20,230	104,285,242

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit facilities and revocable commitments.

As at 31 December 2023, the financial instruments subject to impairment requirements under IFRS 9 (do not include equity instruments as accounting policy 1.C1.1.2), analysed by stage, are detailed in the following tables:

(Thousands of euros)

Category	31 December 2023				
	Gross exposure				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	908,701	—	—	—	908,701
Loans and advances to customers (note 22)	45,651,670	7,290,622	1,914,768	30,749	54,887,809
Debt instruments (note 23)	17,536,547	62,872	5,105	—	17,604,524
Debt instruments at fair value through other comprehensive income (note 24) (*)	10,809,872	—	1,150	—	10,811,022
Guarantees and other commitments (note 45) (**)	14,934,354	1,433,594	336,497	2,574	16,707,019
Total	89,841,144	8,787,088	2,257,520	33,323	100,919,075

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit facilities and revocable commitments.

(Thousands of euros)

Category	31 December 2023				
	Impairment losses				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	224	—	—	—	224
Loans and advances to customers (note 22)	268,948	291,752	1,007,481	14,469	1,582,650
Debt instruments (note 23)	23,066	797	1,525	—	25,388
Debt instruments at fair value through other comprehensive income (note 24) (*)	—	—	1,150	—	1,150
Guarantees and other commitments (note 39)	12,880	14,686	94,008	—	121,574
Total	305,118	307,235	1,104,164	14,469	1,730,986

(Thousands of euros)

Category	31 December 2023				
	Net exposure				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Loans and advances to credit institutions (note 21)	908,477	—	—	—	908,477
Loans and advances to customers (note 22)	45,382,722	6,998,870	907,287	16,280	53,305,159
Debt instruments (note 23)	17,513,481	62,075	3,580	—	17,579,136
Debt instruments at fair value through other comprehensive income (note 24) (*)	10,809,872	—	—	—	10,809,872
Guarantees and other commitments (note 45) (**)	14,921,474	1,418,908	242,489	2,574	16,585,445
Total	89,536,026	8,479,853	1,153,356	18,854	99,188,089

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1.C1.5.1.2.

(**) Includes the balances of guarantees granted, irrevocable credit facilities and revocable commitments

The maximum exposure to credit risk of financial assets not subject to impairment requirements is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Financial assets held for trading (note 24)		
Debt instruments	1,797,052	355,526
Derivatives	407,874	437,155
Financial assets designated at fair value through profit or loss - Debt instruments (note 24)	34,138	32,004
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments (note 24)	260,110	253,311
Hedging derivatives (note 25)	62,962	40,628
Total	2,562,136	1,118,624

- In the case of financial assets, excluding derivatives, it is considered that its credit risk exposure is equal to its book value;
- In the case of derivatives, the maximum exposure to credit risk is its market value, plus its potential risk ("add-on").

As at 30 June 2024, financial assets at amortised cost, guarantees granted, irrevocable credit facilities and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

Segment	30 June 2024									
	Stage 2					Stage 3				
	Stage 1	No delays	Days past due <= 30 days	Days past due > 30 days	Total	Days past due <= 90 days	Days past due > 90 days	Total	POCI	Total
Gross Exposure										
Individuals-Mortgage	25,209,906	2,341,506	217,028	96,923	2,655,457	305,021	156,243	461,264	10,677	28,337,304
Individuals-Other	8,920,202	1,127,960	134,324	43,426	1,305,710	261,378	335,861	597,239	13,274	10,836,425
Financial Companies	3,457,240	47,091	29	1	47,121	22,759	23,714	46,473	—	3,550,834
Non-financial companies - Corporate	11,172,781	728,835	2,050	47	730,932	182,415	19,150	201,565	5,639	12,110,917
Non-financial companies - SME-Corporate	8,883,137	1,974,979	17,741	9,601	2,002,321	546,856	113,300	660,156	1,145	11,546,759
Non-financial companies -SME-Retail	6,516,454	1,168,055	38,848	22,318	1,229,221	122,238	154,719	276,957	3,140	8,025,772
Non-financial companies - Other	541,836	22,257	3	—	22,260	40	465	505	—	564,601
Other loans	16,986,396	294,165	—	—	294,165	—	—	—	—	17,280,561
Total	81,687,952	7,704,848	410,023	172,316	8,287,187	1,440,707	803,452	2,244,159	33,875	92,253,173
Impairment										
Individuals-Mortgage	20,558	20,446	3,425	4,391	28,262	70,864	55,529	126,393	5,088	180,301
Individuals-Other	72,406	55,103	19,761	12,762	87,626	107,856	227,556	335,412	8,291	503,735
Financial Companies	14,339	1,154	1	—	1,155	22,099	13,978	36,077	—	51,571
Non-financial companies - Corporate	35,672	28,800	8	1	28,809	104,563	7,920	112,483	266	177,230
Non-financial companies - SME-Corporate	46,369	56,145	1,462	2,151	59,758	328,782	50,475	379,257	—	485,384
Non-financial companies -SME-Retail	87,652	64,677	3,629	4,565	72,871	84,458	67,987	152,445	—	312,968
Non-financial companies - Other	334	54	—	—	54	—	253	253	—	641
Other loans	17,688	2,035	—	—	2,035	—	—	—	—	19,723
Total	295,018	228,414	28,286	23,870	280,570	718,622	423,698	1,142,320	13,645	1,731,553
Net exposure										
Individuals-Mortgage	25,189,348	2,321,060	213,603	92,532	2,627,195	234,157	100,714	334,871	5,589	28,157,003
Individuals-Other	8,847,796	1,072,857	114,563	30,664	1,218,084	153,522	108,305	261,827	4,983	10,332,690
Financial Companies	3,442,901	45,937	28	1	45,966	660	9,736	10,396	—	3,499,263
Non-financial companies - Corporate	11,137,109	700,035	2,042	46	702,123	77,852	11,230	89,082	5,373	11,933,687
Non-financial companies - SME-Corporate	8,836,768	1,918,834	16,279	7,450	1,942,563	218,074	62,825	280,899	1,145	11,061,375
Non-financial companies -SME-Retail	6,428,802	1,103,378	35,219	17,753	1,156,350	37,780	86,732	124,512	3,140	7,712,804
Non-financial companies - Other	541,502	22,203	3	—	22,206	40	212	252	—	563,960
Other loans	16,968,708	292,130	—	—	292,130	—	—	—	—	17,260,838
Total	81,392,934	7,476,434	381,737	148,446	8,006,617	722,085	379,754	1,101,839	20,230	90,521,620
% of impairment coverage										
Individuals-Mortgage	0.08%	0.87%	1.58%	4.53%	1.06%	23.23%	35.54%	27.40%	47.65%	0.64%
Individuals-Other	0.81%	4.89%	14.71%	29.39%	6.71%	41.26%	67.75%	56.16%	62.46%	4.65%
Financial Companies	0.41%	2.45%	3.45%	0.00%	2.45%	97.10%	58.94%	77.63%	0.00%	1.45%
Non-financial companies - Corporate	0.32%	3.95%	0.39%	2.13%	3.94%	57.32%	41.36%	55.80%	4.72%	1.46%
Non-financial companies - SME-Corporate	0.52%	2.84%	8.24%	22.40%	2.98%	60.12%	44.55%	57.45%	0.00%	4.20%
Non-financial companies -SME-Retail	1.35%	5.54%	9.34%	20.45%	5.93%	69.09%	43.94%	55.04%	0.00%	3.90%
Non-financial companies - Other	0.06%	0.24%	0.00%	0.00%	0.24%	0.00%	54.41%	50.10%	0.00%	0.11%
Other loans	0.10%	0.69%	0.00%	0.00%	0.69%	0.00%	0.00%	0.00%	0.00%	0.11%
Total	0.36%	2.96%	6.90%	13.85%	3.39%	49.88%	52.73%	50.90%	40.28%	1.88%

As at 31 December 2023, financial assets at amortised cost, guarantees granted, irrevocable credit facilities and revocable commitments, analysed by segment and stage, are as follows:

(Thousands of euros)

31 December 2023										
Segment	Stage 1	Stage 2				Stage 3			POCI	Total
		No delays	Days past due ≤ 30 days	Days past due > 30 days	Total	Days past due ≤ 90 days	Days past due > 90 days	Total		
Gross Exposure										
Individuals-Mortgage	24,913,323	2,317,570	217,742	106,027	2,641,339	269,211	149,473	418,684	11,247	27,984,593
Individuals-Other	8,455,374	996,879	138,926	50,292	1,186,097	256,328	320,458	576,786	14,263	10,232,520
Financial Companies	3,275,624	53,152	42	1	53,195	46,841	10	46,851	—	3,375,670
Non-financial companies - Corporate	10,825,177	716,737	13,734	1,961	732,432	198,010	29,407	227,417	2,209	11,787,235
Non-financial companies - SME-Corporate	8,777,780	2,327,698	13,722	3,902	2,345,322	582,545	102,199	684,744	2,959	11,810,805
Non-financial companies -SME-Retail	6,672,112	1,429,586	45,468	19,621	1,494,675	161,067	138,539	299,606	2,645	8,469,038
Non-financial companies - Other	515,637	22,791	4	16	22,811	269	2,010	2,279	—	540,727
Other loans	15,596,245	308,938	2,266	13	311,217	1	2	3	—	15,907,465
Total	79,031,272	8,173,351	431,904	181,833	8,787,088	1,514,272	742,098	2,256,370	33,323	90,108,053
Impairment										
Individuals-Mortgage	30,606	21,789	4,435	5,736	31,960	59,673	54,599	114,272	5,376	182,214
Individuals-Other	65,165	42,205	23,950	13,973	80,128	104,578	211,238	315,816	9,093	470,202
Financial Companies	23,475	1,381	3	—	1,384	34,559	6	34,565	—	59,424
Non-financial companies - Corporate	36,533	25,712	247	312	26,271	91,151	20,578	111,729	—	174,533
Non-financial companies - SME-Corporate	49,075	78,177	1,490	760	80,427	313,575	59,279	372,854	—	502,356
Non-financial companies -SME-Retail	83,013	75,676	4,281	4,152	84,109	92,830	59,457	152,287	—	319,409
Non-financial companies - Other	370	74	—	2	76	8	1,482	1,490	—	1,936
Other loans	16,881	2,763	116	1	2,880	—	1	1	—	19,762
Total	305,118	247,777	34,522	24,936	307,235	696,374	406,640	1,103,014	14,469	1,729,836
Net exposure										
Individuals-Mortgage	24,882,717	2,295,781	213,307	100,291	2,609,379	209,538	94,874	304,412	5,871	27,802,379
Individuals-Other	8,390,209	954,674	114,976	36,319	1,105,969	151,750	109,220	260,970	5,170	9,762,318
Financial Companies	3,252,149	51,771	39	1	51,811	12,282	4	12,286	—	3,316,246
Non-financial companies - Corporate	10,788,644	691,025	13,487	1,649	706,161	106,859	8,829	115,688	2,209	11,612,702
Non-financial companies - SME-Corporate	8,728,705	2,249,521	12,232	3,142	2,264,895	268,970	42,920	311,890	2,959	11,308,449
Non-financial companies -SME-Retail	6,589,099	1,353,910	41,187	15,469	1,410,566	68,237	79,082	147,319	2,645	8,149,629
Non-financial companies - Other	515,267	22,717	4	14	22,735	261	528	789	—	538,791
Other loans	15,579,364	306,175	2,150	12	308,337	1	1	2	—	15,887,703
Total	78,726,154	7,925,574	397,382	156,897	8,479,853	817,898	335,458	1,153,356	18,854	88,378,217
% of impairment coverage										
Individuals-Mortgage	0.12%	0.94%	2.04%	5.41%	1.21%	22.17%	36.53%	27.29%	47.80%	0.65%
Individuals-Other	0.77%	4.23%	17.24%	27.78%	6.76%	40.80%	65.92%	54.75%	63.75%	4.60%
Financial Companies	0.72%	2.60%	7.14%	0.00%	2.60%	73.78%	60.00%	73.78%	0.00%	1.76%
Non-financial companies - Corporate	0.34%	3.59%	1.80%	15.91%	3.59%	46.03%	69.98%	49.13%	0.00%	1.48%
Non-financial companies - SME-Corporate	0.56%	3.36%	10.86%	19.48%	3.43%	53.83%	58.00%	54.45%	0.00%	4.25%
Non-financial companies -SME-Retail	1.24%	5.29%	9.42%	21.16%	5.63%	57.63%	42.92%	50.83%	0.00%	3.77%
Non-financial companies - Other	0.07%	0.32%	0.00%	12.50%	0.33%	2.97%	73.73%	65.38%	0.00%	0.36%
Other loans	0.11%	0.89%	5.12%	7.69%	0.93%	0.00%	50.00%	33.33%	0.00%	0.12%
Total	0.39%	3.03%	7.99%	13.71%	3.50%	45.99%	54.80%	48.88%	43.42%	1.92%

As at 30 June 2024, financial assets at amortised cost, guarantees granted, irrevocable credit facilities and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

Sector of activity	30 June 2024									
	Stage 1	Stage 2			Total	Stage 3			POCI	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days	Total		
Gross Exposure										
Loans to individuals	34,130,108	3,469,466	351,352	140,349	3,961,167	566,399	492,104	1,058,503	23,951	39,173,729
Non-financial companies - Trade	5,475,455	653,548	13,321	5,248	672,117	81,332	46,795	128,127	4,597	6,280,296
Non-financial companies - Construction	2,483,229	456,501	6,923	3,566	466,990	258,014	33,133	291,147	2,248	3,243,614
Non-financial companies - Manufacturing industries	5,678,078	821,562	15,171	8,691	845,424	114,566	74,274	188,840	543	6,712,885
Non-financial companies - Other activities	2,300,313	347,473	1,737	3,961	353,171	37,293	16,644	53,937	94	2,707,515
Non-financial companies - Other services	11,177,133	1,615,042	21,490	10,500	1,647,032	360,344	116,788	477,132	2,442	13,303,739
Other Services /Other activities	20,443,636	341,256	29	1	341,286	22,759	23,714	46,473	—	20,831,395
Total	81,687,952	7,704,848	410,023	172,316	8,287,187	1,440,707	803,452	2,244,159	33,875	92,253,173
Impairment										
Loans to individuals	92,964	75,549	23,186	17,153	115,888	178,720	283,085	461,805	13,379	684,036
Non-financial companies - Trade	28,721	20,857	1,213	1,461	23,531	45,477	18,527	64,004	266	116,522
Non-financial companies - Construction	16,267	8,533	493	836	9,862	117,313	16,202	133,515	—	159,644
Non-financial companies - Manufacturing industries	51,031	56,629	1,300	1,568	59,497	50,125	29,105	79,230	—	189,758
Non-financial companies - Other activities	12,363	14,257	190	1,029	15,476	28,018	9,755	37,773	—	65,612
Non-financial companies - Other services	61,645	49,400	1,903	1,823	53,126	276,870	53,046	329,916	—	444,687
Other Services /Other activities	32,027	3,189	1	—	3,190	22,099	13,978	36,077	—	71,294
Total	295,018	228,414	28,286	23,870	280,570	718,622	423,698	1,142,320	13,645	1,731,553
Net exposure										
Loans to individuals	34,037,144	3,393,917	328,166	123,196	3,845,279	387,679	209,019	596,698	10,572	38,489,693
Non-financial companies - Trade	5,446,734	632,691	12,108	3,787	648,586	35,855	28,268	64,123	4,331	6,163,774
Non-financial companies - Construction	2,466,962	447,968	6,430	2,730	457,128	140,701	16,931	157,632	2,248	3,083,970
Non-financial companies - Manufacturing industries	5,627,047	764,933	13,871	7,123	785,927	64,441	45,169	109,610	543	6,523,127
Non-financial companies - Other activities	2,287,950	333,216	1,547	2,932	337,695	9,275	6,889	16,164	94	2,641,903
Non-financial companies - Other services	11,115,488	1,565,642	19,587	8,677	1,593,906	83,474	63,742	147,216	2,442	12,859,052
Other Services /Other activities	20,411,609	338,067	28	1	338,096	660	9,736	10,396	—	20,760,101
Total	81,392,934	7,476,434	381,737	148,446	8,006,617	722,085	379,754	1,101,839	20,230	90,521,620
% of impairment coverage										
Loans to individuals	0.27%	2.18%	6.60%	12.22%	2.93%	31.55%	57.53%	43.63%	55.86%	1.75%
Non-financial companies - Trade	0.52%	3.19%	9.11%	27.84%	3.50%	55.92%	39.59%	49.95%	5.79%	1.86%
Non-financial companies - Construction	0.66%	1.87%	7.12%	23.44%	2.11%	45.47%	48.90%	45.86%	0.00%	4.92%
Non-financial companies - Manufacturing industries	0.90%	6.89%	8.57%	18.04%	7.04%	43.75%	39.19%	41.96%	0.00%	2.83%
Non-financial companies - Other activities	0.54%	4.10%	10.94%	25.98%	4.38%	75.13%	58.61%	70.03%	0.00%	2.42%
Non-financial companies - Other services	0.55%	3.06%	8.86%	17.36%	3.23%	76.83%	45.42%	69.15%	0.00%	3.34%
Other Services /Other activities	0.16%	0.93%	3.45%	0.00%	0.93%	97.10%	58.94%	77.63%	0.00%	0.34%
Total	0.36%	2.96%	6.90%	13.85%	3.39%	49.88%	52.73%	50.90%	40.28%	1.88%

As at 31 December 2023, financial assets at amortised cost, guarantees granted, irrevocable credit facilities and revocable commitments, analysed by sector of activity and stage, are as follows:

(Thousands of euros)

Sector of activity	31 December 2023									
	Stage 1	Stage 2			Total	Stage 3			POCI	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days	Total		
Gross Exposure										
Loans to individuals	33,368,697	3,314,449	356,668	156,319	3,827,436	525,539	469,931	995,470	25,510	38,217,113
Non-financial companies - Trade	5,299,609	735,392	16,114	3,998	755,504	91,961	44,149	136,110	604	6,191,827
Non-financial companies - Construction	2,346,987	583,617	7,508	2,523	593,648	272,067	30,830	302,897	4,141	3,247,673
Non-financial companies - Manufacturing industries	5,596,512	934,013	14,368	7,458	955,839	137,257	71,289	208,546	560	6,761,457
Non-financial companies - Other activities	2,265,462	372,268	12,087	954	385,309	56,211	15,197	71,408	50	2,722,229
Non-financial companies - Other services	11,282,136	1,871,522	22,851	10,567	1,904,940	384,395	110,690	495,085	2,458	13,684,619
Other Services /Other activities	18,871,869	362,090	2,308	14	364,412	46,842	12	46,854	—	19,283,135
Total	79,031,272	8,173,351	431,904	181,833	8,787,088	1,514,272	742,098	2,256,370	33,323	90,108,053
Impairment										
Loans to individuals	95,771	63,994	28,385	19,709	112,088	164,251	265,837	430,088	14,469	652,416
Non-financial companies - Trade	28,456	25,648	863	1,084	27,595	40,537	19,292	59,829	—	115,880
Non-financial companies - Construction	15,896	13,624	978	645	15,247	91,537	17,927	109,464	—	140,607
Non-financial companies - Manufacturing industries	54,770	57,777	1,909	1,842	61,528	53,536	35,826	89,362	—	205,660
Non-financial companies - Other activities	10,608	18,371	771	170	19,312	38,378	8,562	46,940	—	76,860
Non-financial companies - Other services	59,261	64,219	1,497	1,485	67,201	273,576	59,189	332,765	—	459,227
Other Services /Other activities	40,356	4,144	119	1	4,264	34,559	7	34,566	—	79,186
Total	305,118	247,777	34,522	24,936	307,235	696,374	406,640	1,103,014	14,469	1,729,836
Net exposure										
Loans to individuals	33,272,926	3,250,455	328,283	136,610	3,715,348	361,288	204,094	565,382	11,041	37,564,697
Non-financial companies - Trade	5,271,153	709,744	15,251	2,914	727,909	51,424	24,857	76,281	604	6,075,947
Non-financial companies - Construction	2,331,091	569,993	6,530	1,878	578,401	180,530	12,903	193,433	4,141	3,107,066
Non-financial companies - Manufacturing industries	5,541,742	876,236	12,459	5,616	894,311	83,721	35,463	119,184	560	6,555,797
Non-financial companies - Other activities	2,254,854	353,897	11,316	784	365,997	17,833	6,635	24,468	50	2,645,369
Non-financial companies - Other services	11,222,875	1,807,303	21,354	9,082	1,837,739	110,819	51,501	162,320	2,458	13,225,392
Other Services /Other activities	18,831,513	357,946	2,189	13	360,148	12,283	5	12,288	—	19,203,949
Total	78,726,154	7,925,574	397,382	156,897	8,479,853	817,898	335,458	1,153,356	18,854	88,378,217
% of impairment coverage										
Loans to individuals	0.29%	1.93%	7.96%	12.61%	2.93%	31.25%	56.57%	43.20%	56.72%	1.71%
Non-financial companies - Trade	0.54%	3.49%	5.36%	27.11%	3.65%	44.08%	43.70%	43.96%	0.00%	1.87%
Non-financial companies - Construction	0.68%	2.33%	13.03%	25.56%	2.57%	33.65%	58.15%	36.14%	0.00%	4.33%
Non-financial companies - Manufacturing industries	0.98%	6.19%	13.29%	24.70%	6.44%	39.00%	50.25%	42.85%	0.00%	3.04%
Non-financial companies - Other activities	0.47%	4.93%	6.38%	17.82%	5.01%	68.27%	56.34%	65.73%	0.00%	2.82%
Non-financial companies - Other services	0.53%	3.43%	6.55%	14.05%	3.53%	71.17%	53.47%	67.21%	0.00%	3.36%
Other Services /Other activities	0.21%	1.14%	5.16%	7.14%	1.17%	73.78%	58.33%	73.77%	0.00%	0.41%
Total	0.39%	3.03%	7.99%	13.71%	3.50%	45.99%	54.80%	48.88%	43.42%	1.92%

As at 30 June 2024, financial assets at amortised cost, guarantees granted, irrevocable credit facilities and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

Geography	30 June 2024									
	Stage 1	Stage 2			Total	Stage 3			POCI	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days	Total		
Gross Exposure										
Portugal	56,681,665	5,823,017	261,881	103,086	6,187,984	1,037,452	367,437	1,404,889	13,256	64,287,794
Poland	23,570,772	1,498,727	143,364	63,233	1,705,324	397,638	404,620	802,258	20,619	26,098,973
Mozambique	1,435,515	383,104	4,778	5,997	393,879	5,617	31,395	37,012	—	1,866,406
Total	81,687,952	7,704,848	410,023	172,316	8,287,187	1,440,707	803,452	2,244,159	33,875	92,253,173
Impairment										
Portugal	185,633	172,877	9,845	10,938	193,660	560,539	144,643	705,182	—	1,084,475
Poland	97,801	50,512	17,954	11,727	80,193	157,055	261,340	418,395	13,645	610,034
Mozambique	11,584	5,025	487	1,205	6,717	1,028	17,715	18,743	—	37,044
Total	295,018	228,414	28,286	23,870	280,570	718,622	423,698	1,142,320	13,645	1,731,553
Net exposure										
Portugal	56,496,032	5,650,140	252,036	92,148	5,994,324	476,913	222,794	699,707	13,256	63,203,319
Poland	23,472,971	1,448,215	125,410	51,506	1,625,131	240,583	143,280	383,863	6,974	25,488,939
Mozambique	1,423,931	378,079	4,291	4,792	387,162	4,589	13,680	18,269	—	1,829,362
Total	81,392,934	7,476,434	381,737	148,446	8,006,617	722,085	379,754	1,101,839	20,230	90,521,620
% of impairment coverage										
Portugal	0.33%	2.97%	3.76%	10.61%	3.13%	54.03%	39.37%	50.19%	0.00%	1.69%
Poland	0.41%	3.37%	12.52%	18.55%	4.70%	39.50%	64.59%	52.15%	66.18%	2.34%
Mozambique	0.81%	1.31%	10.19%	20.09%	1.71%	18.30%	56.43%	50.64%	0.00%	1.98%
Total	0.36%	2.96%	6.90%	13.85%	3.39%	49.88%	52.73%	50.90%	40.28%	1.88%

As at 31 December 2023, financial assets at amortised cost, guarantees granted, irrevocable credit facilities and revocable commitments, analysed by geography and stage, are as follows:

(Thousands of euros)

Geography	31 December 2023									
	Stage 1	Stage 2			Total	Stage 3			POCI	Total
		No delays	Days past due <= 30 days	Days past due > 30 days		Days past due <= 90 days	Days past due > 90 days	Total		
Gross Exposure										
Portugal	54,817,070	6,507,490	243,837	97,956	6,849,283	1,101,355	321,902	1,423,257	14,814	63,104,424
Poland	22,932,079	1,254,639	168,557	76,684	1,499,880	404,395	394,011	798,406	18,509	25,248,874
Mozambique	1,282,123	411,222	19,510	7,193	437,925	8,522	26,185	34,707	—	1,754,755
Total	79,031,272	8,173,351	431,904	181,833	8,787,088	1,514,272	742,098	2,256,370	33,323	90,108,053
Impairment										
Portugal	190,234	201,637	10,867	9,419	221,923	551,673	145,912	697,585	—	1,109,742
Poland	103,505	40,435	22,551	14,419	77,405	143,301	245,864	389,165	14,469	584,544
Mozambique	11,379	5,705	1,104	1,098	7,907	1,400	14,864	16,264	—	35,550
Total	305,118	247,777	34,522	24,936	307,235	696,374	406,640	1,103,014	14,469	1,729,836
Net exposure										
Portugal	54,626,836	6,305,853	232,970	88,537	6,627,360	549,682	175,990	725,672	14,814	61,994,682
Poland	22,828,574	1,214,204	146,006	62,265	1,422,475	261,094	148,147	409,241	4,040	24,664,330
Mozambique	1,270,744	405,517	18,406	6,095	430,018	7,122	11,321	18,443	—	1,719,205
Total	78,726,154	7,925,574	397,382	156,897	8,479,853	817,898	335,458	1,153,356	18,854	88,378,217
% of impairment coverage										
Portugal	0.35%	3.10%	4.46%	9.62%	3.24%	50.09%	45.33%	49.01%	0.00%	1.76%
Poland	0.45%	3.22%	13.38%	18.80%	5.16%	35.44%	62.40%	48.74%	78.17%	2.32%
Mozambique	0.89%	1.39%	5.66%	15.26%	1.81%	16.43%	56.77%	46.86%	0.00%	2.03%
Total	0.39%	3.03%	7.99%	13.71%	3.50%	45.99%	54.80%	48.88%	43.42%	1.92%

As at 30 June 2024, the gross exposure, by type of financial instrument, internal rating and stage, is analysed as follows:

(Thousands of euros)

	30 June 2024							
	Gross Exposure					Total	Impairment losses	Net exposure
	Higher quality	Average quality	Lower quality	Procedural RG	Not classified (without risk grade)			
Financial assets at amortised cost								
stage 1	51,399,686	9,841,893	3,966,546	615	1,155,620	66,364,360	283,462	66,080,898
stage 2	1,441,394	2,077,843	2,886,802	341,038	275,832	7,022,909	268,444	6,754,465
stage 3	84	1,814	329	1,911,594	23,315	1,937,136	1,048,588	888,548
POCI	2,052	2,766	1,317	25,945	96	32,176	13,645	18,531
	52,843,216	11,924,316	6,854,994	2,279,192	1,454,863	75,356,581	1,614,139	73,742,442
Debt instruments at fair value through other comprehensive income (*)								
stage 1	13,403,233	196,536	12,729	—	151,122	13,763,620	—	13,763,620
stage 3	—	—	—	—	1,160	1,160	1,160	—
	13,403,233	196,536	12,729	—	152,282	13,764,780	1,160	13,763,620
Guarantees and other commitments (**)								
stage 1	10,391,830	3,550,986	1,172,847	5	207,924	15,323,592	11,556	15,312,036
stage 2	180,444	382,391	575,709	18,408	107,326	1,264,278	12,126	1,252,152
stage 3	8	19	3	306,820	173	307,023	93,732	213,291
POCI	6	3	1	1,689	—	1,699	—	1,699
	10,572,288	3,933,399	1,748,560	326,922	315,423	16,896,592	117,414	16,779,178
Total	76,818,737	16,054,251	8,616,283	2,606,114	1,922,568	106,017,953	1,732,713	104,285,240

Note: Higher quality (RG 101-107); Average quality (RG 108-111); Lower quality (RG 112-115); Procedural RG (RG 123/124/125).

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit facilities and revocable commitments (note 45).

As at 31 December 2023, the gross exposure, by type of financial instrument, internal rating and stage, is analysed as follows:

(Thousands of euros)

31 December 2023								
	Gross Exposure					Total	Impairment losses	Net exposure
	Higher quality (RG 1-6)	Average quality (RG 7-9)	Lower quality (RG 10-12)	Procedural (RG 13/14/15)	Not classified (without risk grade)			
Financial assets at amortised cost								
stage 1	48,884,930	9,891,705	4,050,015	800	1,269,469	64,096,919	292,238	63,804,681
stage 2	1,338,150	1,942,276	3,215,313	379,810	477,945	7,353,494	292,549	7,060,945
stage 3	—	—	—	1,896,329	23,543	1,919,872	1,009,006	910,866
POCI	2,152	2,448	1,202	24,831	115	30,748	14,469	16,279
	50,225,232	11,836,429	7,266,530	2,301,770	1,771,072	73,401,033	1,608,262	71,792,771
Debt instruments at fair value through other comprehensive income (*)								
stage 1	10,490,205	153,637	11,687	50	154,294	10,809,873	—	10,809,873
stage 3	—	—	—	—	1,150	1,150	1,150	—
	10,490,205	153,637	11,687	50	155,444	10,811,023	1,150	10,809,873
Guarantees and other commitments (**)								
stage 1	9,603,432	3,927,153	1,224,614	3,511	175,643	14,934,353	12,880	14,921,473
stage 2	169,847	400,684	670,786	13,250	179,027	1,433,594	14,686	1,418,908
stage 3	—	—	—	336,351	147	336,498	94,008	242,490
POCI	6	5	1	2,563	—	2,575	—	2,575
	9,773,285	4,327,842	1,895,401	355,675	354,817	16,707,020	121,574	16,585,446
Total	70,488,722	16,317,908	9,173,618	2,657,495	2,281,333	100,919,076	1,730,986	99,188,090

(*) For financial assets at fair value through other comprehensive income, impairment is recorded in accordance with the requirements indicated in the accounting policy 1 C1.5.1.2.

(**) The gross exposure includes the guarantees granted, irrevocable credit facilities and revocable commitments (note 45).

As at 30 June 2024, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by segment, are presented in the following table:

(Thousands of euros)

Segment	30 June 2024					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Individuals - Mortgage	25,918	28,311,386	28,337,304	9,683	170,618	180,301
Individuals - Other	15,639	10,820,786	10,836,425	9,935	493,800	503,735
Financial Companies	46,016	3,504,818	3,550,834	35,932	15,639	51,571
Non-financial companies-Corporate	170,663	11,940,254	12,110,917	106,435	70,795	177,230
Non-financial companies-SME-Corporate	478,839	11,067,920	11,546,759	331,498	153,886	485,384
Non-financial companies-SME-Retail	54,754	7,971,018	8,025,772	74,398	238,570	312,968
Non-financial companies-Other	465	564,136	564,601	253	388	641
Other loans	—	17,280,561	17,280,561	—	19,723	19,723
Total	792,294	91,460,879	92,253,173	568,134	1,163,419	1,731,553

As at 31 December 2023, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by segment, are presented in the following table:

(Thousands of euros)

Segment	31 December 2023					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Individuals - Mortgage	27,960	27,956,633	27,984,593	9,347	172,867	182,214
Individuals - Other	8,531	10,223,989	10,232,520	4,709	465,493	470,202
Financial Companies	48,444	3,327,226	3,375,670	34,439	24,985	59,424
Non-financial companies-Corporate	204,869	11,582,366	11,787,235	105,559	68,974	174,533
Non-financial companies-SME-Corporate	517,062	11,293,743	11,810,805	326,269	176,087	502,356
Non-financial companies -SME - Retail	84,903	8,384,136	8,469,039	77,852	241,557	319,409
Non-financial companies-Other	702	540,025	540,727	567	1,369	1,936
Other loans	—	15,907,464	15,907,464	—	19,762	19,762
Total	892,471	89,215,582	90,108,053	558,742	1,171,094	1,729,836

As at 30 June 2024, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by sector of activity are presented in the following table:

(Thousands of euros)

Sector of activity	30 June 2024					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	41,557	39,132,172	39,173,729	19,618	664,418	684,036
Non-financial companies-Trade	56,612	6,223,684	6,280,296	36,682	79,840	116,522
Non-financial companies-Construction	193,867	3,049,747	3,243,614	111,746	47,898	159,644
Non-financial companies-Manufacturing industry	80,959	6,631,926	6,712,885	44,033	145,725	189,758
Non-financial companies-Other activities	34,430	2,673,085	2,707,515	30,836	34,776	65,612
Non-financial companies-Other services	338,853	12,964,886	13,303,739	289,287	155,400	444,687
Other Services/Other activities	46,016	20,785,379	20,831,395	35,932	35,362	71,294
Total	792,294	91,460,879	92,253,173	568,134	1,163,419	1,731,553

As at 31 December 2023, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by sector of activity are presented in the following table:

(Thousands of euros)

Sector of activity	31 December 2023					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Loans to individuals	36,491	38,180,622	38,217,113	14,056	638,360	652,416
Non-financial companies-Trade	63,282	6,128,545	6,191,827	33,799	82,081	115,880
Non-financial companies-Construction	212,160	3,035,513	3,247,673	88,160	52,447	140,607
Non-financial companies-Manufacturing industry	110,203	6,651,255	6,761,458	57,795	147,865	205,660
Non-financial companies-Other activities	48,448	2,673,781	2,722,229	37,216	39,644	76,860
Non-financial companies-Other services	373,443	13,311,176	13,684,619	293,277	165,950	459,227
Other Services/Other activities	48,444	19,234,690	19,283,134	34,439	44,747	79,186
Total	892,471	89,215,582	90,108,053	558,742	1,171,094	1,729,836

As at 30 June 2024, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by geography, are presented in the following table:

(Thousands of euros)

Geography	30 June 2024					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Portugal	665,922	63,621,872	64,287,794	521,851	562,624	1,084,475
Poland	112,977	25,985,996	26,098,973	39,551	570,483	610,034
Mozambique	13,395	1,853,011	1,866,406	6,732	30,312	37,044
Total	792,294	91,460,879	92,253,173	568,134	1,163,419	1,731,553

As at 31 December 2023, the financial assets at amortised cost, guarantees and other commitments subject to individual and collective impairment, by geography, are presented in the following table:

(Thousands of euros)

Geography	31 December 2023					
	Gross Exposure			Impairment losses		
	Individual	Collective	Total	Individual	Collective	Total
Portugal	758,022	62,346,402	63,104,424	516,336	593,406	1,109,742
Poland	121,548	25,127,326	25,248,874	36,255	548,289	584,544
Mozambique	12,901	1,741,854	1,754,755	6,151	29,399	35,550
Total	892,471	89,215,582	90,108,053	558,742	1,171,094	1,729,836

The columns Gross exposure and Collective impairment losses of the previous tables include loans subject to individual analysis for which the Group has concluded that there is no objective evidence of impairment.

As at 30 June 2024, the following table includes the loans portfolio (including guarantees and commitments) by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

Year of production	30 June 2024					
	Construction and Commercial Real Estate	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2014 and previous						
Number of operations	14,509	31,244	268,652	677,383	458	992,246
Value (Euros '000)	977,587	3,428,743	8,402,723	1,305,859	298,626	14,413,538
Impairment constituted (Euros '000)	83,675	63,543	115,998	26,969	1,504	291,689
2015						
Number of operations	1,645	6,764	9,237	78,049	106	95,801
Value (Euros '000)	83,126	573,948	433,313	137,422	5,273	1,233,082
Impairment constituted (Euros '000)	1,773	23,908	5,012	7,800	476	38,969
2016						
Number of operations	1,887	8,016	10,388	100,408	41	120,740
Value (Euros '000)	122,838	1,015,775	502,279	193,851	2,596	1,837,339
Impairment constituted (Euros '000)	1,731	11,067	5,783	13,452	245	32,278
2017						
Number of operations	2,271	9,120	17,011	112,039	85	140,526
Value (Euros '000)	132,673	888,631	970,334	221,167	9,644	2,222,449
Impairment constituted (Euros '000)	10,405	14,094	7,549	16,390	643	49,081
2018						
Number of operations	4,128	13,408	22,544	200,512	147	240,739
Value (Euros '000)	383,888	1,812,492	1,480,256	468,236	295,442	4,440,314
Impairment constituted (Euros '000)	6,023	35,554	9,557	34,561	1,161	86,856
2019						
Number of operations	6,831	19,159	25,963	473,683	132	525,768
Value (Euros '000)	440,655	1,484,840	1,824,261	848,692	72,851	4,671,299
Impairment constituted (Euros '000)	7,244	42,523	8,358	59,996	1,220	119,341
2020						
Number of operations	7,869	28,572	31,350	221,493	171	289,455
Value (Euros '000)	724,923	2,392,185	2,247,021	521,809	74,448	5,960,386
Impairment constituted (Euros '000)	14,282	48,077	9,295	35,496	2,033	109,183
2021						
Number of operations	8,829	30,650	46,152	298,704	182	384,517
Value (Euros '000)	693,924	2,135,290	3,682,303	855,010	310,740	7,677,267
Impairment constituted (Euros '000)	11,297	42,060	10,842	63,425	2,624	130,248
2022						
Number of operations	9,601	32,647	33,882	473,183	337	549,650
Value (Euros '000)	1,235,597	3,716,744	3,230,936	1,400,353	95,929	9,679,559
Impairment constituted (Euros '000)	14,309	50,412	5,110	78,602	1,196	149,629
2023						
Number of operations	10,959	35,729	30,915	812,602	531	890,736
Value (Euros '000)	1,645,109	3,216,106	3,177,972	2,220,055	148,429	10,407,671
Impairment constituted (Euros '000)	14,701	41,574	3,928	76,480	1,811	138,494
2024						
Number of operations	8,335	95,373	21,016	838,339	5,710	968,773
Value (Euros '000)	1,122,516	5,009,491	2,291,963	1,907,654	157,225	10,488,849
Impairment constituted (Euros '000)	9,396	170,696	3,544	37,995	2,793	224,424
Total						
Number of operations	76,864	310,682	517,110	4,286,395	7,900	5,198,951
Value (Euros '000)	7,562,836	25,674,245	28,243,361	10,080,108	1,471,203	73,031,753
Impairment constituted (Euros '000)	174,836	543,508	184,976	451,166	15,706	1,370,192

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 31 December 2023, the following table includes the loans portfolio (including guarantees and commitments) by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

31 December 2023						
Year of production	Construction and Commercial Real Estate	Companies - Other Activities	Mortgage loans	Individuals - Other	Other loans	Total
2013 and previous						
Number of operations	13,988	27,550	275,796	637,888	380	955,602
Value (Euros '000)	928,757	3,261,687	8,790,207	1,229,144	89,608	14,299,403
Impairment constituted (Euros '000)	73,508	58,659	113,180	22,494	812	268,653
2014						
Number of operations	1,310	5,156	7,877	63,545	85	77,973
Value (Euros '000)	69,788	447,850	327,925	111,200	184,307	1,141,070
Impairment constituted (Euros '000)	7,137	5,895	5,441	4,563	873	23,909
2015						
Number of operations	1,740	7,093	9,709	84,470	114	103,126
Value (Euros '000)	85,463	591,723	464,924	145,749	8,498	1,296,357
Impairment constituted (Euros '000)	1,952	22,286	4,621	7,655	577	37,091
2016						
Number of operations	2,053	8,438	10,979	110,408	49	131,927
Value (Euros '000)	141,513	1,117,972	542,229	213,263	3,067	2,018,044
Impairment constituted (Euros '000)	2,314	12,494	5,106	13,662	179	33,755
2017						
Number of operations	2,482	9,808	17,985	120,635	99	151,009
Value (Euros '000)	157,801	978,292	1,047,446	246,833	14,258	2,444,630
Impairment constituted (Euros '000)	10,391	17,786	6,592	17,477	774	53,020
2018						
Number of operations	4,819	15,084	23,954	213,882	165	257,904
Value (Euros '000)	384,262	1,901,330	1,604,675	530,572	301,822	4,722,661
Impairment constituted (Euros '000)	5,771	33,804	8,220	37,433	1,227	86,455
2019						
Number of operations	7,245	21,732	27,329	521,238	150	577,694
Value (Euros '000)	499,121	1,658,088	1,956,352	982,211	79,619	5,175,391
Impairment constituted (Euros '000)	7,673	43,210	7,137	67,067	1,144	126,231
2020						
Number of operations	9,258	31,822	32,966	244,303	189	318,538
Value (Euros '000)	862,852	2,855,711	2,410,351	617,566	104,195	6,850,675
Impairment constituted (Euros '000)	14,538	76,473	8,944	38,516	1,913	140,384
2021						
Number of operations	9,130	33,058	48,727	363,405	219	454,539
Value (Euros '000)	792,772	2,539,394	3,981,918	1,016,489	333,477	8,664,050
Impairment constituted (Euros '000)	11,334	42,963	10,857	67,703	3,131	135,988
2022						
Number of operations	9,311	34,292	35,724	571,063	396	650,786
Value (Euros '000)	1,397,283	4,265,544	3,490,509	1,677,789	126,587	10,957,712
Impairment constituted (Euros '000)	15,286	51,293	6,233	79,493	1,704	154,009
2023						
Number of operations	14,388	113,890	31,737	1,312,681	4,733	1,477,429
Value (Euros '000)	1,967,654	6,445,098	3,317,913	2,949,518	179,760	14,859,943
Impairment constituted (Euros '000)	16,782	217,800	6,768	70,824	2,232	314,406
Total						
Number of operations	75,724	307,923	522,783	4,243,518	6,579	5,156,527
Value (Euros '000)	7,287,266	26,062,689	27,934,449	9,720,334	1,425,198	72,429,936
Impairment constituted (Euros '000)	166,686	582,663	183,099	426,887	14,566	1,373,901

In the year of the current production, are included operations that, by their nature, are contractually subject to renewals. In these cases, the date of the last renewal is considered, namely for overdraft operations, secured current account and factoring operations.

As at 30 June 2024, the following table includes the fair value of the collaterals by segments (not limited by the value of the collateral) associated to the loan's portfolio:

Fair Value	30 June 2024					
	Construction and Commercial Real Estate		Companies - Other Activities		Mortgage loans	
	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)
< 0.5 M€						
Number	7,348	10,677	8,959	74,064	447,555	218
Value (Euros '000)	981,003	286,039	1,333,860	1,769,486	67,636,226	11,383
>= 0.5 M€ and < 1 M€						
Number	845	70	1,282	259	7,958	5
Value (Euros '000)	589,046	48,012	900,742	175,994	5,111,311	2,959
>= 1 M€ and < 5 M€						
Number	773	53	1,151	194	1,284	—
Value (Euros '000)	1,615,275	96,509	2,311,974	373,104	2,014,145	—
>= 5 M€ and < 10 M€						
Number	130	2	123	17	20	—
Value (Euros '000)	925,341	10,352	860,782	124,499	131,494	—
>= 10 M€ and < 20 M€						
Number	65	3	67	13	2	—
Value (Euros '000)	891,662	48,926	946,563	186,180	23,601	—
>= 20 M€ and < 50 M€						
Number	31	—	49	3	1	—
Value (Euros '000)	1,013,259	—	1,450,438	67,286	24,000	—
>= 50 M€						
Number	5	—	16	4	—	—
Value (Euros '000)	386,805	—	1,230,789	885,181	—	—
Total Number	9,197	10,805	11,647	74,554	456,820	223
Total Value (Euros '000)	6,402,391	489,838	9,035,148	3,581,730	74,940,777	14,342

(*) The fair value of real estate collateral relates to the PVT included in valuations.

(**) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2023, the following table includes the fair value of the collaterals by segments (not limited by the value of the collateral) associated to the loan's portfolio:

Fair Value	31 December 2023					
	Construction and Commercial Real Estate		Companies - Other Activities		Mortgage loans	
	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)	Real Estate (*)	Other real Collateral (**)
< 0.5 M€						
Number	7,433	10,521	8,995	74,256	453,097	247
Value (Euros '000)	957,351	270,085	1,360,898	1,715,200	64,939,467	14,258
>= 0.5 M€ and < 1 M€						
Number	788	68	1,221	261	6,910	5
Value (Euros '000)	548,653	46,495	856,785	181,934	4,459,854	2,833
>= 1 M€ and < 5 M€						
Number	752	49	1,137	180	1,169	1
Value (Euros '000)	1,564,212	90,200	2,317,694	351,774	1,828,625	1,121
>= 5 M€ and < 10 M€						
Number	126	1	128	15	16	—
Value (Euros '000)	883,759	5,424	892,174	111,364	102,113	—
>= 10 M€ and < 20 M€						
Number	52	1	62	12	2	—
Value (Euros '000)	705,360	10,415	882,748	176,111	21,129	—
>= 20 M€ and < 50 M€						
Number	32	1	47	2	—	—
Value (Euros '000)	900,127	20,241	1,393,377	46,125	—	—
>= 50 M€						
Number	4	—	15	4	—	—
Value (Euros '000)	263,193	—	1,124,438	855,609	—	—
Total Number	9,187	10,641	11,605	74,730	461,194	253
Total Value (Euros '000)	5,822,655	442,860	8,828,114	3,438,117	71,351,188	18,212

(*) The fair value of real estate collateral relates to the PVT included in valuations.

(**) Includes, namely, securities, deposits and fixed assets pledges.

As at 30 June 2024, the following table includes the LTV (*loan-to-value*) ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)					
30 June 2024					
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,395,875	313,235	66,488	73,370
<60%	27,242	1,451,171	202,821	36,088	25,591
>=60% and <80%	3,387	366,732	80,253	25,512	15,938
>=80% and <100%	1,740	171,931	29,080	2,876	4,465
>=100%	981	133,723	46,236	48,164	42,973
Companies - Other Activities					
Without associated collateral	n.a.	9,366,468	1,229,604	253,636	435,672
<60%	49,950	2,050,446	538,170	144,646	80,471
>=60% and <80%	14,017	841,969	476,689	77,872	55,849
>=80% and <100%	10,198	597,100	112,670	34,056	21,228
>=100%	2,251	440,109	167,287	203,953	179,410
Mortgage loans					
Without associated collateral	n.a.	47,759	2,912	9,266	12,902
<60%	386,114	14,277,469	1,411,656	305,668	130,350
>=60% and <80%	112,498	8,165,549	889,515	115,275	31,780
>=80% and <100%	29,544	2,461,713	321,582	53,710	17,590
>=100%	4,239	152,330	45,657	18,473	9,014

As at 31 December 2023, the following table includes the LTV (*loan-to-value*) ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

(Thousands of euros)					
31 December 2023					
Segment/Ratio	Number of properties	Stage 1	Stage 2	Stage 3	Impairment
Construction and CRE					
Without associated collateral	n.a.	1,325,209	368,506	61,341	69,194
<60%	26,471	1,231,512	314,464	27,331	22,492
>=60% and <80%	4,107	405,123	124,352	25,326	17,357
>=80% and <100%	858	115,631	26,141	2,513	3,689
>=100%	915	83,185	56,059	49,530	30,584
Companies - Other Activities					
Without associated collateral	n.a.	9,520,386	1,406,516	244,982	438,065
<60%	49,955	1,888,694	528,115	128,724	75,157
>=60% and <80%	15,150	965,433	277,671	80,993	42,715
>=80% and <100%	9,050	457,684	378,185	48,634	34,873
>=100%	2,328	492,635	159,776	258,397	208,054
Mortgage loans					
Without associated collateral	n.a.	62,011	3,510	9,719	12,435
<60%	380,896	13,666,658	1,351,098	264,041	119,276
>=60% and <80%	119,725	8,368,284	896,151	117,924	39,255
>=80% and <100%	33,465	2,594,964	349,466	50,104	20,302
>=100%	4,814	168,138	53,712	19,770	10,447

As at 30 June 2024, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 27) and as Other assets (note 32), by type of asset:

(Thousands of euros)

Asset	30 June 2024					
	Assets arising from recovered loans results		Assets belong to investments funds and real estate companies		Total	
	Appraised value	Book value	Appraised value (1)	Book value	Appraised value	Book value
Land						
Urban	49,542	30,761	84,110	84,110	133,652	114,871
Rural	3,658	1,894	2,937	2,937	6,595	4,831
Buildings in development						
Commercials	783	528	—	—	783	528
Mortgage loans	2,582	1,417	—	—	2,582	1,417
Constructed buildings						
Commercials	22,680	12,122	—	—	22,680	12,122
Mortgage loans	38,463	27,981	—	—	38,463	27,981
Other	31,137	30,907	—	—	31,137	30,907
	148,845	105,610	87,047	87,047	235,892	192,657

(1) Value deducted from haircuts or other applicable impairments

As at 31 December 2023, the following table includes the fair value and the net book value of the properties classified as Non-current assets held for sale (note 27) and as Other assets (note 32), by type of asset:

(Thousands of euros)

Asset	31 December 2023					
	Assets arising from recovered loans		Assets belong to investments funds and real estate companies		Total	
	Appraised value	Book value	Appraised value (1)	Book value	Appraised value	Book value
Land						
Urban	80,526	49,779	84,684	84,684	165,210	134,463
Rural	4,622	2,188	17,560	17,560	22,182	19,748
Buildings in development						
Commercials	790	529	—	—	790	529
Mortgage loans	2,474	1,438	—	—	2,474	1,438
Constructed buildings						
Commercials	29,968	15,391	—	—	29,968	15,391
Mortgage loans	52,120	35,758	—	—	52,120	35,758
Other	30,495	30,261	—	—	30,495	30,261
Other assets	5,400	5,400	—	—	5,400	5,400
	206,395	140,744	102,244	102,244	308,639	242,988

(1) Value deducted from haircuts or other applicable impairments

Credit Portfolio Monitoring Process

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

The importance of this approach is reinforced by the uncertainty that has marked the activity in recent years, with special emphasis on the pandemic context that emerged at the beginning of 2020 and the effects resulting from multiple geopolitical conflicts, with impacts on various aspects such as a more modest level of economic growth, budgetary pressures to cope with the impacts felt by economic agents, the need to allocate budgetary amounts to areas such as Defence, limitations on the transportation of goods, pressure on energy costs, inflationary impacts, high levels of interest rates and rising unemployment rates.

In the specific case of Portugal, the context described translated into lower demand for credit instruments from customers, especially in the corporate segment.

The main guidelines of the credit portfolio monitoring approach can be characterized as presented below:

- Global and transversal: Analysis of the entire credit portfolio of the Bank, being excluded from the monitoring process only customers with a better risk profile (in the case of retail) or with exposures of a lower size (in the case of retail and corporate).
- Specialized: Monitoring by the “Comité de Acompanhamento de Risco de Empresas” (CARE), and Credit Division in coordination with the Rating Division for the corporate segment and by the Credit Division and Retail Recovery Division for individuals and small businesses. The cases monitored by the CARE committee, are related to clients covered by a set of criteria that combine exposure size and risk factors like the rating assigned, IFRS 9 staging and, for the corporate segment, the level of leverage and whether the sector in which it operates is considered highly vulnerable.
- Segmented: Prioritization of approach/analysis recurrence based on risk signs, in order to gather additional information and agree on appropriate and sustainable financial restructuring solutions in a timely manner.
- Prospective: Use of predictive models, in order to anticipate potential future defaults, avoiding a reactive approach.
- Standardized: Both in terms of risk models and monitoring, and in terms of credit solutions for which it is possible to identify pre-defined alternatives (retail segments).
- Convenient and innovative: Making the restructuring journey simpler and more convenient both in terms of credit solutions and channels, extending the restructuring offer to the App for consumer credit and mortgages.

Specifically in the corporate segment, the process of portfolio follow-up and monitoring can be generically characterized as described below, having as a fundamental component the attribution of credit strategies, among pre-defined options, with review periods differentiated according to the level of risk associated to the strategy attributed:

1. Client Assessment and presentation of Indicative Credit Strategy by the Rating Division (for customers with ratings assigned by corporate rating models);
2. Approval, by the competent credit decision levels, of a credit strategy for each customer, taking into consideration the Indicative Credit Strategy from the Rating Division, the information received from the area that follows the client and the inputs received as a result of the customer interaction process;

3. Decision, negotiation and formalisation of the operations that will ensure that the approved strategy is pursued and the approved credit limits are met (Credit Division, Areas that follow the client and Operations Division);
4. Monitoring the Credit Strategy and the evolution of the customer's activity (Credit Division, Areas that follow the client and Specialised Committees - CARE);
5. Monitoring of the credit portfolio and effectiveness of the portfolio monitoring process and credit strategy attribution (Risk Office), based on a set of KPIs, (e.g. percentage of the credit portfolio with valid risk strategy; evolution of credit exposure to customers with a reduction strategy; adequacy of the credit strategy to the customer's performance);
6. In the attribution of the customer's credit strategy, besides the intrinsic factors of the customer, more transversal factors are taken into consideration, such as the evaluation of the sectorial risk and ESG impacts (periodically reviewed with the support of the Economic, Sustainability and Criptoactives Studies Division) and taking into consideration the attribution of a ESG rating regarding the clients with most relevant exposures;
7. The occurrence of effective and/or potential risk events (signs of default/delinquency; breach of contractual covenants; severe alteration in sector risk; alteration in the corporate/shareholder structure), trigger an extraordinary/anticipated revision of the strategy.

Within the scope of this monitoring process and with an impact on other complementary procedures adopted by the Bank, namely for reporting purposes, the Bank defines a list of sectors considered as more vulnerable to the macroeconomic environment, which is reviewed periodically (at least annually), also involving the preparation of report presenting a detailed characterisation of its loan portfolio under a sectoral perspective.

Additional measures with impact on the Impairment level

i. Updating macroeconomic scenarios and the parameters of the collective impairment model

Following an assessment of the evolution of the macroeconomic scenarios prepared by the Bank's Economic Studies area at the end of June and the projection of the estimated impacts with regard to the collective impairment analysis model in Portugal, it was considered that an update of the scenarios used since December 2023 was not justified.

The referred scenarios, which are used in the Bank for several purposes other than the impairment calculation, took into consideration the existing projections of reputed entities.

The tables below systematise the projections for 2024 and 2025 considered for Portugal concerning the central scenarios with regard to some of the critical variables used in the calculation of collective impairment.

Update of main macroeconomic scenario assumptions (Base Scenario) - Portugal

Variable	December 2023 Scenario		December 2024 Scenario		Difference	
	2024	2025	2024	2025	2024	2025
Unemployment rate	7.15%	7.33%	7.15%	7.33%	0.00%	0.00%
3 months Euribor Rate	3.18%	2.11%	3.18%	2.11%	0.00%	0.00%
Savings Rate	8.40%	8.30%	8.40%	8.30%	0.00%	0.00%
Inflation Rate	2.93%	1.98%	2.93%	1.98%	0.00%	0.00%

Regarding Poland, an update of the macroeconomic assumptions was carried out in relation to those considered in December 2023, which translates into the terms presented in the table below regarding the projections for 2024 and 2025 foreseen in the central scenario.

Update of main macroeconomic scenario assumptions (Base Scenario) - Poland

Variable	December 2023 Scenario		December 2024 Scenario		Difference	
	2024	2025	2024	2025	2024	2025
Unemployment rate	5.30%	5.20%	5.10%	5.00%	-0.20%	-0.20%
Nominal GDP annual evolution	7.60%	7.30%	7.20%	8.30%	-0.40%	0.01%
Consumption annual evolution	3.50%	4.40%	3.50%	4.10%	0.00%	-0.30%
Disposable Income	8.10%	6.90%	9.60%	7.80%	1.50%	0.90%
EUR/PLN exchange rate	4,42	4,37	4,23	4,27	-0.19	-0,10
CHF/PLN exchange rate	4,58	4,40	4,37	4,32	-0.21	0,08

The following tables describe the weightings assigned in Portugal and Poland to the different macroeconomic scenarios considered at the end of 2023 and in June 2024, which can be considered as conservative:

Weightings of the macroeconomic scenarios considered

Scenario	Weightings			
	Portugal		Poland	
	Dec 2023	Jun 2024	Dec 2023	Jun 2024
Central	60 %	60 %	70 %	70 %
Upside	10 %	10 %	10 %	10 %
Downside	30 %	30 %	20 %	20 %

For Portugal, a simulation of an additional one percentage point worsening in the evolution of the key indicators for the collective impairment estimate was carried out, which translates into the impacts shown in the table below, based on the collective impairment of the portfolio in Portugal as at 30 June 2024, which amounted to Euros 457 million (this figure does not include the impairment amounts calculated by the overlays methodology described in point ii. of this section).

Sensitivity analysis on the calculation of collective impairment (June 2024)

Variable	Estimated impact (% variation)
100 bp Unemployment Rate aggravation	4,29%
100 bp 3 months Euribor aggravation	6,67%
100 bp Savings Rate aggravation	0,65%
100 bp Inflation Rate aggravation	4,02%

ii. Impairment overlays

In order to incorporate an additional level of conservatism in the impairment values, the Bank defined and implemented a methodology of complementary of identification of significant increase in credit risk situations and potential signs of impairment.

This approach adopts differentiated criteria in relation to the base methodologies in force, with distinct processes having been adopted for the calculation of overlays for the corporate and individual customers segments.

The overlays currently in force seek in particular to address the context of uncertainty that continues to prevail, associated with a context of multiple geopolitical crisis, the constraints that still exist with regard to economic growth, inflationary pressures and the high level of interest rates, an environment that constitutes a disruption of the context that prevailed until the end of 2021, characterized by low levels of interest rates and inflation.

This positioning is in line with the guidelines on this matter issued by the Supervisors in what regards the identification and measurement of credit risk in contexts of uncertainty, so that the release of overlays initially constituted in the context of the pandemic should be carried out with prudence and taking into account the possible need for new overlays to respond to the current context.

The exercise carried out reflected, in terms of impairment value, in the calculation of the estimated impact arising from potential migrations of customers with higher risk to Stage 2 and Stage 3, based on the various factors considered in the analysis. It should be noted that the most significant impact occurred in the corporate segment. The methodology developed by the Bank was considered for the calculation and recording of impairment at the reference date of the accounts, without affecting the classification of credit exposures by stages in the Bank's loan portfolio.

In Poland, the Bank also adopted a policy of recording overlays. Taking into consideration the country's specific reality, adjustments to the overlay's methodology had already been incorporated in 2022 to address the impacts of the geopolitical crisis.

As a result of the implementation of this methodology, the Bank calculated an additional impairment to that resulting from the collective analysis model, therefore with characteristics of overlays, whose amount on 30 June 2024 was approximately Euros 98.2 million in Portugal (Euros 99.0 million in December 2023), Euros 48.8 million in Poland (Euros 48.3 million in December 2023) and Euros 2.6 million in Mozambique (Euros 2.8 million in December 2023).

Government measures to mitigate the impacts on mortgage contracts

Decree-Law 20-B/2023

Decree-Law 20-B/2023, a Portuguese Government regulation of 22 March 2023, embodied the legislative package "Mais Habitação", providing extraordinary support to families, namely through the creation of support for borrowers of credit agreements for permanent own housing in the form of a temporary subsidy of the interest component, in situations where the index rate exceeds a certain threshold.

On 30 June 2024, loans with subsidies already processed amounted to present exposures of approximately Euros 524 million, with an average monthly subsidy of Euros 55.

Decree-Law 91/2023

Also with regard to the promotion of support measures for borrowers of mortgage loan contracts, it is worth noting the publication of Decree-Law 91/2023, a Portuguese government decree of 11 October 2023, which allows to fix the instalment over a period of 24 months, taking into account an interest rate benchmark defined in the decree-law.

By 31 March 2024, the date on which the period for signing up at the request of customers ended, the Bank had implemented this measure in what regards around 2,000 contracts.

Credit concentration risk

The Group's policy relating to the identification, measurement, and evaluation of the concentration risk in credit risk is approved by the Bank's management body, applied to all Group entities, and is based on the following guidelines:

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations.

The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency). The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity, with the Risk Office monitoring the economic and customers' groups maintenance.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

- 1) Exposures to Sovereigns;
- 2) Exposures to Institutions (Banks/financial institutions);
- 3) Single-name exposures (Large Corporate exposures);
- 4) Geographic concentration (country risk);
- 5) Exposure to sectors of activity.

These limits apply to the 'Net exposures' (*), relating either to a counterparty or a group of counterparties - cases for 1), 2) and 3) - or to the set of exposures to an activity sector or to a country (the counterparty country of residence) - cases for 4) and 5). The metrics regarding the concentration of exposure to Sovereigns and geographic concentration exclude the countries in which the Group has significant operations (Portugal, Poland and Mozambique) and the respective Sovereigns.

Except for exposure to sectors of activity, the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for corporate single-name exposures apply only to non-NPE positions, since the NPE (Non-performing exposures) positions are considered "always in excess" and it's framed by the actions covered by the NPE reduction Plan defined and executed at Group BCP level.

The limits in force as at 30 June 2024, for the exposure to Single-name, in terms of the Net Exposure weight over the Consolidated Own Funds, are the following:

Risk quality	Master Scale rating grades	Limit (M€)	%
1 st tier	101 - 105	536.9	7.0%
2 nd tier	106 - 108	345.1	4.5%
3 rd tier	109 - 111	211.8	2.8%
4 th tier	112 - 113	41.9	0.5%
5 th tier	114 - 116	19.4	0.3%

(*) Net exposure = EAD x LGD. EAD = Exposure at default ; LGD = Loss given Default.

As at 30 June 2024:

- There were no exposure excesses to Sovereigns, Institutions or countries;
- There were 2 Economic Groups with net exposure above the established Single-name limits for their respective risk grade. For each client with an exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

It should also be referred that the assessment of the Single-name concentration is also performed within the Group RAS (Risk Appetite Statement) scope.

The limit for exposure to sectors of activity is defined as a maximum of 40% per sector of activity, in terms of the weight of the Net Exposure for each sector of activity over the Own Funds of each Group Entity. At this date, there was no excess over this limit.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks.

The credit concentration risk is measured and monitored by the Risk Office.

The Risk Office maintains a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, which is used by the Credit Division and by the Commercial Networks within the scope of credit analysis for large clients with the purpose of ensuring exposures are kept within the approved limits.

Real state risk

Real estate risk materializes through losses associated with changes in the value of assets held by the Bank or, indirectly, through funds and/or real estate companies.

The Group detains a real estate portfolio, that comes from repossessed assets linked with recovery processes of non-performing exposures, that is subject to fluctuations and risks in the real estate market and the obligations arising from ownership of the properties.

As a credit institution operating in the financial market, the Bank does not operate directly in the real estate sector, neither as a sales agent nor as an operator in the rental segment.

In this context, the management of this portfolio is based on the following objectives:

- Minimize the risks associated with the real estate portfolio;
- Minimize management costs, maintenance and sale of properties;
- Maximize the financial results from the sale of foreclosed assets;
- Mitigate the portfolio's impact on the Bank's cost of capital and liquidity.

Within this framework, the Bank should optimize the outflow of foreclosed assets from the real estate portfolio, developing appropriate commercial strategies and exploring the distribution channels that are expected to be most effective at any given time to sell the different types of properties held by the Bank.

By managing this portfolio, the following risks were identified and monitored by the Bank:

- Price risk - Risk associated with the devaluation of the property due to unfavourable developments in the real estate market, whether due to a decrease in demand or strong pressure on property sales;
- Liquidity risk - Inherent to the nature of real estate assets and the impact on the Bank's liquidity position and respective financial costs of holding the property;
- Operational risk - associated with the processes of acquiring, maintaining and selling properties, which can result in costs or lost revenue (includes the risks of vandalization and deterioration of properties);
- Compliance risk - compliance with legal standards from the property acquisition process, to the requirements to be observed in its sale, including the responsibility associated with your status as owner;
- Fiscal risk - associated with possible tax contingencies relating to properties owned by the Bank and monitoring the administrative and judicial processes;
- Reputational risk - related to the risks mentioned above, but also with the image projected by the Bank in the way it manages its operations in the real estate market.

The risks associated above are mitigated by the Bank through the existence of a team specialized in the management of this type of assets; a set of internal policies and standards that regulate the asset management processes on the balance sheet; and an insurance policy.

The portfolio of real estate assets has been progressively reduced by the Bank over the last few years.

Market risk

Market risks consist of the potential losses that may arise within a portfolio as a result of changes in interest or exchange rates, and/or in the prices of the different financial instruments within the portfolio, considering not only the correlations that exist between those instruments but also their volatilities.

For the purpose of profitability analysis and market risks quantification and control, the following management areas are defined for each entity within the Group:

- Trading: Management of positions aimed at achieving short-term gains through sale or revaluation. These positions are actively managed, tradable without restriction, and may be valued frequently and accurately. These positions include securities and derivatives resulting from sales activities;
- Funding: Management of institutional funding (wholesale funding) and money market positions;
- Investment: Management of all positions in securities to be held to maturity or for an extended period, or positions not tradable on liquid markets;
- Commercial: Management of positions arising from commercial activities with Customers;
- Structural: Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM: Assets and Liabilities Management.

The definition of these areas allows for an effective management separation between trading and banking books, as well as a proper allocation of each operation to the most suitable management area, according to the respective context and strategy.

To ensure that risk levels incurred in the different portfolios of the Group align with predefined tolerance risk levels, various market risks limits are established, typically on an annual basis, applying to all portfolios of the risk management areas where the risks are incident. These limits are monitored daily (or intra-daily, in the case of financial markets) by the Risk Office.

Stop loss limits are also set for portfolios in the financial markets' areas - Trading and Funding - based on multiples of the risk limits defined for them, aiming to limit the maximum losses that may occur in these areas. If these limits are breached, a mandatory review of the underlying business strategy and assumptions regarding the management of the positions in question ensues.

Market risks of the prudential trading book ⁽¹⁾

For the daily measurement of generic market risk, which includes interest rate risk, exchange rate risk, equity risk and credit default swap price risk (indexes) - a Value-at-Risk (VaR) model is used, considering a time horizon of 10 business days and a 99% significance level.

Additionally, the Group uses an integrated market risk measure that monitors all relevant sub-types of risk. This measure integrates assessment of generic, specific, non-linear and commodity risks. Each sub-type of risk is measured individually using appropriate risk models, with the integrated measure calculated from individual measures for each, without considering any type of diversification between the sub-types (worst-case scenario approach).

For non-linear risk, an internally developed methodology is applied, replicating the effect of main non-linear elements of options on P&L results of the different portfolios in which these are included, similarly to what is considered in the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured using standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the Trading Book, measured by the methodologies referred to above:

	(Thousands of euros)			
	30 June 2024	Max of global risk in the period	Min of global risk in the period	30 June 2023
Generic Risk (VaR)	1,220	2,992	683	1,694
Interest Rate Risk	1,190	2,566	555	1,461
FX Risk	549	1,124	566	270
Equity Risk	372	129	80	913
<i>Diversification effects</i>	<i>(891)</i>	<i>(827)</i>	<i>(518)</i>	<i>(950)</i>
Specific Risk	4	56	16	575
Non-Linear Risk	—	—	—	—
Commodities Risk	—	—	—	—
Global Risk	1,224	3,048	699	2,269

Validation of the internal VaR model's appropriateness for the assessment of risks involved in the positions held, is conducted over time, with different scopes and frequency, including back testing, diversification effects estimation, and analysis of risk factor comprehensiveness.

In addition to VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results to identify risk concentrations not captured by the VaR model.

(1) Trading Book - positions allocated to the Trading Management Area (and not specifically to the accounting trading book)

Interest rate risk

The evaluation of interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long-term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, although with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

(Thousands of euros)

Currency	30 June 2024			
	-200 bp(*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	2,365	1,211	(1,257)	(2,549)
EUR	(49,415)	(19,998)	11,131	13,469
PLN	147,734	72,954	(71,232)	(140,833)
USD	(12,257)	(5,860)	5,414	10,470
	88,427	48,307	(55,944)	(119,443)

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

(Thousands of euros)

Currency	31 December 2023			
	-200 bp(*)	- 100 bp (*)	+ 100 bp	+ 200 bp
CHF	2,726	1,368	(1,378)	(2,763)
EUR	(52,312)	(24,650)	21,646	38,925
PLN	130,883	63,939	(61,469)	(120,974)
USD	(8,362)	(4,103)	3,954	7,764
	72,935	36,554	(37,247)	(77,048)

(*) Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

As described in accounting policy 1.B, the financial statements of the Group's subsidiaries and associates placed abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

Currency	Closing exchange rates		Average exchange rates	
	(Balance sheet)		(Income statement)	
	30 June 2024	31 December 2023	30 June 2024	30 June 2023
AOA	928.0120	924.8560	913.9959	593.8258
BRL	5.9542	5.3614	5.5093	5.4902
CHF	0.9632	0.9297	0.9608	0.9880
MOP	8.6197	8.8865	8.6197	8.8074
MZN	68.1700	70.5700	68.8800	69.3783
PLN	4.3072	4.3437	4.3113	4.6304
USD	1.0718	1.1049	1.0804	1.0819

Foreign exchange and equity risk of the banking book

The foreign exchange risk of the banking book is transferred internally to the Trading Area, in accordance with the Group's risk specialization model for the management of balance sheet foreign exchange risk. Structural foreign exchange exposures, including those resulting from financial holdings in subsidiaries, are not transferred and may be covered by market operations, in line with the defined strategy for managing structural foreign exchange risk, aiming at hedging against volatility in the CET1 ratio stemming from exchange rates changes.

As at 30 June 2024, the Group's financial investments in foreign currency were not hedged.

On a consolidated basis these are identified as net investment hedges in accounting terms, according with IFRS nomenclature. On an individual basis, they are designated as fair value hedges of equity investments.

Gains and losses on instruments used to hedge net investments in foreign institutions are recognized in foreign exchange reserves and presented in the statement of comprehensive income.

The transfer of funds to Portugal, including dividends, owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, may be subject to the restrictions and exchange controls that, at any given time, are in force in the country where the subsidiaries are incorporated or associated.

Regarding equity risk, the Group maintains a set of small-scale, low-risk positions, primarily in the investment portfolio, mainly resulting from execution/payment processes. Management of these positions is conducted by a specialized area of the Group, with risk controlled through defined metrics and limits for market risk control.

Liquidity risk

The evaluation of the Group's liquidity risk is carried out using indicators set by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also fixed.

The monitoring of the liquidity position of the Group's operations in short-term time horizons (up to 3 months) is based on two internally defined indicators (immediate liquidity and quarterly liquidity). These indicators are calculated on a daily basis, taking into account the impact in the liquidity buffers available to discount with the respective central banks at the reference date of future estimated cash flows for each of the respective time horizon (3 days or 3 months) considering the set of transactions intermediated by the market areas, including in this context transactions with clients of the Corporate and Private networks, which, due to their size, must be quoted by the Trading Room. The remaining buffer in each time bucket is then compared to the amount of customer deposits, being the indicators assessed against exposure limits defined in the Bank's regulations.

In parallel, the evolution of the Group's structural liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, to enable the decision making that leads to the maintenance of financing conditions adequate to the business sustainability.

The methodological aspects of the control of liquidity risk are a responsibility of the Risk Commission. This control includes the regular execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

In the first half of 2024, the Group's balance sheet customer funds grew by 5.9%, accelerating the rate of variation observed in the previous semester, of 3.2%. This evolution was mainly due to the strong and sustained growth in Bank Millennium customer deposits, of 9.6%, based as in the past on the retail segment. Focusing on the same customer segment, the activity in Portugal increased the balance sheet customer funds by 4.0%, a growth that allowed the reinforcement of its market share of deposits in the first quarter of 2024 and exceed the maximum amount of balance sheet customer funds previously achieved in December 2022.

The trends mentioned above, combined with the decrease in the Group's credit portfolio, the inaugural issue of covered bonds placed in the market by Bank Millennium and the Group's overall profitability resulted in the strengthening of the consolidated liquidity position compared to 31 December 2023, reflected in the favorable evolution of the regulatory and internal liquidity risk indicators defined within the scope of the Group's Risk Appetite Statement (RAS).

Thus, in consolidated terms, the regulatory ratio that assesses short-term liquidity risk (LCR: Liquidity Coverage Ratio) grew from 276% to 296% in the first half of 2024, prolonging the trend observed throughout 2023. The other indicator short-term liquidity of the Group's Risk Appetite Statement (RAS), which represents the coverage of customer deposits by the liquidity buffers available for discount at European central banks, also stood at a comfortable level of 46%.

The regulatory ratio that assesses structural liquidity risk (NSFR: Net Stable Funding Ratio) grew from 167% to 175% in the first half of 2024. The loan to deposit ratio, the second structural liquidity indicator of the RAS, evolved consistently towards greater conservatism, with a new reduction, from 70% to 66%.

Regarding the medium-long term financing structure, and fulfilling an objective defined in the Liquidity Plan for the current year, BCP refinanced an Additional Tier 1 (AT1) issue of Euros 400,000,000 million euros issued in January 2019 through a new issue of the same instrument and amount under more favorable conditions (interest rate of 8.125% vs. 9.25%).

The favorable evolution of BCP's commercial gap from a liquidity perspective, the issuance of debt and the growth in cash flow from operations, among other less relevant factors, contributed to the growth of the ECB's liquidity buffer to a historic maximum of Euros 29,755,380,000 in June 2024, Euros 1,896,015,000 more than in December 2023.

Bank Millennium, which at the end of the first half of 2024 successfully completed its Recovery Plan, placed a few days earlier its inaugural issue of covered bonds, worth PLN 300,000,000 and with a three-year maturity. As a result of the significant growth in the deposit base and the issuance placed on the market, Bank Millennium significantly improved its already robust liquidity position, reflected in regulatory indicators well above the minimum required (LCR at 337% and NSFR at 191.06%).

Banco Internacional de Moçambique reinforced its liquidity position in the semester ended June 2024, with the liquidity buffer at the respective central bank and liquidity indicators benefiting from a significant growth in the customer deposit base of 9.0%.

The pool of eligible assets for funding operations in the European Central Bank and other central banks, after haircuts, is detailed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
European Central Bank	14,410,243	14,677,769
Other Central Banks	9,374,431	7,346,514
	23,784,674	22,024,283

As at 30 June 2024 the amount discounted with the Bank of Mozambique amounts to Euros 1,126,000 (31 December 2023: Euros 1,469,000). There are no discounted amounts with other central banks.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

	(Thousands of euros)	
	30 June 2024	31 December 2023
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	14,410,243	14,677,769
Outside the pool of ECB monetary policy	14,443,683	11,130,941
	28,853,926	25,808,710
Net borrowing at the ECB (ii)	(901,454)	(2,050,654)
Liquidity buffer (iii)	29,755,380	27,859,364

i) Corresponds to the amount reported in COLMS (Bank of Portugal application).

ii) Includes as at 30 June 2024 the amount of deposits with the Bank of Portugal and other liquidity with the Eurosystem (Euros 901,454,000) in excess over the minimum cash reserves (Euros 525,713,000).

iii) Eligible collateral available for discount with the ECB, after haircuts, deducted from the net funding at the ECB.

In consolidated terms, the refinancing risk of medium and long-term instruments will remain at very low levels over the next years, with no material expression.

Encumbered and Unencumbered assets

Within the scope of the European Banking Authority's guidance on the disclosure of encumbered assets and unencumbered assets, taking into account the recommendation made by the European Systemic Risk Committee, the following information is presented in accordance with Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

(Thousands of euros)

	30 June 2024 (1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA (2)		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Assets of the disclosing institution	1,948,498	1,427,643			94,255,553	29,585,447		
Equity instruments	—	—	—	—	257,922	—	257,922	—
Debt securities	1,427,643	1,427,643	1,396,231	1,396,231	29,529,108	25,035,242	29,156,273	24,639,148
of which: covered bonds	—	—	—	—	132,248	100,895	132,248	100,895
of which: securitisations	—	—	—	—	165	—	165	—
of which: issued by general governments	1,427,643	1,427,643	1,396,231	1,396,231	22,279,564	21,714,573	21,888,968	21,320,385
of which: issued by financial corporations	—	—	—	—	1,826,343	526,397	1,832,827	524,491
of which: issued by non-financial corporations	—	—	—	—	3,133,085	476,520	3,140,852	476,520
Other assets	440,779	—			64,004,469	4,187,292		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

(2) EHQLA (Set as Extremely High-Quality Liquid Assets) and HQLA (High-Quality Liquid Assets).

Collateral received and own debt securities issued

(Thousands of euros)

	30 June 2024 (1)			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA (2)		of which EHQLA and HQLA (2)
Collateral received by the disclosing institution	—	—	323,286	184,854
Debt securities	—	—	184,854	184,854
of which: issued by general governments	—	—	184,854	184,854
Loans and advances other than loans on demand	—	—	142,768	—
Own covered bonds and securitisations issued and not yet pledged			9,109,129	—
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	1,948,498	1,427,643		

(1) Table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

(2) EHQLA (Set as Extremely High-Quality Liquid Assets) and HQLA (High-Quality Liquid Assets).

Sources of encumbrance

(Thousands of euros)

Sources of encumbrance	30 June 2024 (1)	
	Matching liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	930,773	1,233,628

(1) The table's figures are calculated by the median of the values disclosed in the regulatory information for the previous 4 quarters.

At the end of first half of 2024, and according to the EBA methodology, the total encumbered assets represents 2% of the Group's total balance sheet assets. The encumbered Loans to customers represents 13% of the total encumbered assets, while Debt securities represents 73%.

The main sources of asset encumbrance stem from financing operations in Portugal, notably transactions with the European Investment Bank (EIB), collateralization of derivative operations and securitization programs. Collateralization of securitization operations in Poland and derivatives, as well as financing operations with the European Investment Bank and other commitments with the Deposit Guarantee Fund, are primarily supported by eligible sovereign debt held with central banks. On the other hand, securitization programs in Portugal are collateralised by certain Loans to Customers' portfolios. In June 2024, an issue of Covered Bonds was carried out in Poland in the amount of PLN 300,000,000. The Polish Mortgage Bond Program is guaranteed by a portfolio of mortgage loans, registering an overcollateralization above the minimum required level of at least 105% of the total nominal value of Mortgage Bonds in circulation.

On 30th June 2024, the Other assets includes unencumbered assets in the amount of Euros 3,561,450,000 related to Loans on demand, the amount of Euros 54,277,607,000 related to Loans and advances other than loans on demand (of which encumbered assets in the amount of Euros 262,004,000) and the amount of Euros 6,623,796,000, mostly unencumbered and related to the Group's activity, namely, to: investments in associates and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

On 30th June 2024, BCP Group has a Euros 12.5 billion BCP Covered Bond Programme ("BCP Programme") with Euros 9.2 billion of covered bonds outstanding. The BCP Programme is backed by a Euros 11.3 billion portfolio of residential mortgages, as well as by a liquidity buffer of Euros 50 million, providing an overcollateralization of 23.4%, which is above the minimum of 14.5% currently required by rating agencies.

The new Portuguese covered bond legislation, under which the BCP Programme has been recently updated and authorised for the issuance of "Covered Bonds (Premium)" (label now born by all its outstanding covered bonds), affords covered bond holders a dual-recourse, firstly over the issuer, secondly over the cover pool that may also include other eligible assets, over which they benefit from a special preferential claim. The Portuguese covered bond legislation ensures total segregation of the covered pool from any future issuer's insolvent estate, for the benefit of covered bond holders, who have precedence over claims of any other of the issuer's creditors in case of issuer insolvency, thus and to this extent superseding the general insolvency and recovery legislation. Residential mortgages in a cover pool are subject to certain eligibility criteria inscribed in the Portuguese covered bond legislation, among them a maximum LTV of 80%, in the case of programmes issuing Covered Bonds (Premium), delinquency of no more than 90 days, and them being first lien mortgages (or, if otherwise, all preceding liens being in the cover pool) over properties located in the EU. The BCP's Programme documentation limits property location to Portugal only.

Operational Risk

The operational risk management system is framed by the “3 Lines of Defence” Corporate Governance model and is based on an integrated structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for their mitigation. Furthermore, these processes model also underlies other strategic initiatives related to the management of this risk such as the actions to improve operating efficiency and the management of business continuity. Hence, the most relevant Group subsidiaries have their own process's structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed, ensuring thus, the replication of the 3 Lines of Defence model in the management of operational risk.

The responsibility for the day-to-day processes' management lies with the 1st Line of Defence: the process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective Key Risk Indicators (KRI), to perform the Risks Self-Assessment (RSA) exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodic revision of the main processes in each geography is ensured by local structure units.

The Risk Management function (materialised in the Risk Office) and the Compliance function (materialised in the Compliance Office) represent the 2nd Line of Defence and are responsible for implementing the risk policy defined for the Group, proposing and developing approaches for managing this risk, supervising their implementation and challenging the 1st Line of Defence regarding the risk levels incurred. The Internal Audit function embodies the 3rd Line of Defence and supervises the appropriate fulfilment of the functions and activities of the remaining two lines of defence.

In the first half of 2024, the usual operational risk management activities continued to be executed by the various players involved in the management of this risk, aiming at an efficient and systematic identification, evaluation, mitigation and control of exposures, as well as at the appropriate reporting tasks, either to the Group's management bodies or within regulatory duties. The results of the RSA exercises evidence a robust control environment, demonstrating the Group's commitment to operational risk management through the continuous development of improvement actions that help mitigate exposures to this risk. Regarding the operational losses registered, it should be highlighted that their pattern was not different from what is usual and expected, with a higher frequency of losses of low amounts, without concentration in significant amounts.

The monitoring of KRI has allowed to identify opportunities for improvement that, together with the RSA exercises and the process of identification and registration of losses, provide for an effective management of this risk.

The Bank's mobilisation to reinvent the banking experience, based on the digitization and use of new technologies, entails relevant challenges in the management of operational risk, which include the reinforcement of the security of digital banking channels, the reinforcement of mechanisms for the prevention and detection of potential fraud, proper management of personal data and compliance with the information duties legally provided for in sales through digital banking channels.

Covenants

The contractual terms of instruments of various wholesale funding instruments encompass obligations assumed by entities belonging to the Group as borrowers or issuers, concerning general duties of corporate conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors (“negative pledge”). These terms essentially reflect the internationally adopted standards for each of the types of debt instruments used by the Group.

The terms of the Group's intervention in rated securitization transactions involving its own assets are subject to changes in case the Group triggers certain rating criteria. The criteria established in each transaction results mainly from the analysis performed at the moment that the transaction was structured, being usually applied by each rating agency in a standardised way to the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português, there are no relevant covenants related to a possible downgrade of BCP.

Hedge accounting

The detailed information of the strategies, hedge transactions, hedged items and hedging instruments applied by the Group, is shown in a table below:

Strategy	Description of hedge transactions	Hedged items	Hedging instruments
Cash flow volatility hedge of the flows generated by the portfolio of Euros floating rate mortgage loans (a)	Group hedges the risk of the volatility of interest payments from floating rate mortgages. The volatility of cash flows results from interest rate risk	Floating rate mortgage loans (BCP S.A.)	IRS transactions
Cash flow volatility hedge due to future income and interest costs denominated in foreign currencies (a)	The Group hedges the risk of the volatility of cash flows generated by income and interest costs denominated in foreign currencies. The volatility of cash flows results from the currency risk	Cash flows resulting from income and interest costs denominated in foreign currencies (Bank Millennium S.A.)	FX position transactions
Cash flow volatility hedge for the flows generated by FX mortgage portfolio and its underlying PLN liabilities (a)	The Group hedges the risk of the volatility of cash flows generated by FX mortgages and by PLN liabilities financially underlying such loans. The volatility of cash flows results from the currency risk and interest rate risk	Cash flows resulting from the FX mortgage loan portfolio and PLN deposits together with issued debt PLN securities funding them (Bank Millennium S.A.)	CIRS transactions
Hedge of volatility of the cash flows generated by PLN denominated financial assets (a)	The Group hedges the risk of the volatility of cash flows generated by PLN denominated financial assets. The volatility of cash flows results from interest rate risk	Cash flows resulting from PLN denominated financial assets (Bank Millennium S.A.)	IRS transactions
Fair value hedge of fixed rate mortgage loans (a)	Group hedges changes in the fair value of cash flows of fixed rate mortgage loans due to changes in market interest rates	Fixed rate mortgage loans (BCP S.A.)	IRS transactions
Fair value hedge of fixed rate debt instruments (a)	Group hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate debt securities, classified as Financial assets at amortised cost (BCP S.A.)	IRS transactions
Fair value hedge of fixed rate debt instruments in Euros (a)	Group hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate debt securities, classified as Financial assets at fair value through other comprehensive income (BCP S.A. and ActivoBank S.A.)	IRS transactions
Fair value hedge of fixed rate issued debt instruments in Euros (a)	Group hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate Issued debt (BCP S.A.)	IRS transactions
Fair value hedge of fixed rate deposits in Euros (a)	Group hedges changes in the fair value of fixed rate deposits due to changes in market interest rates	Term deposits (BCP S.A.)	IRS transactions
Fair value hedge of fixed rate deposits in Euros (macro hedge) (a)	Group hedges changes in the fair value of fixed rate deposits due to changes in market interest rates	Repayable demand deposits without maturity (BCP S.A. and ActivoBank S.A.)	IRS transactions
Fair value hedge of fixed rate debt instruments in USD (a)	Group hedges changes in the fair value of fixed rate bonds due to changes in market interest rates	Fixed rate debt securities, classified as Financial assets at fair value through other comprehensive income or amortised cost (BCP S.A.)	CIRS transactions
Fair value hedge of a fixed interest rate debt instrument (macro hedge) (a)	The Group hedges part of the interest rate risk associated with the change in the fair value of a fixed-rate debt instrument recorded in other comprehensive income, resulting from fluctuations in market interest rate	A portfolio of fixed coupon debt securities classified as financial assets measured at fair value through other comprehensive income denominated in PLN (Bank Millennium S.A.)	IRS transactions
Hedging the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies (a)	The Group hedges part of the interest rate risk related to changes in the fair value of cash flows from issued fixed-rate liabilities denominated in foreign currencies, resulting from the volatility of market interest rates	Cash flows from issued fixed-rate liabilities denominated in foreign currencies (Bank Millennium S.A.)	IRS transactions

(a) - Strategy applied in June 2024 and December 2023.

As at 30 June 2024, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)				
30 June 2024				
Type of hedging	Hedging instruments			
	Notional	Book value		Change in fair value (A)
		Assets	Liabilities	
Fair value hedge				
Interest rate risk				
Interest rate swaps	17,439,164	54,774	2,698	(34,716)
Foreign exchange risk				
Currency and interest rate swap	396,530	7,820	—	(648)
	17,835,694	62,594	2,698	(35,364)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	13,780,280	368	5,564	340,253
Foreign exchange risk				
Currency and interest rate swap	101,109	—	28,487	663
	13,881,389	368	34,051	340,916
Total	31,717,083	62,962	36,749	305,552

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 31 December 2023, the table below includes the detail of the hedging instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(Thousands of euros)				
31 December 2023				
Type of hedging	Hedging instruments			
	Notional	Book value		Change in fair value (A)
		Assets	Liabilities	
Fair value hedge				
Interest rate risk				
Interest rate swaps	11,482,214	34,716	8,441	(43,031)
Foreign exchange risk				
Currency and interest rate swap	348,464	2,279	6,272	856
	11,830,678	36,995	14,713	(42,175)
Cash flows hedging				
Interest rate risk				
Interest rate swaps	10,258,928	164	14,965	1,310,159
Foreign exchange risk				
Currency and interest rate swap	454,268	3,469	38,147	16,544
	10,713,196	3,633	53,112	1,326,703
Total	22,543,874	40,628	67,825	1,284,528

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

As at 30 June 2024, the table below includes the detail of the hedged items:

(Thousands of euros)

		30 June 2024						
		Hedged items						
		Book value		Cumulative value of the adjustments		Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve	
Type of hedging	Balance sheet item	Assets	Liabilities	Assets	Liabilities		Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	839,310	—	(24,614)	2,265	54,571	n/a	n/a
	(H)	2,625,321	—	(51,476)	—	(21,153)	n/a	n/a
	(C)	3,037,006	—	(137,939)	—	(24,025)	n/a	n/a
	(D)	—	10,000	—	(41)	—	n/a	n/a
	(E)	—	5,923,149	178	42,925	16,621	n/a	n/a
	(F)	—	1,328,135	—	(43,617)	9,394	n/a	n/a
	(G)	—	1,023,450	—	(40,909)	(922)	n/a	n/a
Foreign exchange risk								
Currency and interest rate swap		—	396,529	—	(15)	67	n/a	n/a
		6,501,637	8,681,263	(213,851)	(39,392)	34,553	n/a	n/a
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	13,780,280	—	—	—	(340,253)	(130,085)	(1,054,721)
Foreign exchange risk								
Currency and interest rate swap	(B)	101,109	—	—	—	(709)	(991)	—
		13,881,389	—	—	—	(340,962)	(131,076)	(1,054,721)
Total		20,383,026	8,681,263	(213,851)	(39,392)	(306,409)	(131,076)	(1,054,721)

- (A) Fair value changes used to calculate the ineffectiveness of the hedge
 (B) Financial assets at amortised cost - Loans and advances to customers
 (C) Financial assets at fair value through other comprehensive income
 (D) Financial liabilities at amortised cost - Resources from credit institutions
 (E) Financial liabilities at amortised cost - Resources from customers
 (F) Financial liabilities at amortised cost - Non subordinated debt securities issued
 (G) Financial liabilities at amortised cost - Subordinated debt
 (H) Debt securities held not associated with credit operations

As at 31 December 2023, the table below includes the detail of the hedged items:

(Thousands of euros)

31 December 2023								
Hedged items								
Type of hedging	Balance sheet item	Book value		Cumulative value of the adjustments		Change in fair value (A)	Cash flow hedge reserve / Currency translation reserve	
		Assets	Liabilities	Assets	Liabilities		Hedging relationships in effect	Hedging relationships discontinued
Fair value hedge								
Interest rate risk								
Interest rate swaps	(B)	288,106	—	(24,592)	13,551	(33,462)	n/a	n/a
	(H)	1,599,095	—	(21,780)	—	55,434	n/a	n/a
	(C)	2,997,010	—	(126,169)	—	93,925	n/a	n/a
	(D)	—	10,000	—	(221)	221	n/a	n/a
	(E)	—	2,387,825	—	103,603	(16,516)	n/a	n/a
	(F)	—	1,329,345	—	(34,224)	(32,636)	n/a	n/a
	(G)	—	1,037,079	—	(41,831)	(30,208)	n/a	n/a
Foreign exchange risk								
Currency and interest rate swap		—	348,464	—	51	(173)	n/a	n/a
		4,884,211	5,112,713	(172,541)	40,929	36,585	n/a	n/a
Cash flows hedging								
Interest rate risk								
Interest rate swaps	(B)	10,258,698	—	—	—	(1,310,159)	(470,250)	(808,471)
Foreign exchange risk								
Currency and interest rate swap	(B)	454,268	—	—	—	(16,027)	(2,138)	(51)
		10,712,966	—	—	—	(1,326,186)	(472,388)	(808,522)
Total		15,597,177	5,112,713	(172,541)	40,929	(1,289,601)	(472,388)	(808,522)

- (A) Fair value changes used to calculate the ineffectiveness of the hedge
 (B) Financial assets at amortised cost - Loans and advances to customers
 (C) Financial assets at fair value through other comprehensive income
 (D) Financial liabilities at amortised cost - Resources from credit institutions
 (E) Financial liabilities at amortised cost - Resources from customers
 (F) Financial liabilities at amortised cost - Non subordinated debt securities issued
 (G) Financial liabilities at amortised cost - Subordinated debt
 (H) Debt securities held not associated with credit operations

The reconciliation of each equity component and an analysis of other comprehensive income attributable to hedge accounting, with reference to 30 June 2024 and 31 December 2023, is as follows:

	Cash flow hedge reserve	
	30 June 2024	31 December 2023
Balance as at 1 January	(1,280,910)	(1,788,008)
Amounts recognised in other comprehensive income:		
Hedging cash flows		
Changes in fair value of currency and interest rate swaps	340,962	1,326,186
Foreign exchange changes	(106)	(6,747)
Hedge breakage	(246,251)	(816,115)
Ineffectiveness of coverage recognised in results	46	(517)
Others	462	4,291
Balance at the end of the period	(1,185,797)	(1,280,910)

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 30 June 2024:

Type of hedging	(Thousands of euros)					
	30 June 2024					
	Income statement item (A)	Gains/(losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Amounts reclassified from reserves to results for the following reasons:		
				Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps (D)	(D)	—	(230)		—	—
Foreign exchange risk						
Currency and interest rate swap (D)	(D)	—	(581)		—	—
		—	(811)		—	—
Cash flows hedging						
Interest rate risk						
Interest rate swaps (D)	(D)	2,720	—	(E)	(151,712)	—
Foreign exchange risk						
Currency and interest rate swap (D)	(D)	1,216	(46)		—	—
		3,936	(46)		(151,712)	—
Total		3,936	(857)		(151,712)	—

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains/(losses) from hedge accounting operations

(E) Interest income

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31 December 2023:

(Thousands of euros)

Type of hedging	31 December 2023					
	Income statement item (A)	Gains/(losses) recognised in Other comprehensive income	Hedging ineffectiveness recognised in Income statement (A)	Amounts reclassified from reserves to results for the following reasons:		
				Income statement item (B)	Cash flows that were being hedged (C)	Hedged item with an impact on results
Fair value hedge						
Interest rate risk						
Interest rate swaps	(D)	—	(6,273)		—	—
Foreign exchange risk						
Currency and interest rate swap	(D)	—	683		—	—
		—	(5,590)		—	—
Cash flows hedging						
Interest rate risk						
Interest rate swaps	(D)	61,205	—	(E)	(45,947)	—
Foreign exchange risk						
Currency and interest rate swap	(D)	19,801	517		—	—
		81,006	517		(45,947)	—
Total		81,006	(5,073)		(45,947)	—

(A) Income Statement item in which the ineffectiveness of the hedge was recognised

(B) Income Statement item in which the reclassified amount was recognised

(C) but which are no longer expected to occur

(D) Net gains/(losses) from hedge accounting operations

(E) Interest income

The table below shows the detail of hedging instruments, as at 30 June 2024, by maturity:

(Thousands of euros)						
Type of hedging	30 June 2024				Fair value	
	Remaining period			Total	Assets	Liabilities
	Up to 3 months	3 months to 1 year	Over 1 year			
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	201,614	1,402,835	15,834,715	17,439,164	54,774	2,698
Fixed interest rate (average)	3.02%	2.87%	3.27%	3.23%		
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	144,617	251,913	—	396,530	7,820	—
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	—	5,605,000	8,175,280	13,780,280	368	5,564
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	20,054	81,055	—	101,109	—	28,487
Total derivatives traded by						
OTC Market:	366,285	7,340,803	24,009,995	31,717,083	62,962	36,749

The table below shows the detail of hedging instruments, as at 31 December 2023, by maturity:

(Thousands of euros)						
Type of hedging	31 December 2023				Fair value	
	Remaining period			Total	Assets	Liabilities
	Up to 3 months	3 months to 1 year	Over 1 year			
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps						
Notional	7,750	508,735	10,965,729	11,482,214	34,716	8,441
Fixed interest rate (average)	3.56%	6.17%	2.91%	3.07%		
Fair value hedging derivatives related to currency risk changes						
OTC Market:						
Currency and interest rate swap	140,291	208,173	—	348,464	2,279	6,272
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	499,574	1,600,000	8,159,354	10,258,928	164	14,965
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency and interest rate swap	354,009	19,885	80,374	454,268	3,469	38,147
Total derivatives traded by						
OTC Market:	1,001,624	2,336,793	19,205,457	22,543,874	40,628	67,825

Climate risks - Integration of ESG Factors in Risk Management

In its risk classification, BCP Group recognizes that issues associated with climate and environmental dimensions, as well as social and governance aspects, act as factors impacting traditional risk categories. These risk factors are not considered separately; in fact, they are seen as elements that can positively or negatively affect the financial performance and solvency of the Bank's customers and counterparties. This way, their impacts materialize through traditional risk categories: credit, market, liquidity, operational, and reputational.

Within this context, and with the goal of promoting the integration of ESG factors into risk management, the Bank has implemented a set of processes and methodologies to identify, assess, manage, and monitor the impact of ESG factors on overall risk, in accordance with the framework and policies already established for other financial and non-financial risks.

Governance Model

The sustainability governance model and the risks arising from ESG factors follow a structure based on three lines of defense which, under the leadership of the Board of Directors (and its specialized committees and the Executive Committee), ensure its adequate assessment and management.

The Executive Committee is responsible for ensuring that ESG policies and strategies are followed, through the mobilization of resources and the execution of necessary operational and business actions. The Sustainability Commission assists the Executive Committee in integrating sustainability principles into decision-making and management processes, being responsible for evaluating and approving initiatives of the Sustainability Master Plan, as well as making necessary adjustments and monitoring their implementation.

Within the Board of Directors (BoD) committees, the Corporate Governance, Ethics and Sustainability Committee (CGESC) is responsible for recommending to the Board the adoption of policies in line with ethical principles and social responsibility, and with best practices in corporate governance and sustainability.

It also monitors the progress of the Sustainability Master Plan and the Corporate Social Responsibility Plan, and issues opinions on the annual governance and sustainability reports. The Risk Assessment Committee (RAC) advises the Board on identifying, managing and controlling ESG risk factors, monitoring the Group's risk appetite and performance, and supervising the adequacy of the ESG internal control system, focusing on the effectiveness of the risk management system to handle ESG risk drivers and any related reputational risk cases the Group may be directly or indirectly associated with.

Identification of ESG risks

Climate change and environmental degradation factors are elements that can affect economic activity, through the mitigation and adaptation efforts of economic agents toward sustainable use of resources, the transition to a circular economy, pollution prevention and control, and biodiversity protection/restoration, including marine biodiversity and resources (cf. EU Taxonomy).

The materialization of these risks fundamentally stems from the Bank's portfolio exposure to customers, counterparties, and invested assets whose performance may be affected by or contribute to the negative impacts of climate change and other environmental factors. These factors may generate negative financial impacts, which are identified and assessed through key dimensions:

- **Physical Risk Factors:** arising from the physical effects of climate change and environmental degradation. They are categorized as acute risks, arising from extreme weather events like wildfires or floods, and chronic risks, from gradual changes in climate patterns or ecosystem degradation.
- **Transition Risk Factors:** are the risks of any negative financial impact resulting from the ongoing or future efforts to transition to a low-carbon and environmentally sustainable economy. This can result from technological changes, public policy impacts, or behavioural changes in demand for goods or services (including banking services).
- **Biodiversity and Nature-Related Risk Factors:** the degradation of natural capital, which in this context encompasses environmental risks. Natural capital refers to the world's stocks of natural assets, including geology, soil, air, water, and all living organisms, as well as the organization and distribution of ecosystems. Its degradation undermines nature's ability to provide ecosystem services (food, raw materials, freshwater, etc.) on which human society, economies, and other species depend. The degradation of natural capital can have chronic and acute economic effects.

The materialization of social risks is also evaluated, considering issues related to the rights, well-being, and interests of people and communities, and including factors like human rights, inequality, health, diversity, inclusion, labor relations, workplace health and safety, human capital, and communities.

In addition, the Bank identifies governance risk factors through issues related to leadership, executive remuneration, shareholder rights, anti-corruption and anti-bribery practices, conflict of interest management and prevention, internal control quality and independent audits, transparency, and good tax practices, among others.

To assess the potential impact of these factors on its risk profile, the Bank has developed a methodology for assessing the materiality of ESG risk factors.

Management and Monitoring Principles

The management, monitoring and control of ESG risk factors follow a different logic compared to traditional risks, which are based on short-term horizons. In contrast, ESG risk factors will materialize over longer time horizons, so the establishment of strategy and risk appetite follows different time frames. For example, evaluating physical risk factors (acute) may determine a more short-term focused strategy (e.g., establishing additional mitigation measures in credit policies and insurance policies), while transition risk factors justify a more structural approach, based on information collection, client evaluation, and long-term performance monitoring. With this perspective, the Bank's management of ESG impacts follows these principles:

- Establishing a corporate responsible financing policy that excludes or conditions the Group's operations in sectors and/or activities with greater environmental and social impact;
- Integrating the strategy for managing risks arising from ESG factors into the Bank's overall sustainability plan, guiding the integration of the ESG dimension into business processes, setting objectives, schedules and a control model to ensure compliance;
- Transparency in communication: the Bank publicly discloses its sustainability objectives and main practices and the management of ESG impact factors, allowing all stakeholders to evaluate the robustness of its approach, including exposure to risks arising from ESG factors;
- Regular monitoring of exposure to risks arising from ESG factors through established management information routines for each risk category;
- Internal standardization of ESG references through a corporate taxonomy that identifies and classifies exposures that demonstrably promote the economic transition;
- Focus on credit risk management through models that promote the integration of the ESG dimension into the risk assessment of the Bank's main companies/customers, ensuring that business decisions incorporate an evaluation of the main ESG impact factors;
- Collecting and structuring information using public sources and information provided directly by customers to improve knowledge of customers' environmental performance and possible financial impacts associated with any limitations in that performance.

The implementation of these principles is promoted through an internal policy for managing risks arising from ESG factors, which establishes the following main risk tools:

- Regular assessment of the materiality of risks arising from ESG factors to confirm alignment with risk appetite and the need for mitigation actions;
- Risk assessment methodologies arising from ESG factors integrated into credit risk assessment models;
- Portfolio-level risk classification methodologies to identify sectors, companies and exposures most subject to transition and/or physical and/or nature-related risk factors;
- Quantification models for financed greenhouse gas (GHG) emissions, promoting strategic discussions on managing these emissions and their alignment (in time) with the Paris Agreement targets;
- Sensitivity analyses and stress tests focusing on climate risks.

54. 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, on 26 June 2024, the Republic of Mozambique, represented by the Attorney General of the Republic, MAM (in liquidation), represented by its Liquidator, BCP and others have signed a "Deed of Release and Settlement" (The "Agreement"), under which the signing parties released the Republic of Mozambique from any liabilities and claims relating to the loan to MAM, against payment of an agreed amount.

As at 30 June 2024, considering the 66.7% indirect investment in BIM, the Group's interest in BIM's equity amounted to Euros 341,687,000 (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 139,946,000 (31 December 2023: negative amount of Euros 152,108,000). BIM's contribution to consolidated net income for the first half of 2024, attributable to the shareholders of the Bank, amounts to Euros 31,180,000 (30 June 2023: Euros 30,043,000).

As at 30 June 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 36,096,048,000 corresponding to Euros 529,500,000 (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 9,041,297,000 corresponding to Euros 132,629,000 (31 December 2023: MZN 6,989,511,000 corresponding to Euros 99,044,000).

Additionally, the Group has also recorded as at 30 June 2024, in the balance Loans and advances to customers, a direct gross exposure to the Mozambican State in the amount of MZN 18,000,517,000 corresponding to Euros 264,053,000 (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 3,340,515,000 corresponding to Euros 48,922,000 (31 December 2023: MZN 1,035,157,000 corresponding to Euros 14,663,000).

55. 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's 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).

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 annulment 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).

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 did not 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 Advocate General's Opinion were made public on 5 October 2023

On 29 July 2024, the CJEU delivered its judgment in which it interpreted the questions referred by the TCRS as follows:

“Article 101(1) TFEU must be interpreted as meaning that a comprehensive and reciprocal monthly exchange of information between competing credit institutions, which took place in markets where concentration is high and there are barriers to entry, relating to the conditions applicable to transactions carried out on those markets, in particular current and future credit spreads and risk variables, and individual production figures of the participants in that exchange, in so far as, at the very least, the spreads thus exchanged are those which those institutions intend to apply in the future, must be classified as a restriction of competition by object.”

It is expected that the TCRS will now be able to issue a Judgment, where it may annul, confirm, reduce or increase the fine applied by the Competition Authority to the Bank, which will also be subject to appeal to the Lisbon Court of Appeal and to the Constitutional Court.

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.

On 11 March and 8 April 2024, BCP, along with 8 banking institutions, was served in order to, once willing, contest two “popular declaratory actions 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”, the actions brought by the Lus Omnibus Association, under the terms n.º 2/24.1YQSRT and 6/24.1YQSRT at the TCRS, entirely based on the alleged infringement of competition, the first, in mortgage and consumer credit transactions, and the second in corporate credit declared in the PCA Decision of 9 September 2019 (PRC/2012/09), a decision that was subject to judicial opposition by BCP, an opposition that, as mentioned, has not yet been definitively judged.

On 24 April 2024, BCP, together with 9 banking institutions, was summoned to, once it wished, contest an action brought by the Association of Portuguese Micro, Small and Medium Enterprises (AMPEMEP) against the banks, which runs under the terms no. 10/24.2TQSRT, also related to the aforementioned Decision of the PCA of 9 September 2019 (PRC/2012/09).

The Bank is analysing that class actions 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. On 3 July 2024, the Supreme Court issued a decision accepting the cassation appeal for consideration. 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 recognised 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. By the decision of 20 March 2024, the cassation appeal was accepted for consideration. The date of the hearing has not been set yet.

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 169.3 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 147.6 million). The plaintiff in this proceeding alleges that the banks acted under an agreement restricting competition on the acquiring services market by jointly setting the level of the national interchange fee in the years 2006-2014. In this case, Bank Millennium was sued jointly with another bank and card organizations. In the case brought by LPP S.A. the 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 121.2 million) with statutory interest from 5 April 2016 until the day of payment. The plaintiff filed the suit dated 23 October 2015 to the Regional Court in Warsaw; the suit was served to Bank Millennium on 4 April 2016. According to the plaintiff, the basis for the claim is damage to their assets, due to the actions taken by Bank Millennium and consisting in the wrong interpretation of the Agreement for working capital loan concluded between Bank Millennium and PCZ S.A., which resulted in placing the loan on demand. Bank Millennium is requesting complete dismissal of the suit, stating disagreement with the charges raised in the claim. Supporting the position of Bank Millennium, 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.

On 6 May 2024, the Bank Millennium's representative submitted a response to the appeal, requesting that it be dismissed in its entirety as unfounded. On 24 May 2024, the plaintiff filed a motion to suspend the proceedings. This request is groundless, the Bank Millennium's representative will submit an appropriate position on this matter. The date of the appeal hearing has not yet been set.

As at 30 June 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 6,070.1 million (Euros 1,409.3 million) (excluding the class actions described below and in note 56. 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 1.16 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 1,711,345.6).

By the resolution of 1 April 2020 the court established the composition of the group as per request of the plaintiff and decided to take witness evidence in writing. The hearing date was set for 18 October 2024.

As at 30 June 2024, there were also 114 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. The date of the first hearing was set for 25 March 2025.

8. By 30 June 2024, Bank Millennium recorded the receipt of 96 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.

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 30 June 2024, Bank Millennium received 683 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 30 June 2024, 55 cases have been legally concluded, in 47 cases the Bank Millennium won the dispute and lost in 8 cases. 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 annual report of 2023, “in 2019, the Resolution Fund was informed that the credits (it) claimed had not been recognised by the Liquidation Commission of BES - In Liquidation, whilst the Resolution Fund filed an objection to the list of creditors with the Lisbon District Court, requesting that the credits it claimed be recognised. The challenge was upheld and the Liquidation Committee of BES - In Liquidation appealed. In 2023, the Lisbon Court of Appeal issued a judgment dismissing the appeal of the Liquidation Commission of BES - In Liquidation, and in favour of the position defended by the Resolution Fund, confirms the decision of the Court of First Instance and the recognition of the credits claimed by the Resolution Fund as privileged credits. The Liquidation Commission of BES - In Liquidation, filed an appeal for review before the Supreme Court of Justice, which issued a judgment in July 2023, which has already become final, recognising, and classifying as privileged the credits claimed by the Resolution Fund for the total amount of Euros 1,242,568.9 thousand”.

Following the resolution measure of BES, a significant number of lawsuits against the Resolution Fund was filed and is underway. According to note 22 of the Resolution Fund’s annual report of 2023, “*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 24 of the Resolution Fund's annual report of 2023, *"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 2023, 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 May 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 materialise. 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 2023 Resolution Fund's annual report, the value of the losses attributable to the CCA is still subject to verification by the Verification Agent.

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);

According to the 2023 Resolution Fund's Annual Report, in January 2024, the Supreme Court of Justice issued a ruling dismissing the appeal filed by Novo Banco after the Court of Appeal rejected the request to annul the arbitration decision issued in October 2021 in favour of the Resolution Fund. The Supreme Court upheld the decision of the Court of Appeal and, consequently, the arbitration decision, thereby confirming the validity and correctness of the position taken by the Resolution Fund in 2019 when it opposed being charged, through the CCA, for the impact of Novo Banco's intention to waive the transitional regime related to the adoption of IFRS9. The Resolution Fund's action in this process resulted in a saving of Euros 169 million, which was definitively confirmed by the Supreme Court ruling.

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 2024.

The arbitration proceedings initiated by Novo Banco in 2021, seeking an order that the Resolution Fund pay the amounts that the Fund decided to deduct from the payment request by Novo Banco in 2021 under the CCA on the basis of its 2020 accounts, were concluded in relation to (i) the sale of Novo Banco's branch in Spain, the impact of which on the payment request in question totalled Euros 147.4 million, and (ii) the amount corresponding to valuation differences calculated in relation to a number of participation units in restructuring funds, the impact of which on the payment request in question totalled Euros 18.0 million,

According to a statement issued by the Resolution Fund on 6 June 2024, the Arbitration Tribunal decided to uphold the Resolution Fund's position on the sale of Novo Banco's branch in Spain, concluding that the effect of the sale of this branch on the payment request for the 2020 accounts was not due by the Resolution Fund. The Court of Arbitration therefore confirmed the correctness of the Resolution Fund's decision when it refused to pay the amount of Euros 147.4 million in 2021, which was part of the payment request submitted by Novo Banco. The court also ruled that Novo Banco has the right to revalue its shares in restructuring funds and determined that the Resolution Fund must pay the amount of Euros 18 million euros that it had deducted from the payment request submitted in 2021, plus interest.

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.

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 (REPID), 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 REPID.

According to the Resolution Fund's 2023 annual report, under REPID, Novo Banco, S. A., carried out three capital increases by incorporation of reserves, the last of which in April 2023, through the rights conversion that had been attributed to the State as a result of the conversion, into tax credits, of Novo Banco's deferred tax assets with reference to the 2015 to 2019 tax periods.

According to a statement issued by the Resolution Fund on 4 June 2024, the Resolution Fund decided to exercise its right under the REPID to acquire from the State the assigned conversion rights in relation to Novo Banco's accounts for 2020. These conversion rights represent the equivalent of 4.14% of Novo Banco's capital.

After this operation and according to Novo Banco's statement of 4 May 2024, the Resolution Fund will increase its stake to 13.54%, the Directorate-General for Treasury and Finance will have a stake of 11.46% and Lone Star will maintain its 75% stake.

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. According to Resolution Fund's annual report of 2023 the available data suggest that the activity carried out by Oitante in 2023 once again resulted in positive results.

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 2023 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 seven domestic institutions 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 2023, 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 24 of the Resolution Fund's 2023 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 2023, the Resolution Fund's own resources had a negative equity of Euros 6,735.1 million, as opposed to Euros 6,974.7 million at the end of 2022, according to the latest 2023 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. In the first half of 2024, no contribution was made to the Single Resolution Fund attributable to the Group (BCP and ActivoBank) according to information from the SRB - Single Resolution Board of 15 February 2024, which states that the financial means available in the Single Resolution Fund at 31 December 2023 have already reached the target level of at least 1% of covered deposits held in the Member States participating in the Single Resolution Mechanism, as set in article 69, paragraph 1 of Regulation (EU) No. 806/2014.

In the first half of 2024, the Group made regular contributions to the Portuguese Resolution Fund in the amount of Euros 6,490 thousand. The amount related to the contribution on the banking sector in Portugal, recorded in this period was Euros 32,997 thousand. These contributions were recognised as a cost in the first half of 2024, 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.

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 2023 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 proceeding 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 Bank 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 already in the Bank 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.

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

1. Court claims and current provisions for legal risk

On 30 June 2024, Bank Millennium had 22,141 loan agreements and additionally 2,070 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 (57% loans agreements before the courts of first instance and 43% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,528 million (Euros 1,051.3 million) and CHF 320.1 million (Euros 332.3 million) [(Bank Millennium portfolio: PLN 4,107.6 million (Euros 953.7 million) and CHF 310 million (Euros 321.8 million) and former Euro Bank portfolio: PLN 420.4 million (Euros 97.6 million) and CHF 10.1 million (Euros 10.5 million)]. Out of 22,141 Bank Millennium's loan agreements in ongoing individual cases 341 are also part of class action. From the total number of individual litigations against the Bank approximately 2,930 or 13% 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. Approximately another 830 cases correspond to loans that were fully repaid during the proceedings (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 341 are also part of ongoing individual cases, 1,168 concluded settlements and 16 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 25 June 2024 an appeal hearing was held, at which the Bank filed a motion to amend the composition of the group and exclude those group members who had entered into an amicable settlement. The court required the plaintiffs' attorneys to take a written position on the current composition of the group. The date of the hearing will be set by the court ex officio.

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 6,159 (423), in 2022 the number increased by 5,757 (408), in 2023 the number increased by 6,879 (646), while in the first half of 2024 the number increased by 3,220 (398).

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 half of 2024, 5,456 cases were finally resolved (5,362 in claims submitted by clients against Bank Millennium and 94 in claims submitted by Bank Millennium against clients i.e. debt collection cases) out of which 1,515 were settlements, 64 were remissions, 70 rulings were favourable for Bank Millennium and 3,807 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 30 June 2024 was PLN 6,000 million (Euros 1,393 million) [of which the outstanding amount of the loan agreements under the class action proceeding was PLN 621 million (Euros 144.2 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 7,145 million (Euros 1,658.9 million). Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the first six months of 2024, Bank Millennium created PLN 1,025.3 million (Euros 237.8 million) of provisions for Bank Millennium originated portfolio and PLN 98.3 million (Euros 22.8 million) for former Euro Bank originated portfolio. The balance sheet value of provisions for Bank Millennium's portfolio at the end of June 2024 was PLN 7,534.2 million (Euros 1,749.2 million), and for the former Euro Bank portfolio, PLN 672.4 million (Euros 156.1 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 86% of the total number of currently active loans (including expected number of amicable settlements) loans compared to 84% at the end of first quarter of 2024.

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 (the Bank assumes that circa 24% 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 including penalty interest;

(4) the probability of obtaining a specific court judgement calculated on the basis of statistics of judgments in cases where the Bank is a party;

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

- a. Bank Millennium assumes a 10% 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 23,537: 1,362 in 2020; 8,450 in 2021; 7,943 in 2022; 3,671 in 2023 and 2,111 in the first half of 2024. As of the end of first half of 2024, Bank Millennium had 28,759 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,689.3 million (Euros 391.8 million): PLN 44.4 million (Euros 10.3 million) in 2020; PLN 364.6 million (Euros 84.6 million) in 2021; PLN 515.2 million (Euros 119.5 million) in 2022; PLN 415.7 million (Euros 96.4 million) in 2023 and PLN 349.4 million (Euros 81 million) in the first half of 2024. This cost is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the income 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 164 million (Euros 38 million)
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p	PLN 77 million (Euros 17.9 million)
Change in probability of success in negotiations with court client	Change of probability by 1 p.p	PLN 14 million (Euros 3.2 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 30 June 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 foreign currency 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 in 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 15 January 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 18 January 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.

By decision of 3 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-348/23 following a question from the District Court in Warsaw, indicating that they preclude the recognition that the legal effects related to the declaration of invalidity of the contract are conditional on the fulfilment by the consumer of the condition precedent for that consumer to make a declaration before the national court, that it does not agree to maintain the contractual term in force and that it is aware that the invalidity of the said term entails the annulment of the loan agreement and its effects and that it consents to the annulment of the agreement.

By decision of 8 May 2024, the Court of Justice of the European Union closed the case registered under case no. C-424/22 as a result of a question from the Regional Court in Kraków, indicating that they preclude the application by a financial institution of the right of retention which makes the consumer's receipt of the amounts awarded to him by the court conditional on the consumer's simultaneous offer of reimbursement or security for the return of the entire benefit received from that financial institution.

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 30 June 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 foreign currency 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.

On 19 June 2024, the Supreme Court issued a resolution by a panel of 7 Supreme Court judges (III CZP 31/23) stating that:

The right of retention (Article 496 of the Civil Code) does not apply to the party that can set off its claim against the claim of the other party.

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.

57. List of subsidiaries and associates of Banco Comercial Português Group

SUBSIDIARIES

As at 30 June 2024, the Group's subsidiaries included in the consolidated accounts using the full consolidation method were as follows:

Subsidiaries	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	130,000,000	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	79,814,262	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 30 June 2024, the investment funds included in the consolidated accounts using the full consolidation method, were as follows:

Investment funds	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Imosotto acumulação - Fundo de Investimento Imobiliário Fechado	Oeiras	102,385,157	EUR	Real-estate investment fund	100 %	100 %	100 %
Imorenda - Fundo de Investimento Imobiliário Fechado	Oeiras	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 30 June 2024, the Special Purpose Entity included in the consolidated accounts under the full consolidation method is as follows:

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

ASSOCIATES

As at 30 June 2024, the Group's associates included in the consolidated accounts under the equity method are as follows:

Associates	Head office	Share capital	Currency	Activity	Group		Bank
					% 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	215,559,319	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 %

As at 30 June 2024, the investment and venture capital funds included in the consolidated accounts under the equity method are as follows:

Investment and venture capital funds	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Fundo Turismo Algarve, FCR (*)	Lisbon	123,810,000	EUR	Venture capital fund	73.58 %	73.58 %	73.58 %
Fundo de Investimento imobiliário fechado Eurofundo	Lisbon	21,006,050	EUR	Real-estate investment fund	35.05 %	35.05 %	35.05
Lusofundo - Fundo de Investimento imobiliário fechado	Lisbon	44,336,865	EUR	Real-estate investment fund	42.47 %	42.47 %	42.47

(*) Since Banco Comercial Português, SA does not have control over the management of this fund, the equity method was applied in the Group's consolidated accounts.

As at 30 June 2024, the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

Associates	Head office	Share capital	Currency	Activity	Group		Bank
					% economic interests	% effective held	% direct held
Millenniumbcpc 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 associates are analysed as follows:

Subsidiaries and associates	(Thousands of euros)					
	30 June 2024			30 June 2023 (restated)		
	Total Assets	Total Equity	Net income for the period	Total Assets	Total Equity	Net income for the period
Banco Comercial Português, S.A.	63,817,630	6,319,591	438,421	61,624,570	5,652,615	353,485
Banco ActivoBank, S.A.	3,996,987	268,852	16,409	3,196,021	236,889	17,329
Bank Millennium, S.A. (1)	31,467,095	1,705,135	82,791	25,900,844	1,433,999	77,297
BIM - Banco Internacional de Moçambique, S.A. (1)	2,934,217	512,386	46,757	2,623,573	483,767	48,499
BCP International B.V.	523,472	523,447	(488)	524,392	524,303	(323)
BCP Finance Bank, Ltd.	518,963	518,957	(374)	519,946	519,639	(338)
BCP África, S.G.P.S., Lda.	287,988	287,865	10,406	494,665	493,002	(9,341)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	147,405	146,393	4,502	175,625	174,483	7,592
Interfundos - Sociedade Gestora de Organismos de Investimento Coletivo, S.A.	8,148	6,436	414	8,439	6,902	727
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (1) (3)	8,334,786	469,037	37,628	8,633,713	435,147	40,189
Banco Millennium Atlântico, S.A. (2)	2,142,341	193,540	7,371	1,988,654	181,840	3,927
Banque BCP, S.A.S.	5,959,154	279,226	8,895	5,346,180	278,663	10,515

1) Consolidated accounts.

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

3) The 2023 amounts refer to the estimated financial statements.

58. 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:

Notice from the Bank of Portugal regarding MREL requirements

Banco Comercial Português, S.A. ("BCP" or the "Bank") informs that it has been notified on 22 July 2024 by Banco de Portugal, as the national resolution authority, about the update of its minimum requirement for own funds and eligible liabilities ("MREL" or "Minimum Requirement for own funds and Eligible Liabilities") as decided by the Single Resolution Board.

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

- 25.17% of the total risk exposure amount ("TREA") (to which adds further a combined buffer requirement ("CBR") of 3.5%, thus corresponding to total requirements of 28.67%); and
- 6.67% of the leverage ratio exposure measure ("LRE").

Additionally, the Bank informs that is not subject to any subordination requirements.

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

At the date of this announcement, BCP informs that it complies with the established MREL requirements, both as a percentage of the TREA (including the CBR) and as a percentage of the LRE.

Fitch Ratings upgraded BCP's Outlook

On 4 July 2024, Fitch Ratings agency upgraded BCP's Outlook from Stable to Positive.

Declaration of Compliance

DECLARATION OF COMPLIANCE

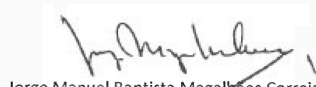
It is hereby declared that, to the best of the knowledge of the undersigned, the individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the individual and consolidated balance sheets as at 30 June 2024, (ii) the individual and consolidated income statements for the financial half-year ending on 30 June 2024, (iii) the maps of changes in equity and individual and consolidated cash flows for the financial half-year ending on 30 June 2024, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and fair view of the individual and consolidated financial situation of the Bank as at 30 June 2024, of the individual and consolidated earnings of its operations and changes in equity and in individual and consolidated cash flows for the half-year ending on that date, in accordance to the International Accounting Standards, as adopted by the European Union.

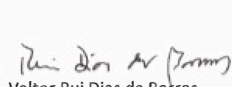
The Bank's individual and consolidated financial statements relative to 30 June 2024 and the management report were approved by the Board of Directors on 9 August, 2024

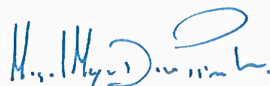
Furthermore, it is also declared that the management report of BCP for first half of 2024 faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contains a description of the main risks and uncertainties faced by them, have been approved by the Board of Directors on 9 August, 2024.

Porto Salvo, 9 August, 2024


 Nuno Manuel da Silva Amado
 (Chairperson)

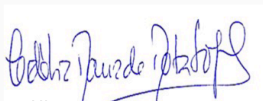

 Jorge Manuel Baptista Magalhães Correia
 (Vice-Chairman)


 Valter Rui Dias de Barros
 (Vice-Chairman)


 Miguel Maya Dias Pinheiro
 (Vice-Chairman)

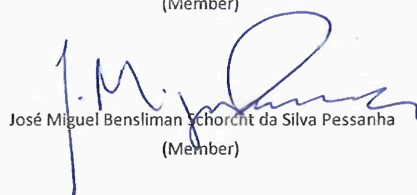

 Altina de Fátima Sebastian Gonzalez Villamarin
 (Member)


 Ana Paula Alcobia Gray
 (Member)


 Cidália Maria Mota Lopes
 (Member)


 Fernando da Costa Lima
 (Member)


 João Nuno de Oliveira Jorge Palma
 (Member)


 José Miguel Bensliman Schorcht da Silva Pessanha
 (Member)



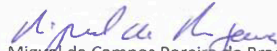
Lingjiang Xu
(Member)



Lingzi Yuan (Smilla Yuan)
(Member)



Maria José Henriques Barreto Matos de Campos
(Member)



Miguel de Campos Pereira de Bragança
(Member)



José Pedro Rivera Ferreira Malaquias
(Member)



Rui Manuel da Silva Teixeira
(Member)

External Auditor's Report



KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício FPM41 - Avenida Fontes Pereira de Melo, 41 - 15.º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

LIMITED REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of **Banco Comercial Português, S.A.** (the Group), which comprise the condensed consolidated balance sheet as of 30 June 2024 (that presents a total of 99,698,042 thousand euro and total consolidated equity of 7,627,093 thousand euro, including a consolidated net profit attributable to the shareholders of 485,282 thousand euro), the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the condensed consolidated interim financial statements.

Management's responsibilities

Management is responsible for the preparation of this condensed consolidated interim financial statements in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities

Our responsibility is to express a conclusion on the accompanying condensed consolidated interim financial statements. Our work was performed in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that we conduct the review to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

A limited review of condensed consolidated interim financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., sociedade anónima portuguesa e membro da rede global KPMG, composta por firmas membro independentes associadas com a KPMG International Limited, uma sociedade inglesa de responsabilidade limitada por garantia.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. Capital Social: 3.916.000 Euros - Pessoa Coletiva N.º PT 502 161 078 - Inscrito na O.R.O.C. N.º 189 - Inscrito na C.M.V.M. N.º 20161489 Matriculada na Conservatória do registo Comercial de Lisboa sob o N.º PT 502 161 078



The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of **Banco Comercial Português, S.A.** as at 30 June 2024, are not prepared, in all material respects, in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

Other matters

The consolidated financial statements for the year ended 31 December 2023 and the six-month period ended 30 June 2023, were audited, and reviewed by another statutory auditor. Our acceptance as Statutory Auditors to perform the audit for the financial year commencing 1 January 2024 occurred on 7 June 2024.

9 August 2024

SIGNED ON THE ORIGINAL

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A.
(nr. 189 and registered at CMVM with nr. 20161489)
represented by
Miguel Pinto Douradinha Afonso
(ROC nr. 1454 and registered at CMVM with the nr. 20161064)

H1 2024 Report & Accounts

© Millennium bcp

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